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14 Researching rural enterprise

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INTRODUCTION

This chapter is concerned with the topic of researching rural enterprise. As a subset of the literature of entrepreneurship, rural entrepreneurship and in particular rural enterprise is an emerging area of study.[1] Bryant (1989) makes an important point when he argues that the entrepreneur (and the entrepreneurial activity of other people) in the rural environment is crucial in sustaining the vitality of rural areas. Entrepreneurship in rural areas is influenced by the evolution of rural territories expressed by demographic, economic, cultural, infrastructure changes, as reflected for example by a continual decline of new entrants into farming, and population movements into or out of rural places. This distinction between entrepreneurship and enterprise is of importance because as we have shown elsewhere (McElwee and Smith, 2011), not all examples of enterprising behaviour actually constitute entrepreneurship per se. At a policy level, there is broad consensus that enterprise generates economic growth and vitality within an economy, and is fundamental to coping with and responding to broader changes in the organization and dynamics of economic activity and interaction (McElwee and Smith, 2011). Although regional and national economies consist of urban and rural components, much of the literature on entrepreneurship has an urban-centric focus which necessitates asking whether rural enterprise is a distinctive category of entrepreneurship in its own right. This urban–rural divide also exists in other disciplines such as criminology where a similar debate is slowly unwinding relating to whether rural criminality and thus the rural criminal is

a distinctive category in its own right. (See the works of Dingwall and Moody, 1999; Donnermeyer, n.d.; and Smith, 2010.)

We also recognize that there are many theories, models and explanations of what may or may not constitute ‘rural entrepreneurship’, but there are some theorists who challenge whether geographic context is a relevant variable in defining entrepreneurship. In addition, there is no clear definition of what constitutes a rural business [1]. This chapter therefore explores the issue of why and how a rural enterprise can be defined, in order to answer the question of whether rural enterprise can be framed as a distinctive category of entrepreneurship theory in its own right, and by doing so paves the way for future theorizing about the distinctive nature of rural entrepreneurship. Defining a rural enterprise is important because entrepreneurship, measured by indicators such as new firm formation rates, has been correlated with economic prosperity and growth of regions. Despite the urban-centric nature of much entrepreneurship research, entrepreneurship is not a solely urban affair or preoccupation. From our research we have developed an aperçus [2] that differences between urban and rural entrepreneurship and enterprise may result from deeply cultural issues such as socialization and related issues of social capital. In seeking to understand rural entrepreneurship and enterprise we may consider the main creative theoretical paradigms underlying entrepreneurship, namely opportunity, organizational creation, creation of value and innovation (see Verstraete and Fayolle, 2005), who highlight the complexity of the subject by exposing multiple possible inputs). This helps us better understand business, entrepreneurship and enterprise in rural areas.

Consequentially, we address this aspect of socialization with regard to the concept of rural enterprise by developing a conceptual framework that points to a typology of

rural enterprises and enterprise in rural economies influenced by social class [3]. The key argument underpinning the chapter is that rural enterprises *appear* to differ from urban enterprises and so should be seen and represented as a heterogeneous and multi-faceted phenomenon. Indeed the notion of ‘rural business’ as an identity may need to be challenged. Labelling an enterprise as ‘rural’ may suit certain commentators, for example, academics or policy makers, but does little to inform debate concerned with rural policy, for example.

Previous studies develop a descriptive taxonomy of what constitutes rural enterprise (see McElwee and Robson, 2005; McElwee and Annibal, 2010; and McElwee and Smith, 2011). This chapter will review some of the important literature and develop extant typologies into a more robust conceptual model which outlines two ways of differentiating between an ‘urban’ and a ‘rural’ business. The first consider the drivers and barriers which impact upon firm start-up, growth and decline in rural areas. We then support this by building a conceptual framework of different forms and types of rural enterprises, based on UK Standard Industry Classifications, (SIC) that highlight the heterogeneity of the phenomenon [4].

During this exploration we will ask pertinent questions, such as: does the rural enterprise actually exist? If it does, is it an artefact of the individual or of collective enterprise? However, our general research question is: what is a rural enterprise and is there any difference between rural and urban enterprise? Therefore, we review the concept of ‘rural enterprise’ and discuss models which emerge from the literature. To do this we present an extensive review of the literature, articulating what we know and identifying gaps in the literature whilst detailing practical policy implications to answer the all-important organizing question: what do we need to know in order to further develop our understanding of the phenomenon?

The chapter has four aims. First, it defines what constitutes a rural enterprise. Secondly, it explores those structures and processes which create the requirement for enterprise success by examining the drivers and the barriers which impact upon rural businesses. Thirdly, a conceptual framework is provided, and finally some policy recommendations are considered. This chapter addresses this lack of study of rural enterprise by developing a conceptual framework or typology of rural enterprises.

2. REVIEWING THE LITERATURE

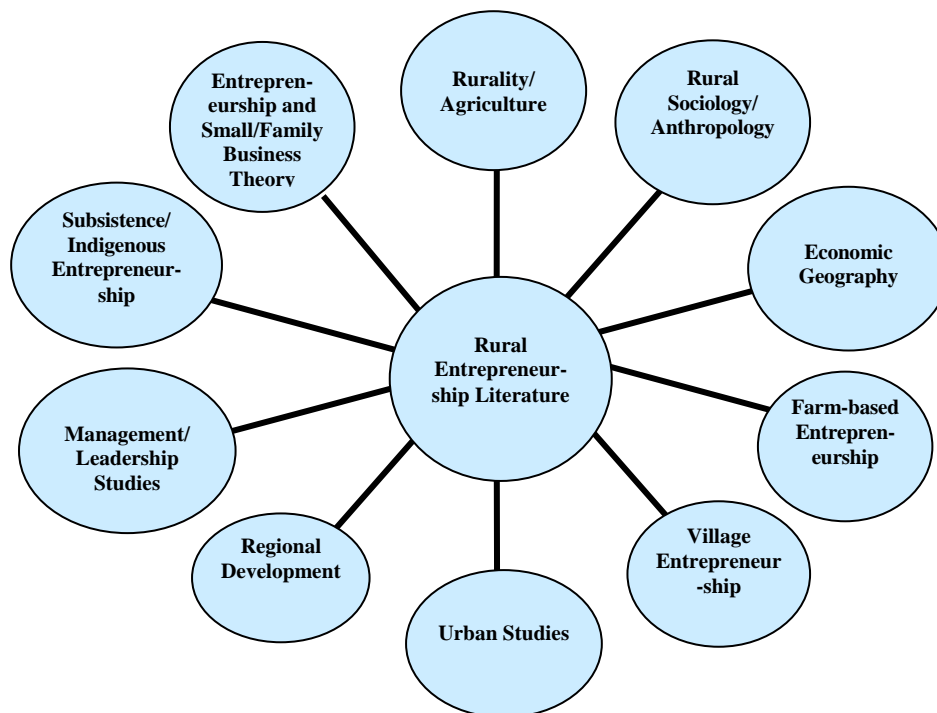
The literature on rural entrepreneurship and rural enterprise is an emerging field within entrepreneurship studies. A reading of the literature suggests that:

- The most significant commentaries on rural enterprise appear to be theoretical, with much of the literature framed in a theoretical perspective either through entrepreneurship theory or theories of family business.
- Many examples of rural entrepreneurship encountered in the literature are not labelled as such but are situated generally alongside examples of urban entrepreneurship where they are used interchangeably to illustrate points and to prove/disprove a particular theory.
- There are clear divisions in the literature between farm-based entrepreneurship and village entrepreneurship.[5] In both instances the question must be what characteristic, other than location, distinguishes farm-based and village entrepreneurship as being distinctly rural.
- Many studies of rural entrepreneurship are small scale, and case study methodology predominates. Many papers report on narratives of farmers and rural entrepreneurs as well as on small-scale projects of an enterprising nature.

- Rural entrepreneurship is a niche area of study and is often engaged in as secondary research projects by scholars interested in the field. This is important because it dictates that such research occurs sporadically and develops at a slower pace than other mainstream entrepreneurship research.
- Scholars engaged in research into aspects of rural entrepreneurship and enterprise come from a wide variety of disciplines including: sociology; geography; anthropology; entrepreneurship; leadership and management studies. This is important because scholars tailor their research to address the debates and audiences inherent in their particular disciplines.
- Thus, their research interests span many disciplinary debates including economic geography, regional development and rurality with the notion of the rural idyll casting a long shadow (Mingay, 1989). This is important because interdisciplinary debates draw on a wide variety of material and arguments drawn from other disciplines. Urban studies may be considered as the polar opposite of rurality.
- Moreover, although research into rural entrepreneurship can be published in a wide variety of journals it is not encountered in top-tier entrepreneurship journals and as a result accrues low citation counts.
- Examples of rural entrepreneurship can also be found in the sub-literatures of subsistence and indigenous entrepreneurship and there is a growing body of literature from China, Asia and Africa which impinges upon rural entrepreneurship

Thus the central question of the chapter is important given that much of the literature in academic journals and book chapters has a Western bias to it. Figure 14.1 is a

visual representation of the myriad of influences on rural entrepreneurship. It is of note that many of these influences allude to locational and geographical aspects [6].



Source: Author generated.

Figure 14.1 Influences on the literature of rural entrepreneurship

We now turn to consider whether the rural enterprise actually exists.

2.1 Definitions of Rural Enterprise

Having considered the influences on the literature we must now consider whether the rural enterprise actually exists. We begin with a discussion of some of the definitions

encountered. It is also helpful to discuss what it is not before considering what is rural. Having established clarity for the purpose of the discussion we consider which units of analysis are available to enable a refined literature review. For example, having considered various theoretical perspectives regarding the subject of locale it is necessary to consider other units of analysis such as: the business; rurality as a geographic variable; and the entrepreneur. This will enable consideration of whether there is a difference between a rural and non-rural entrepreneur.

This chapter explores the issue of how a rural enterprise can be defined and analysed. The notion of a rural enterprise is important because entrepreneurship, as measured by indicators such as new firm formation rates, has been associated with economic prosperity and growth (for example Gavron et al.,1998). However, at a policy level, there is broad consensus that enterprise generates economic growth and vitality within an economy, and is fundamental to coping with and responding to broader changes in the organization and dynamics of economic activity and interaction (Bolton, 1971; DTI, 2001; EC, 2003).

Despite this there is little discussion of the rural enterprise as a distinct concept and phenomenon: rural enterprise has tended to be equated with land-based businesses such as farms and agricultural related services. Where enterprise and entrepreneurship is explored in a rural context, studies have tended to focus on the dynamics and behaviours of individuals, often focusing on farmers as entrepreneurs within a rural setting (for example, Carter, 1996, 1999, 1996; Kalantaridis and Bika, 2006a, 2006b; Kalantaridis and Labriandis, 2004; McElwee, 2006a, 2006b, 2006c; McElwee et al., 2006; Carter and Rosa, 1998; McNally, 2001; Borsch and Forsman, 2001). A common theme in the literature is that the methods used to analyse business

entrepreneurs in other sectors can be applied to rural businesses such as farmers and village entrepreneurs. But is this so? It is helpful to consider the rural business.

2.2 The Rural Business

Within the literature of farm and rural entrepreneurship the business strategies of diversification and pluriactivity form a recurring theme. Atterton and Affleck (2010) in a large-scale empirical study of rural businesses in the North East of England found that 44 per cent of rural businesses reported conducting a secondary activity and 14 per cent were involved in a tertiary activity and that these secondary and tertiary activities were not always closely linked to their main business activity. Furthermore, Atterton and Affleck (2010) argue that this activity has been stimulated by successive EU rural development programmes and stress the extent to which economic diversification strengthens rural economies. They state that ‘The positive impact of this multi layered activity on individuals, households, business supply chains and rural communities and the ways in which they are interrelated and mutually supported must be acknowledged’.

Clearly what is not explored is the geographical location of a rural venture to determine its economic and social impact and the extent to which the rural venture differs from an urban venture. In real terms the distinctions between rural and urban enterprises is arbitrary. It is the nature of the endogenous and exogenous factors which influence the potential strategic capability and activity of the enterprise. The internal factors are personal characteristics – qualities and skills of the entrepreneur. External factors, many of which are outside the control of the individual entrepreneur, include the activities and processes undertaken by the entrepreneur, the characteristics of the enterprise itself, policies, markets and environmental factors. Using this

distinction we suggest that there is little difference between a rural and non-rural enterprise in terms of structure or the characteristics of the individual entrepreneur; it is the exogenous factors which are different for rural ventures and may well have significant impacts on start-up, growth and failure rates. These will be discussed in more detail below.

2.3 The Rural as a Geographic Variable

There are multiple constructions of both the rural and rurality (Philo, 1992). Rural has been depicted as 'global mediascape', (Appadurai, 1996) and social construct (Little and Austin, 1996) or cultural (van der Ploeg, 1997) construct. Other definitions have attempted to produce quantifiable measurements of rural and rurality, using measures such as regional productivity, population and firm output, and use regional area and population criteria. The 'State of the countryside' report, for example, (Commission for Rural Communities, 2005) divided rural England into three categories using a metric of population sparsity as a means of distinguishing between different forms of rural area (sparsely-populated; sparse; non-sparse). Defra's (2004) definition of rural (in the UK), introduced in 2005 produces a classification of six types of rural area: town (less sparse); town (sparse); village (less sparse); village (sparse); dispersed (less sparse); dispersed (sparse).

According to the EU standard definition, more than 91 per cent of the territory of the EU is 'rural', and this area is home to more than 56 per cent of the EU's population (Rural Development Policy 2007–2013). Over 56 per cent of the population of the 27 Member States of the European Union (EU) live in rural areas. Nevertheless, defining a rural enterprise in itself is problematic, and for the purpose of

this chapter we suggest that a rural enterprise is a venture which has the following characteristics:

- whose primary location is in a rural setting;
- which employs people within a specified travel to work area;
- which contributes to gross value-added (GVA).

A working definition would suggest that a rural enterprise employs local people, uses and provides local services and generates income flow to the rural environment. This definition suggests that rural enterprises provide a value adding function to both their local economies and, in the case of larger ventures, to wider economies and markets. A village shop therefore would constitute a rural enterprise; a self-employed person who is, for example, a home worker in the creative industries and is domiciled in the rural area and does not utilize services is not. Clearly the latter may add value to other rural economies. In later sections when looking at SIC classifications we conclude that there are very few ventures that cannot be undertaken in both rural and urban economies. To overcome this problematic, our unit of analysis is the enterprise, not the entrepreneur.

It is significant that population densities provide a more nuanced characterization of rurality than population size overall. Rural areas have been defined as those settlements with fewer than 10 000 inhabitants, for example, when population size measures were used instead of density/dispersion measures. Cosh and Hughes (1996) have used the following categorization, using the logic of population size: conurbations; large towns (built-up area population of 150 000 or more); small towns (between 10 000 and 149 999 people); and rural areas with fewer than 10 000 people.

2.4 The Rural Entrepreneur

Research into the characteristics of the rural entrepreneur indicates that time and perception of time may be an issue. For example Smith (2009) suggests that rural entrepreneurs are often viewed as possessing bucolic qualities, in keeping with the slower pace of life in rural areas. Indeed, research by Smith (2009) suggests that village entrepreneurs operate at a slower pace than urban entrepreneurs but generate ‘slow capital’, which ensures that their businesses are relatively stable. There is a need to conduct further research into issues such as what influence a rural upbringing has on character, entrepreneurial propensity, risk-taking propensity, and on the service ethic. From our personal and research-based experience we appreciate that social class in urban areas has been under-researched. For example the rural labour force tends to have a service ethic involving working long hours and even working reciprocally for little or no financial gain. Conversely, the entrepreneurial owner/managers, and in particular farmers, have a greater propensity to take risks and start businesses than do rural employees because they have been socialized differently.

Having concentrated on definitions of rural enterprise and having considered various possible units of analysis such as the theoretical frame, the business, the locale and the entrepreneur, it is helpful to consider drivers of rural enterprise.

2.5 Drivers of the Rural Enterprise

There are differences in the strategic capability of small businesses, depending on whether or not they adopt an entrepreneurial attitude (Garcia-Morales et al., 2006). Within the land-based sector, for example, this entrepreneurial attitude is often missing. This is significant because many rural entrepreneurs do not develop the entrepreneurial skills or capabilities necessary for the personal mastery,

transformational leadership, shared vision, absorptive capability, teamwork and organizational performance necessary for entrepreneurial growth. Indeed, rural SMEs could be described as problematic in this respect. Moreover, within the rural business sector there is an absence of what Rohloff (2005) refers to as 'enterprise architecture'.

Furthermore, Winter (2003) differentiates between ordinary capabilities which allow a firm to make a living and dynamic capabilities which permit a firm to grow entrepreneurially. Indeed, Teece and Pisano (1994) developed this concept of dynamic capabilities to explain how small firms gain competitive advantage. Dynamic capabilities consists of two components: (1) the shifting character of the environment; and (2) the key role played by strategic management in appropriately adapting, integrating and re-configuring internal and external organizational skills, resources and functional competences toward changing environments. The dynamic capabilities of rural strategic business units (SBUs) differ from those in other industries (Teece et al., 1998; Teece and Pisano, 1994). Thus land-based and rural entrepreneurs often do not have a working knowledge of the concept of strategic entrepreneurship (Eisenhardt and Schoonhoven, 1996; Hitt et al., 2001) and many have yet to develop a strategically based entrepreneurial mindset. McElwee and Smith (2011) developed a segmentation framework which sought to determine what these skills are. The framework identified a gap analysis of the core skills that rural businesses possess and the skills and support that they may need in order to become more entrepreneurially aware. This skill-based inventory is helpful because it suggests that there may be cultural issues at play, such as social capital. A number of drivers of development in a rural regional and local economy have been identified and discussed in the literature. These are shown in Table 14.1.

Table 14.1 Drivers of rural success

Drivers	References
Employment and skills	The Treasury (2001), Boddy et al. (2005)
Investment	The Treasury (2001), Boddy et al. (2005)
Innovation	The Treasury (2001)
Enterprise	The Treasury (2001), Kupiainen (2000)
Competition	The Treasury (2001)
Economic capital	Falconer (2000), Poot et al. (2006), Agarwal et al. (2004)
Human capital	McElwee (2008), Agarwal et al. (2004)
Social capital	Agarwal et al. (2004), Lowe and Talbot (2000), McElwee (2006a)
Cultural capital	Agarwal et al. (2004)
Environmental capital	Agarwal et al. (2004)
Mobility	Maskell et al. (1998) Boddy et al. (2005)
Travel time and peripherality	Boddy et al. (2005)

The OECD (1996) suggests that less tangible factors are the reasons why rural areas with very similar characteristics can exhibit differences in economic performance. According to Defra (2005), rural areas can display significant strengths socially and economically. From this perspective they are likely to have attractive housing, good labour relations, lower wages, lower rental and premises costs, and greater space for business expansion. The ‘quality of life associated with living and working in a rural environment can have a positive impact on competitiveness because these attributes attract entrepreneurial incomers who energise business, political and cultural life, leading to positive developmental changes’ (Agarwal et al., 2004). As Maskell et al. suggest, ‘some geographical environments are endowed with a structure as well as a culture which seem to be well suited for dynamic and economically sound development of knowledge, while other environments can

function as a barrier to entrepreneurship and change' (1998, p. 181). However, this rosy picture is flawed as we shall see below.

Rural development, in summary, is influenced by multiple factors, and can be explained and analysed in different ways and from varying perspectives. Enterprise in the rural economy is clearly driven by rates of new venture formation, and there is a clear and well-established link between business start-up dynamics and local economic development in urban environments. It is influenced by standard market factor inputs and dynamics, such as those used by HM Treasury to conceptualize and analyse economic growth and development, as stated in the Blue Book and Green Book frameworks for analysing the economy and assessing the impacts of intervention. Nevertheless, there are barriers to rural enterprise which must be taken into consideration.

2.6 Barriers to the Rural Enterprise

Setting up a business necessitates creativity and persistence, whereas developing a business requires more advanced management skills, such as efficiency, effectiveness and reliability. There are significant barriers to entrepreneurial activity in the UK. These can be classified as internal organizational difficulties, or a lack of access to external resources. It is well known (in Gray, 1997, for example) that owners and managers of SMEs are generally lacking in the fundamental skills of financial management, human resource management, quality management, marketing and planning (Bolton, 1971; Stanworth and Gray, 1991; Storey, 1994; North et al., 1998). Being responsible for all these functions in a small firm can very easily lead to management ineffectiveness and inefficiency. In seeking to access resources, SME

owner/managers in various regions of the UK report difficulties in accessing skilled labour (particularly in information technology), finance, and advice concerning legislative or strategic issues (Lloyds TSB, 2000). Taking all these difficulties into account, it is therefore hardly surprising that many owner/managers of SMEs and micro-organizations prioritize lifestyle considerations over growth (Gray, 1997). Recent research in the farm sector in the UK (McElwee and Annibal, 2010, and Vik and McElwee, 2011) suggests that farmers are similarly weak in these skills, particularly business and management skills, and experience great difficulty in accessing and recruiting appropriate labour.

It is important to consider barriers confronting entrepreneurs in the rural environments and the strategies that can be used in order to overcome these barriers (for example change of strategic business direction, diversification, specialization or other strategies such as mergers). A barrier can be defined as a phenomenon – political, social, economic, technical or personal – that places a restriction, either permanently or temporarily, on the potential of the individual to develop the business (McElwee, 2006a). Specific potential barriers to the development of the enterprise include those shown in Table 14.2. Barriers will differ for different enterprises depending on the personal and business characteristics of the individual entrepreneur and enterprise.

Table 14.2 Barriers to the development of the enterprise

Barriers	References
Access to distribution channels	McElwee (2008)
Capital requirements of entry	Gasson (1988), Rantamäki-Lahtinen (2002)
Economies of scale	Kupiainen (2000), McElwee (2008)

Geography and proximity to markets including labour markets; skills/education	Maskell et al. (1998)
Inward investment	OECD (1996)
Lack of entrepreneurial spirit	
Legislation and regulation	Falconer (2000), Poot et al. (2006), European Commission (1996), Atkinson and Hurstfield (2004)
Limited access to business support	Lowe and Talbot (2000), McElwee (2006a)
Poor management skills	McElwee (2008)
Position on the 'experience curve'	Kupiainen (2000), McElwee (2006a)
Retaliation of existing businesses and Competition between firms and areas	Sikorska (2001)
Security	European Commission (1996)
Travel time and peripherality	Maskell et al. (1998)

It is of note that many of these barriers and uncertainties listed in columns 1 and 2 in Table 14.2 which are experienced by Strategic Business Unit (SBU) owners and rural businesses are external factors which lie outside the control of lone entrepreneurs. These barriers are a mixture of financial, technological, legal, political and environmental. The notable exception is that of 'position on the experience curve' listed in column 1, in that experience can be easily hired if finances permit and there is a skillset available, which is not something than can be relied on in rural regions. However, all the criteria favourable to entrepreneurship listed in column 1 in relation to strategic capacities can be operationalized by the individual SBU owners. It must be stressed that although the factors listed in column 1 all encourage entrepreneurship, growth orientation is a consequence of innovation rather than a prerequisite to it.

In addition, community changes in the rural economy are becoming more evident as the sector does not appear to regenerate its ageing population. Although in-

migration of new entrepreneurs may mitigate this, in some areas entrepreneurs continue to run their sole business whilst taking paid employment either within their own sector or outside of the sector; this is particularly the case in the land-based sector as farmers will act as agricultural sub-contractors. The inevitable consequence is that the management of the business suffers because of the reduced time spent on it, leading to negative perceptions from other actors who have a stake in the success of the enterprise which may or may not be financial, for example rural pressure groups. Notwithstanding these barriers, the contention is that rural businesses do not systematically access business advice networks and they are less likely to access opportunities because of limited social networks that have experience of diversification into new business ventures. This contention has been developed in other business sectors. For example, Curran (2000) argues that despite claims that policies and support help develop a strong enterprise culture and promote economic prosperity, the precise outcomes of these policies have been difficult to determine. All these factors militate against small rural businesses developing an entrepreneurial mindset and their strategic capabilities to engage in strategic entrepreneurial activity.

Moreover, whilst many rural businesses are participating in entrepreneurial activities, strategies tend to be reactive rather than proactive. This finding aligns with those of Aloulou and Fayolle (2005) in their study of entrepreneurial orientation in small business contexts. The reasons for this need to be further explored.

This highlights the lack of an 'Enterprise Architecture' as identified by Rohloff (2005). As a consequence there is little professional interaction with other rural entrepreneurs who have experience of diversification into new business ventures.

Support is more likely to be sought from family and friend networks before public sector agencies. Poor and inconsistent advice prevents many rural businesses from

attempting to expand their business and furthermore rural entrepreneurs tend to utilize a very small group of trusted advisors and do not use social networks for financial advice.

The management of the small enterprise is of special interest. Small businesses may have been owned or managed within the same family for generations. This ownership/management role has militated against small businesses being entrepreneurial as they have been 'locked into a way of being', and have enjoyed a relatively secure pattern of work. It is hypothesized that historically the motivators have not been overtly financial: owning a business and being solely responsible for the health of their own endeavour has been a major determinant of personal success. Furthermore a historical vacuum of strategic planning compounds the pressures of the prevalent socioeconomic factors: they have not needed to do so. This relative safety has changed. The primary motivator for many entrepreneurs now is one of business and personal survival.

In the past rural businesses have not needed to raise capital from sources external to the family network. As Casson (1980) has cogently argued, the family is the potential source of risk capital – capital, labour and information. As a consequence this provides advantages to the enterprise. Although this is not a simplistic analysis, it perhaps ignores some of the more political nuances of family life. In more recent years the 'natural inheritance' of the rural business has been eroded as a consequence of children becoming more mobile. Property prices in villages and rural communities have escalated, precluding ownership by indigenous community members. Of course the incentive to remain in a business where the annual returns decline year on year is minimal. These factors all point to a pressing need to reinvigorate the entrepreneurial spirit and strategic capabilities of rural entrepreneurs and to encourage diversification

and growth, coupled with support by rural communities. Of course in order to gain this support, rural entrepreneurs need to recognize that they do not have monopolies on customer loyalty. They must provide timely and consistently high quality service at affordable and competitive prices. Moreover they must be able to understand the value of their product or service, be able to network and engage in strategic thinking.

3. DEVELOPING A CONCEPTUAL FRAMEWORK

CLASSIFICATION OF THE RURAL ENTERPRISE

Building upon the literature review, in this chapter we report on ongoing research into what exactly constitutes ‘rural enterprise’ (see McElwee, 2008; McElwee and Robson, 2005; McElwee and Annibal, 2010; and McElwee and Smith, 2011). The chapter itself is a development of earlier qualitative studies of rural entrepreneurs in the UK in regions of North Yorkshire (McElwee, 2006a), in the county of Lincolnshire (McElwee and Robson, 2005), and a review of business support to rural businesses in Cornwall (McElwee and Annibal, 2010). These studies concluded that rural entrepreneurs in these regions of the UK are faced with a number of key barriers to their entrepreneurial capacity as reported above. These barriers, which differ according to the size of business, geographical location and the topography of the land for example, are outlined in this chapter. We develop here the taxonomy into a conceptual framework. The early framework we developed was informed by a survey of 600 rural businesses in 2007 in North Yorkshire and the East Midlands in which farm-based businesses were asked about their diversified activity. The results, indicating 350 different types of business activity, demonstrate the heterogeneity of rural businesses.

Our initial typology concerned agricultural related activity, particularly those which related to diversification. We present a revised version in Figure 14.2.

Diversification outside the sector	Rural tourism/coun tryside skills
Farm-based activities	Farm-related activities

Figure 14.2 A taxonomy of rural diversification opportunities for the farm-based business

Thus far, we have examined definitions, depictions and discussions of rural enterprise and the rural economy. In this section of the chapter we develop an outline framework for characterizing the rural enterprise, based on our prior work and review of the literature. The framework seeks to integrate and synthesize the preceding discussion of enterprise and the rural economy into a single means of representing its many dimensions and particularities. Recognizing the inherent heterogeneity of the notion of rural, and seeking to develop a means of ‘making sense’ of this diversity in a structured way (Weick, 1995), the framework will be used to build a conceptual typology of rural enterprises.

One of the insights we have gained in our ongoing research is that rurality cannot be defined solely by SIC codes. The relative distribution of SIC codes, from A to Q,

and hence the 'spread' of economic activity, can be broadly the same in rural and urban areas; however, the intensity and overall scale of economic activity of some of the activities in those coded areas is clearly lower in rural areas. This suggests that entrepreneurship exists throughout the rural economy, but is more diffused than in urban areas.

In many rural businesses the issues of 'social capital' (Coleman, 1988; Portes, 1998) and 'socialization' play a large part in decisions as to whether one can or cannot start a business. It often takes the possession of several sources of capital to take the step into business. For instance in agriculture and forestry one must either possess sufficient capital to buy or lease the land, own it, or inherit it. Regarding rural pursuits such as hunting and fishing, one can rent the rights. Falk and Kilpatrick (2000) define social capital as an accumulation of the knowledge and identity resources drawn on by communities-of-common-purpose. In this respect, the notion of 'inherited social capital' is of importance because it is a type of capital inherited from parents and relatives in the form of shared business contacts, inherited attitudes and identification with a group (Fafchamps and Minten, 2001). Inherited and rural social capitals are examples of what Westlund and Bolton (2003, abstract) refer to as being a 'spacebound social capital'. It is also related to the notion of 'entrepreneurial social capital' (Firkin, 2003; Stringfellow and Shaw, 2009). Although entrepreneurial social capital is applicable in both urban and rural settings it is apparent that rural social capital is space bound and is imbued with important special attributes which pertain to rurality.

For Anderson and Jack (2002) social capital is a process governed by a social etiquette and in the case of rural (or urban) social capital the etiquettes which govern it will be different from, say, urban or criminal social capital. In this case it is a

distinctly rural etiquette and indeed a form of rural social capital. Inherited social capital is also related to what Salvato and Melin (2008) refer to as ‘family social capital’. Indeed, Sharp and Smith (2003) refer to farmers tapping into neighbourly relations with farm and non-farm neighbours. Falk and Kilpatrick (2000) refer to social capital as being processes of social interaction which can be turned into hard and soft outcomes. Inherited social capital is therefore an amalgam of social, cultural and human capitals (Robison et al., 2002).

Table 14.3 presents some of the barriers imposed on rural enterprise which result from issues arising out of the various forms of social capital identified from a perusal of the data we collected in earlier work – these include financial capital; property related capital; inherited social capital and skills based capital.

Table 14.3 Barriers imposed by ability to access the types of capital required to start up a rural business

Financial capital (established money)	Property related (ownership of land)	Inherited social capital (rural social capital)	Skills-based capital (rural skills)
The first barrier is fiscal. In many rural businesses the profit margins are limited. Therefore access to this type of start-up capital is a must for all business start-ups irrespective of whether it is a rural or urban business venture. Such ‘accumulated family money’ is common. In successful farming families (e.g. in entrepreneurial farming families and in the families of gentlemen farmers) there is more access to this type of capital as money accrues within the familial structure. Also	The second barrier is land related. In rural areas the ownership of land is concentrated mainly within a few privileged communities – namely the landed gentry; established farming families; and financial institutions. This makes breaking into farming and many farm-related businesses difficult because many ancillary rural businesses require access to property and land. Often the meagre profit margins make renting unrealistic. An old farming adage is that the only way an incomer can gain a	In many rural small businesses the issues of inherited social capital and rural social capital act as further barriers to those seeking to start up a rural business (see below for a full description of both terms). Inherited social capital relates to those intensely socialized aspects of capital acquisition. It relates to the social cachet gained from being born into established farming families and communities. From a networking perspective it is easier to make business contacts when customers have dealt	Many but not all rural businesses require the business owners to acquire particular skills associated with rural crafts and practices (e.g. dry-stone walling or blacksmithing). Yet other skills are craft based or profession based. These skills can often be learned as hobbies, through apprenticeships or by attending evening classes or college courses. Whatever route chosen, learning the skills is time intensive and it can take years before the person can perform to the level required to

<p>there is a tendency of wealthy farming families to be well represented in other rural, village and small-town business fraternities. This is not the case in crofting, rented and marginal farming communities. This type of independent venture capital makes it easier for members of such families to start up a rural business. Many rural businesses are risky in that geographically they rely on small/niche markets with a finite number of customers. This barrier can only be overcome by established/moneyed families.</p>	<p>foothold in farming is to marry a farmer's daughter. However, the downside of this is that rural buildings (particularly near derelict buildings) are cheap to rent. One of the problems with this type of capital is that prime agricultural land and prime rental sites are scarce and as the first rule of business is said to be location, location – then the ideal site for a business in terms of proximity to the market/customers cannot be guaranteed.</p>	<p>with one's families and relatives for generations. It can include acceptance into informal networking groups such as Young Farmers or Masonic lodges. It can relate to absorbing and exploiting many discrete sources of knowledge about rurality and rural ways. At another level it can relate to an ability to connect other forms of social capital to advantage. This is known as 'nous' in many occupations. Paradoxically, it is an intensely personal and collective form of capital. It belongs to the individual but can be withdrawn by the collective. This is the most difficult form of capital to accrue as being accepted can take generations.</p>	<p>master the craft/trade to such a level that it satisfies the paying public. This is the easiest capital barrier to overcome but a potential barrier nevertheless.</p>
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It is apparent from a perusal of the contents of Table 14.3 that the four different types of capital required when attempting to start up a rural business as opposed to other types of business require the possession of different types of capital, and one often needs to possess several types of capital simultaneously. In many instances this makes starting up a rural business more problematic than many urban businesses. See Table 14.4 for a comparison of how related social capitals influence the ease of starting a rural business.

Table 14.4 A comparison of how related social capitals influence the ease of starting a rural business

Type of business	Description of business activity	Business start-up: accessibility
Farm-based businesses	Such businesses have an obvious connection with agriculture. They may be land based as in rental (temporary)	In assessing the accessibility of such businesses care must be taken to take cognisance of the following necessary

	<p>of land or be knowledge based as in Consultancy and Contracting work or machinery rings. They may be subsidiary businesses as in: agricultural engineering; farm shops; haulage; auctioneering; agricultural merchants; milling; agricultural traders; grain drying/storage; cheese/yogurt production; farm holidays; turf farming; livestock breeding; labour recruitment (Gangmasters); or may be livestock related as in rearing cows; sheep; pigs; goats; or poultry.</p>	<p>sub-classifications – whether the farm is owned or rented; size of farm; whether it is family owned or owned by an institution. Time is also a constraint on farm-based businesses because livestock farming and breeding activities make farming a time-intensive business. Arable farms are less time intensive and are often time intensive only at particular seasons. Farming is a capital-intensive industry making raising finance difficult. When one adds the property dimension and the issues of inherited rural or social capital and the acquisition of skills-based capital it is hardly surprising that it is difficult to break into farming.</p>
Forestry	<p>Despite the hegemony of the Forestry Commission in this industry many such businesses are often conducted on a small scale by farmers, landowners and other industry insiders such as freelance loggers. Other businesses are commercial Christmas tree growers and nursery businesses. Consultancy work such as woodland management.</p>	<p>Similar constraints make forestry a difficult business to break into because it is also capital intensive and one must own or rent the land on a long-term basis. Like farming, although one can easily gain experience in the industry via working from the ground level up it is extremely difficult to find the finance, the backers and the land necessary to capitalize on an opportunity.</p>
Mining	<p>Farmers, landowners and other entrepreneurs often engage in small-scale quarrying for aggregates and to a lesser extent in mining.</p>	<p>As with farming and forestry the same rules apply. Making it difficult to break into for newcomers.</p>
Property based	<p>Such businesses include: property management; factoring; storage; property speculation by buying or converting owned rural properties for sale; property rental businesses such as letting domestic property on a full-time basis; letting holiday homes; commercial lets of sheds/outbuildings; warehousing; workshop rental; buy to rent; the provision of student accommodation or workmen's camps; caravan rentals to social security clients; caravan storage; the provision of private car/lorry parks and allowing communication masts to be built. An unusual example was a pet crematorium.</p>	<p>This is an area of rural business where farmers and other types of land and property owners have a distinct advantage over incomers in that they often have the necessary finance, property and connections to capitalize on opportunities. However, smaller scale property owners such as crofters and house owners can also dabble in property speculation. However, genuine opportunities are limited. The high price of rural property and land in areas where commuting is possible make buying rural property expensive. For example rich urban businessmen and professionals often move to the country particularly if there is a small parcel of land for equestrian pursuits.</p>
Rural pursuits	<p>Such businesses cater for rural pursuits such as hunting, fishing and other country sports. Garden/activity centre/paintballing. These include equestrian businesses such as stables/shops/livery/haulage/tourism/pony trekking/stud. This category also accommodates small-scale cottage</p>	<p>Many such businesses are also monopolized by the established farming and rural business communities for the reasons discussed above. Nevertheless, this is an area where it is possible to break into the rural business community. Often this type of business attracts immigrants.</p>

industries such as beekeeping.

Trades	Such examples include: butchers; bakers; florists; garage business; transport; builders; joiners; electricians; construction; plant hire; builders/construction/civil engineering/demolition.	This is an easier area of rural business to break into given that one only requires a small amount of capital, premises and a skill to trade. Villages are an ideal place to situate such businesses but there is often existing competition to overcome.
Hotel and tourism	Hotels; public houses; B&B; craft type businesses, tea rooms and shops. Leisure/tourism businesses such as golf courses and country stores. The provision of campsites and log cabins is also common.	This area of rural business can be accessed easier particularly if there is the start-up capital available within the family or if the property is owned by a family. Bed and breakfast and craft type businesses are an easy first business but larger scale hotel and tourism businesses are problematic financially. Such businesses are constrained by issues of place.
Generic: services	This type of business includes: shops; catering/cafés; tea rooms/private car hire/mail order/IT, computer and web page design; education and training; insurance and financial advice; beauty treatment; nursery (children); landscape gardening, lawn mower sales; and off-road vehicle sales and repairs.	This is an area of rural business which can be readily accessed and often requires modest start-up capital and experience. However, due to the rural location customer numbers and profit margins can be limited. Often such services are not rural specialisms and can be operated from any location. Many businesses can be operated from home.
Generic: manufacturing	These types of businesses are generic and are not ostensibly rural. The main factor here is that the cost of the business unit is generally lower than in urban areas. Examples encountered included: brewing; publishing and printing.	These businesses are not ostensibly rural businesses and can be operated from anywhere. They require the possession of capital, property and industry-specific knowledge.
Green enterprises	These businesses are mainly focused on the provision of alternative energies and sustainability. Examples include: windfarming; energy crops; waste management; environmental consultancy; vermiculture; biofuels and miscanthus production; green waste/burial; recycling; and composting green waste.	This is a new type of business which is usually operated in rural areas – again one requires financial capital, property assets and an industry-specific skills base.
Social enterprise	Examples of such enterprises actually span many of the above categories and are generally started by third sector and community groups. Cafés and tea rooms and rural business centres are mentioned.	This is a new type of enterprise which is taking hold in rural areas. Often they are operated by third sector organizations and charities although community groups such as village councils are becoming involved.
Atypical enterprises	These include aviation businesses and tobacco products.	Such businesses can be operated anywhere but given that due to legacy issues from WWII there are many rural airstrips then it is only to be expected that there will be such atypical businesses in the rural area.

Thus it can be seen that access to starting up a rural business can be restricted by virtue of the fact that access to financial capital and property in rural areas is difficult. Many of the businesses also require the business owners to possess inherited social and rural social capitals. This leaves only a small number of trades and generic business service opportunities to be pursued. It would appear that the factors which dictate whether a business can be labelled a rural enterprise relate more to the nature of the intangible assets associated with social capitals. The importance of the discussion in this section is that it develops the previous typologies by taking cognizance of the degree to which a business can be considered rural in relation to its tangible and intangible facets. It suggests that rural enterprise occupies a distinctive social space, or social geography, closely linked to (but not dependent on) its actual geographic position. Therefore it may occupy a distinctive social space as well as a geographic space. See Figure 14.3 for a visual representation of the taxonomy.[8]

TANGIBLE ASSETTS		
FINANCIAL CAPITAL (Non-geographically bounded and can be liquidated).	PROPERTY RELATED (Geographically bounded but can be sold and transferred – is the property located in the rural area?).	SKILLS BASED CAPITAL (Belongs to the individual but can be traded in exchange for other capitals – is there a rural element to it?)
INHERITED SOCIAL CAPITAL (Belongs to the person but may not be transferable)	ENTREPRENEURIAL SOCIAL CAPITAL (Accrues to individuals and families – where was the capital accrued?)	RURAL/URBAN SOCIAL CAPITAL (Geographically constrained – where was the capital accrued?).
Family Social Capital		Farmers/Village Mentality
INTANGIBLE ASSETTS		

Figure 14.3 A taxonomy of rural-based enterprise

Furthermore, all enterprises, irrespective of whether they are rural or urban, require the owners and staff to possess financial, property and skills-based capitals. These are tangible but it is the intangible social assets such as the possession of inherited social, entrepreneurial and rural capitals which imbue the rural enterprise with its distinctly rural nature. The rural urban divide is ingrained but is socially constructed on a one-way basis. For example we can envisage urban sprawl and the peri-urban domain but rurality does not encroach on an urban setting unless it is abandoned. A rural business situated in an urban setting is difficult to envisage but not vice versa. However, far from being the easiest business domain to enter, rural business enterprises are more constrained by the social than the urban. Although financial, property and skills-based capitals act to prevent would-be entrepreneurs, whether of a rural or urban disposition from easily setting up in businesses, it is the intangible and perhaps immeasurable aspects of social capital such as family social capital or whether one has been socialized into an entrepreneurial family environment or raised to possess a farming mentality which dictates whether one's business will be designated as a rural enterprise. This is important because the possession of a farmer's or a village mentality is often regarded as being anti-entrepreneurial.

This taxonomy of the rural enterprise based on a complex alchemy between the tangible elements (economic capital, which is bound to the property, rural basic skills, social legacy, entrepreneur's social capital, urban/rural social capital) and the intangible elements (family social capital and the mindset of farmers/of the villages) is a useful heuristic device to help us analyse the complexity of rural enterprise.

4. CONCLUSION

This chapter makes a contribution to the literature because it examines rural enterprise as a seldom explored issue to help us understand to what extent rural enterprise is differentiated from urban enterprise. It brings many issues, particularly in terms of local development policies and understanding of human activity (and especially entrepreneurial activity) placed in a context where the rural areas are evolving because of economic and demographic factors. This serves to highlight the complexity of the issue and the multidisciplinary (sociology, geography, economy, management science) of the topic area. As Beaver and Ross (2000, p. 25) have argued, ‘the management of small firms is unique. It bears little or no resemblance to management processes found in large organisations’. Whilst this is not a comparison of the management of small firms to the management of the rural enterprise, it may be suggested that more detailed investigation is required because its characteristics are unusual. Also, given that rural enterprise can occur without the presence of a small firm as a legal entity, it is important to develop a fully integrated typology of rural enterprise. This chapter makes another incremental contribution in attempting to incorporate land-based enterprise with traditional small and medium enterprise activity. It does not, however, integrate the illegal rural enterprise (McElwee et al., 2011).

To conceive rural business as a homogeneous group is a mistake and hinders policy development. Whilst Beaver and Ross may be correct to suggest that in smaller enterprises management is a personalized process which is characterized by the prejudices and attitudes of the owner/manager and that the ‘nature of managed activity depends on the characteristics of the person fulfilling the role’ (ibid., p. 26), it

is perhaps more difficult to accept the thesis that expansion or contraction is dependent upon the needs and personality of the owner/manager at least in the small sector. In short, the barriers preventing rural entrepreneurs needing to act and think strategically are multi-faceted; some of these have been explored here.

We now turn to answer the questions set earlier in this chapter and in particular whether rural enterprise can be framed as a distinctive category of entrepreneurship in its own right. Perhaps yes, perhaps no – the jury is still out, although we still instinctively believe that it can be in certain instances, particularly when one invokes the label ‘rural’ as a distinctive category. Although theoretically entrepreneurship is amoral and is a near universal ‘life theme’, we simply have not been able to review all the necessary literature to answer the question definitively in this chapter. We have begun the process but it would take a major study published in the format of a book, a doctoral study, or perhaps even a funded study to do justice to the subject. However, it is possible to make some tentative observations on the nature of rural enterprise and rural entrepreneurship. Basically many of these are market orientated problems and have to do with issues of time and space. In relation to the ancillary questions, such as does the rural enterprise actually exist, it is possible to observe many typically urban type businesses replicated in rural areas but not vice versa [9]. Frustratingly, rural entrepreneurship can be an artefact of the individual or of the collective. It can be caused by issues of time, space and social constructionism. The main difference between the ideal typical rural enterprise and the stereotypical urban business is that related to the geography of space and place as well as to perception. We have constructed a conceptual typology which can determine how rural a rural enterprise is. We have also identified further drivers and the barriers which impact upon rural businesses.

This chapter has shown that this sector is a complex area. A framework has been provided which can be used as a basis for empirical research. The chapter suggests that rural entrepreneurship is a special case in the entrepreneurship discipline.

The longer-term goal is to attempt to map the skills and competencies of rural entrepreneurs with a view to informing policy. A major challenge for the sector is to enable business owners to develop their entrepreneurial skills. This requires economic support and a greater emphasis on education and training via the development of a vibrant enterprise architecture as well as the continuing support of entrepreneurship scholars interested in researching rural enterprise. This chapter provides an overview: although the rural enterprise seems to be different from the urban enterprise, space precludes a fuller discussion. It is difficult to be definitive because entrepreneurial activity relates first to the individuals who drive it, their cultural, social, economic specificities, and the relationship with their geographic and social environment. However, Bruyat (1993) proposed a conceptual framework using a procedural approach to demonstrate the ongoing interaction between the individual (the entrepreneur), the object (the company), and the environment in which he/she acts. Moreover, in asking questions relating to entrepreneurial particularism linked to the geographical, economic and social specificities of the rural territory, we demonstrate the relevance of human sciences disciplines such as sociology and anthropology to better understand the entrepreneurial phenomenon.

NOTES

[1]. It is of note that although Figure 14.1 shows the elements that affect rural entrepreneurship literature it is beyond the remit of this chapter to map and review the research mainstreams that influence the scientific directions of current publications on the topic (reviews, the number of publications, themes addressed, etc.).

[2]. It is of note that although Figure 14.1 shows the elements that affect rural entrepreneurship literature it is beyond the remit of this chapter to map and review the research mainstreams that

influence the scientific directions of current publications on the topic (reviews, the number of publications, themes addressed, etc.).

[3]. It is of note that although Figure 14.1 shows the elements that affect rural entrepreneurship literature it is beyond the remit of this chapter to map and review the research mainstreams that influence the scientific directions of current publications on the topic (reviews, the number of publications, themes addressed, etc.).

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[6]. It is of note that although Figure 14.1 shows the elements that affect rural entrepreneurship literature it is beyond the remit of this chapter to map and review the research mainstreams that influence the scientific directions of current publications on the topic (reviews, the number of publications, themes addressed, etc.).

[7]. It is of note that although Figure 14.1 shows the elements that affect rural entrepreneurship literature it is beyond the remit of this chapter to map and review the research mainstreams that influence the scientific directions of current publications on the topic (reviews, the number of publications, themes addressed, etc.).

[8]. The conceptual model presented in Figure 14.3 is an integrative model that highlights the utility of a disciplinary approach presented in Figure 14.1. However, the latter underlies also, indirectly, the many potential scientific pitfalls to be overcome in contributing to the understanding of the subject by drawing for example on uncontrolled (and uncontrollable) multiple disciplinary sources. Linking the specialized scientific contributions to produce actionable knowledge lies outside the scope of this chapter.

[9]. Despite the contemporary issue of urban agriculture/urban farming, examples of many agricultural and rural pursuits are not transferable to urban areas due to land restrictions.

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