

# **Out of the shadows: growth from non-farm rural enterprises**

**Papers from an ERC workshop**

**Edited by Roger Turner**

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## **Out of the shadows: growth from non-farm rural enterprises**

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**Edited by Roger Turner**

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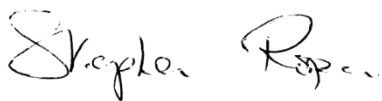
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## PREFACE

This White Paper contains summaries of presentations given at a workshop on rural, non-farm enterprise supported by the Enterprise Research Centre and hosted at Aston Business School on 27<sup>th</sup> February 2014. The final contribution by Roger Turner, who co-ordinated the event for ERC, provides a summary of the discussions from the day and some of the issues which arose.

The Enterprise Research Centre has a dual objective: to carry out leading-edge research on small business growth and development and to ensure that where evidence does exist it is made available as widely as possible. The 'Out of the Shadows' event was linked to the second objective, and brought together academics and other researchers conducting research on rural business development with those formulating policy for and directly supporting rural enterprises. Hopefully, the publication of this collection of papers will further the same objective, providing access for a wider audience to a most interesting group of presentations.

The ERC is grateful to all of the contributors for their input at the 'Out of the Shadows' event and their permission to include material in this summary report. We look forward to future collaboration.



Professor Stephen Roper  
Director, ERC

## CONTRIBUTORS

**Roger Turner** is an independent consultant working to improve evidence, insight and action for the UK's rural economies. With nearly 40 years' experience of management, advice, analysis, advocacy and policy development for Britain's rural areas, Roger has played key roles in improving understanding of rural economies, and in building relations between policy, business, academic and environmental interests.

Employment with chartered surveyors, NFU, RSPB, Countryside Agency and Commission for Rural Economies, took him from advising landowners and farmers, to influencing the development and delivery of national economic, environment and rural policies. Roger has written, presented and commissioned widely on rural economies and land use, including the report to the last Prime Minister from the Rural Advocate, about releasing the potential from England's rural economies. He has worked with government departments, agencies, parliamentarians, business, environmental and academic communities across the UK, as well as international bodies such as the UN's Food and Agriculture Organisation and Forum for Forests, Birdlife International and the European Parliament. Roger is an Honorary Fellow of the Centre for Rural Economy, Newcastle University.

**Michael Ridge** is a Board Director and Chief Operating Office at Frontier Economics and leads its Public Policy Practice. He has over 25 years' experience working for government and business, helping to apply economics rigorously but pragmatically to inform decision-making. Michael has provided advice and guidance to a wide range of government departments, non-government bodies and the private sector in the UK and elsewhere. His expertise is broad; and covers the analysis of the drivers of economic growth and development, the evaluation of education and skills programmes, and labour and product market analysis in a wide range of sectors. Michael is currently overseeing detailed analysis of the impact of the financial crisis on businesses in rural areas.

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Earlier in his career, Michael worked for the Institute of Fiscal studies and in academia and, before that, for the Department of the Environment, providing strategic advice on a number of rural issues, including policy developments on the viability and vitality of town centres in rural areas and of the impact of the planning system on economic activity.

**Jim Hillage** is Director of Research, Institute for Employment Studies. Jim is able to draw on over 35 years' experience of researching into labour market and employment issues and research evaluating the direct and indirect effect and impact of a range of policy interventions on employers, individuals and intermediaries. He has a long track record of research into skill supply and demand in the UK. Jim made a major input to the evidence report for the UK Commission on Employment and Skills (UKCES) 2010 National Skills Audit, has authored a number of Skills Insight papers for the UK Commission and co-wrote the 2012 National Strategic Skills Audit for Wales. In the 2007 Birthday Honours, Jim was awarded the MBE for services to skills and training.

**Paul Cowie** is Research Associate, Centre for Rural Economy, Newcastle University. After over 12 years working as a lawyer specialising in commercial development, Paul returned to academia to study for a PhD. The PhD investigated entrepreneurs who chose to move to a rural area and start a business in the knowledge economy. The research sought to understand how these entrepreneurs engage in local and extra-local networks. Since completing his PhD, Paul has worked as a Research Associate in the Centre for Rural Economy, Newcastle University and has continued to research rural economic development. His most recent project was a collaboration with the NE Rural Growth Network (NERGN) investigating the role Enterprise Hubs can play in stimulating the rural economy. The NERGN is one of five DEFRA-funded pilot areas designed to test new ways of stimulating economic growth in rural areas.

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**Polly Gibb** is Director of WiRE (Women in Rural Enterprise). She has a Biology degree from Oxford University and an MSc in Land Resource Management from Cranfield. After graduating, she spent several years in Less Developed Countries working in agricultural and rural development, latterly in enabling rural women to generate cash through entrepreneurial activity. Since returning to England Polly worked for environmental charities and ran her own rural business, prior to the inception of WiRE. A woman in Rural Enterprise, or WiRE, was formed in 1996 at Harper Adams University, Shropshire by Izzy Warren-Smith, OBE.

Polly was part of the WiRE team which won the Queen's Anniversary Prize for contribution to enterprise in 2005 and became director of WiRE in 2009. In 2013 Polly was awarded an OBE for services to rural enterprise and was named as one of 10 Heroes of the Countryside by HRH Prince Charles.

**Gary Bosworth** is Reader in Enterprise and Rural Economies, University of Lincoln. Gary lectures in both economics and entrepreneurship and is an active researcher in the fields of rural and regional development, rural migration, home-based enterprises and diversification in the rural economy. As well as publishing a number of journal articles, he has recently co-edited a book entitled "Interpreting Rurality; Multi-disciplinary Perspectives" exploring the diverse meanings of rurality among different research disciplines. Prior to this he completed a PhD in the Centre for Rural Economy at Newcastle, investigating the economic impact of rural in-migration in the North East of England. He has also worked as a Chartered Surveyor at Carter Jonas and has a degree in Land Economy from Cambridge University.

**Tim Powell** is Senior Business Executive at the University of Warwick Science Park. Tim manages the Science Parks access to finance business support service that includes the Minerva Business Angel Investor Network. Tim has a wide level of experience working with SME's over the last 25 years as a Banker, Company Director, Manager of an Investment Readiness Programme & Proof of Concept fund, Investor Director of a



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regional venture capital fund making over 50 investments into early stage concerns and as Non-Executive Director with 15 young companies; personally as an Angel investor before moving to his current role at the University of Warwick in 2009.

Tim has led the Science Park team who are delivering the Access to Finance and Micro Enterprise Grant Program supporting rural businesses through the Warwickshire Rural Growth Network (RGN) part of DEFRA's Rural Economy Grant in turn part of the Rural Development Programme England (RDPE). In the first 12 months although targeting specifically the Advanced Engineering & Manufacturing, Digital and Low Carbon sectors, they have engaged with just under 100 SME's, and injected £500k through the grant leveraging in another £750k from their own or alternative sources of finance, primarily for expansion and growth capital.

## **Paper 1: Rural Enterprise Growth – perceptions, potential and policies**

Roger Turner, Consultant in Rural Economies

Rural England is formed by a myriad of landscapes and communities, from extensive areas of open countryside seemingly empty of human residence especially close to England's borders, to bustling and growing villages and market towns, on the doorstep of our major conurbations. The economies of these areas are also diverse, substantial and enterprising. They embrace every imaginable business activity stretching from centuries-old practices of land and water management to producers of the most modern, scientific and technological products and services. In 2012 the economy of rural England, taken as a whole, delivered £211bn output (GVA)<sup>1</sup> or a shade short of one fifth of the nation's output, hosted more than half million registered enterprises and nearly 3 million employees.

Contrary to the perception of many business and economic leaders, farming, food and tourism enterprises do not dominate this economy, indeed they form less than 10% of rural contribution to our national economy on traditional measures of economic activity – enterprise, employment, output. Indeed, the broad sectors that form the heart of our rural economies are also at the heart of many of England's urban economies. The performance, needs and contributions of enterprises in these non-land sectors and activities, are the focus of this Workshop hosted by the Enterprise Research Centre at Aston University on 27<sup>th</sup> February, 2014.

The Workshop was held: to explore evidence from a suite of recently-published studies about rural enterprises, employment and growth; to examine the profile of rural economies in some European Investment and Structural Funds Strategies (ESIF Strategies or Growth Plans) and

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<sup>1</sup> This figure was published in 2012, but relates to the most recent year (2010) for which reliable rural GVA data has been calculated.

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Strategic Economic Plans prepared by Local Enterprise Partnerships (LEPs) and local authority partners; to help these organisations learn from rural England's successful, long experience of Locally-led Community Development and support for businesswomen; and, to help rural communities' representatives consider how they might focus efforts on enterprise growth, as they draft new Local Development Strategies and bids for new programmes and funds for rural development.

From my many representations, over the last four decades, for our rural economies and environment, that for many policy makers, business leaders and politicians 'rural' is not their natural focus. For these leaders, they are most at ease when they can relate to rural economies through farms and allied activities. They are unsure of our economies majority sectors and undervalue their diversity and contribution to their economy. As such it is somewhat like a £2 coin. Most people recognise its value through its distinctive character - the combination of two metals, forming an outer ring and a heart - yet rarely look closely at the wonderful and changing variety at this coin's heart, where the Royal Mint offers a kaleidoscope of different designs to celebrate national events, anniversaries, people and cultural icons.

If we imagine one of these £2 coins as the Rural coin of the realm, rural economies' contribution or value in 2012 was almost one fifth of England's economy, 28% of its registered firms and 14% of England's employees.

But the dominant images of our rural economies, to which many decision makers relate, are provided by farm enterprises. This is not entirely unexpected because as you drive through our countryside these are often the most visible examples of work and this rural perspective is regularly reinforced by media such as BBC Countryfile, Farming Today, and rural supplements of regional newspapers. These enterprises are the territory of the European Agricultural Fund for Rural Development (EAFRD), of the Prince Of Wales Countryside Fund, of most measures in the Defra-led Rural Growth Programme, and of Farming and Rural Networks. Such rural

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enterprises contribute more to local and national economy and society than jobs, firms and productivity. They keep us healthy in body and mind. Yet if we quantify them using standard economic indicators, this outer ring of the rural coin, they contribute less than many imagine.

Most struggle to describe the majority non- farm, food and tourism enterprises which are at the heart of this Rural Coin, and show limited awareness of how their needs and performance change over time or place.

And, if decision makers understand only part of our economies, they may undervalue its contributions to their aims, and find it challenging to design policies and programmes that encourage growth and competitiveness from all territories. But, evidence of such imbalance in understanding or commitment is sadly apparent for rural enterprises, in some current strategic economic frameworks that will have substantial impacts on rural enterprise over the next five years. This can be illustrated by introducing you to two rural businesses and their very different geographical and policy settings.

*The Diamond* is in southern Oxfordshire. It is an iconic, large and purpose-designed building – rather like the Eden Project in Cornwall I would suggest. This is a Synchrotron and allows researchers from UK and overseas to see the composition or detail of materials, through the use of high intensity light beams and x-ray optics. This opened in 2007 and is still growing. It probably fits into the standard industrial classification (SIC) of *Professional, Scientific and Technical sector*, which is the second largest enterprise sector in rural areas after farming and forestry. It may be seen as the ultimate expression of governments' focus on restoring Britain's competitiveness through science, knowledge and technology.

*The Diamond* and surrounding Harwell Business Park lie in an Area of Outstanding Natural Beauty (AoNB), and falls within the Less Sparse Village category of the official Rural: Urban definition. Almost half of Oxfordshire's businesses are located in the county's rural areas, according to economic and demographic data produced for all Local Enterprise

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Partnership (LEPs) areas. These include the majority of the county's enterprises in *Professional, scientific and technical*, and *Manufacturing* sectors, which are at the heart of Oxfordshire's engines of economic growth. In February the Deputy PM signed an agreement at Harwell to provide over £74 million to this and two other science and business parks in Oxfordshire, as these centres are seen nationally as lead Innovation Hubs. All are in rural Oxfordshire. With such a rural business profile, the county and its ESIF Growth Plan might offer an exemplary model for promoting and building on the versatility of economic growth from its rural areas? Sadly such rural associations or tags are absent from references to these businesses and zones. The county's farming, food and allied activities are recognised as one of Oxfordshire's strengths. Yet the diversity and substantial contributions of its main rural employers and business sectors are portrayed less favourably, as weakly connected SMEs, lacking in innovation and growth.

Is it different in a different rural location and policy environment?

Let me introduce you another leading rural business. It lies on the edge of the Northumberland National Park, one of the most sparsely populated landscapes in England. It is located in the Sparse Hamlet and Isolated Dwelling category of the official Rural: Urban definition. The firm occupying this building started in 1995 and now has four employees. Thus it was one of 351,000 micro-businesses registered in rural areas, by far the most numerous size category of firms in rural England. It moved to this purpose-designed building a year after *The Diamond* was opened, from one of the Rural Enterprise Hubs studied by Paul Cowie and colleagues from Centre for Rural Economy at Newcastle University, from whom we shall hear more this morning.

I suspect more of you are more comfortable with this as a rural business than *The Diamond*, due to its setting and size of building and enterprise.

As with *The Diamond*, links with Universities and research institutes are very influential to the founder of this firm, Dr Simon Cockerton and his

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firm's development. Its products and services are exported, I think he named 32 countries when we at the Countryside Agency first got to know him, and his firm is also at the cutting edge of innovation and knowledge-driven growth. What does *Crystal Scientific* in Northumberland produce? Well, without its products *The Diamond* and other synchrotrons around the world would have no innards. *Crystal Scientific* designs and manufactures the x-ray reflection and diffraction optics that are central to operations of such synchrotrons.

The economic area where *Crystal Scientific* is located, the North East LEP, has a smaller share of its businesses in its rural areas than does Oxfordshire LEP, but it is one of the five Defra Rural Growth Network areas piloting support for micro-enterprises. It operates a £3.24 million Small Business Growth Fund of between £10,000 and £150,000 per firm, to overcome financial barriers to start up or growth. If this grant scheme had been available when *Crystal Scientific* moved here, I suspect that it would have been a candidate for such a grant, as operating a "Knowledge intensive business" one of the Fund's eligible sectors. In the rural NE LEP the priority sectors are again distinctively or comfortably rural - Creative industries, Food and drink manufacture, New and renewable energy, and Tourism. In its ESIF Growth Strategy this LEP's rural profile emphasises traditional and distinctively rural enterprises, but at least here the LEP also visibly acknowledges the excellence of its rural manufacturing !

So two different businesses, different sizes with similar functions, markets, links with HE and research bodies, using purpose-designed buildings, exporting, harnessing qualities of rural location and environment – space and vibration-free environments – active in sectors that the UK Government see as driving forces of our future competitiveness. Yet both operate in LEPs with strategic plans that budding and growing rural entrepreneurs may read as an unbalanced, undervalued perspective of their economic contribution.

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For some firms their rural locations are neither central to their success, nor do they present important constraints on their growth. But for many, many more enterprises, their rural location is important. They need to know that their economic and business leaders are aware, representing and committed to supporting their future. How such organisations and authorities perceive rural enterprise, will influence how they target their policies and programmes of support. Unbalanced views about the diversity, contribution and sometimes differential needs of rural enterprises, are likely to lead to policies and support measures of limited worth or reach. Strategic and operational signals about their rural economies, in turn lead to perception amongst many small and rural enterprises that these organisations don't understand them, and are unlikely to offer them any material and meaningful assistance. Jim Hillage's paper addresses issues of rural enterprises' awareness and access to mainstream Government-backed skills and business support programmes – awareness could be improved!.

On the other hand, rural stakeholders themselves need to be more active in helping economic and business agencies design and deliver growth policies and programmes that are accessible and appropriate for this core of rural enterprises. More examples, such as I have used, are needed to show that rural enterprises can find opportunities and help from economic and business measures that are formed and delivered without visible rural flags.

With these two examples of non-farming rural enterprises, I have tried to illustrate the impact of limited perception of rural enterprises at sub-national spatial levels. LEPs will be an important influence on our economic growth. But LEPs and their partners respond in turn to signals and policies emerging from higher tiers. Unsurprisingly, in these tiers and signals also, rural enterprises generate divergent portraits – strong visibility for distinctively rural enterprises of farming and associated enterprises emanating from European Union's Common Agricultural Policy (CAP) and EAFRD funds; subdued or absent images for England's majority rural

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sectors and firms in mainstream business programmes and measures, supported by European Union's Regional Development (ERDF) and Social Funds (ESF), and led by the Department of Business (BIS) and HM Treasury.

There are opportunities to improve the profile and support for rural economies' roles in the trail from EU Programmes for Growth and rural development down to local programmes, via the partnership contract to be agreed between EU and UK Government, which enable European Structural and Investment Funds (ESIF) to be devolved to UK countries and England's LEPs. One issue – urban/ rural interdependencies - offers an important lens through which these two distinct strands of EU/ UK policies can embrace all rural enterprises, not just those in distinctly rural industries. It offers a potential route for growth and mainstreaming, to which little attention has been given. In 2011, the OECD recommended that more effort should be given to developing urban- rural interactions in its Rural Policy Review for England.

Conceptually, separate strands should be united under the economic aim announced by the Prime Minister in those early days of this Government, *sic* “all areas of the economy should contribute to and benefit from growth....” This intention has been fleshed out in the UK Government's *Plan for Growth*, but here also an emphasis on distinctively rural enterprises re-surfaces. Rural enterprises engage in all imaginable business activities, in many of the sectors for which the Government and industry bodies have agreed Sector Growth plans. The challenges and barriers faced by rural enterprises are those covered by the *Plan for Growth*'s cross-cutting themes. If the dialogue, design and delivery mechanisms in these Growth Plans had visibly and adequately acknowledged rural contributions and potential, it would have presented a valuable example of the approach inferred by Defra Ministers' statement “.....that rural needs and interests are firmly embedded in our overall growth strategy”. Yet we have a separate Rural Economy Growth plan. I am confident that Defra officials argued for such integration when they



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were first asked to prepare this Rural Economy Growth Review. The resulting RGN has some good measures, but it is unbalanced and unrepresentative of the vast majority of non-farm rural enterprise activity.

But 'we are where we are', so let me offer some suggestions about the potential for supporting growth in England's non-farm rural enterprises.

LEPs have now finalised their strategies for the use of over €6.4 billion of EU regional, social and rural development funds. They've been encouraged by the central government board to give more attention to rural development, and not to only allocate EAFRD funds to rural enterprises and communities. So, please make yourselves aware of these and other LEP Strategies' aims, priorities and measures, perhaps reading them alongside the rural and urban demographic and economic databases created for each Partnership area on Defra's web site.

Many LEPs are now seeking proposals for projects for these Funds. Any bid for the new LEADER funds for rural development this year will be expected to give attention to job creation and business growth, and be aligned to your LEPs ESIF Strategy priorities. Gary Bosworth, who will present findings this afternoon from a study of performance of recently completed English LEADER schemes, may say something more about this expectation.

The Pilot Rural Growth Network (RGNs) will be evaluated for Defra in the next year or so, holding out the prospect of extending their rural micro-business support scheme to new areas. Two of today's speakers are drawing on their experience or research in two of the five pilots RGNs - Paul Cowie will describe the North East LEP's approach to supporting and networking rural and urban enterprise hubs, and Tim Powell, who will join us for this afternoon's discussion session, to share his experience of promoting finance to rural SMEs in the Coventry and Warwickshire LEP.

Rural areas are an important source of new small firms. However, many lie 'under the radar' of mainstream business organisations and support bodies,

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because they are formed at home, in isolated workshops and in very small rural business parks. They might benefit from networking; access to flexible office and workshop premises, and awareness of other support programmes. Polly Gibb, Director of WiRE (Women in Rural Enterprise) will illustrate a quality approach to networking, independent of premises, that has successfully worked for rural businesswomen. As some rural localities can show near parity in numbers of new businesses started by women and men, this rural success has something to offer to other economies.

Rural areas remain a location of choice for a wide variety of new and existing non-farm enterprises, whose owners consciously benefit from the environmental, cultural, demographic qualities, services and products of our countryside, small communities and market towns. There are more of these qualities and services to be sustainably harvested. Since the 1970s I have witnessed and been proud to support substantial diversity of businesses and the enterprising spirit across rural Britain. So I offer my closing thoughts with quiet confidence in the potential of rural enterprise growth.

If you can imagine a business activity, there will be an entrepreneur or business owner in our rural areas already pursuing it. If we are to deliver the Prime Minister's aspiration that ALL areas contribute to AND benefit from sustainable economic growth, then mainstream economic and business agencies and organisations need to more fully recognise the diversity and depth in their rural enterprises, and reflect the value and interdependencies of their rural economies accurately in their strategies, programmes and support measures.

## **Paper 2 - Drivers of rural business growth, decline and stability**

Michael Ridge, Director, Frontier Economics Ltd.

### **ABSTRACT**

Frontier Economics is completing research on recent changes in rural enterprise for Defra (Department of the Environment, Food and Rural Affairs), from which this presentation will be drawn. The main aim of this study has been to gain a better understanding of the types of rural businesses that have, since the onset of the recession in 2008, been growing, declining, or in a stable condition. The analysis focuses on understanding rural business performance relative to urban business performance. A key feature of the analysis in this study has been our ability to examine firm level data using the Virtual Microdata Laboratory facility at the Office of National Statistics. This has allowed us to carry out a fine-grained analysis of sectors and differentiate performance at a reasonably disaggregated geographic level.

### **2.1 Introduction<sup>2</sup>**

Enabling rural businesses to grow and diversity was one of the five themes of the UK Government's Rural Economy Growth Review (REGR) in 2011. In gathering evidence to inform the REGR, Defra identified a lack of detailed information about rural businesses' performance since the onset of the recession in 2008. Frontier Economics was commissioned to gain a better understanding of the types of businesses that have, since the onset of the recession, been growing, declining, or in a stable condition in relation to employment and business activity; have undertaken descriptive analysis

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<sup>2</sup> This paper has been prepared by the Editor from Michael Ridge speaker's notes and from extracts of the Executive Summary of Frontier Economics report to Defra which can soon be viewed at:

<http://randd.defra.gov.uk/Default.aspx?Menu=Menu&Module=More&Location=None&Completed=0&ProjectID=18782#Description>

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of data on rural/urban business<sup>3</sup> performance; and established what the drivers of growth, decline and stability have been since the onset of recession in 2008, using both quantitative analysis and qualitative research.

The analysis in this report focused on employment as a measure of economic activity. Employment is one measure only of economic activity, and a fuller understanding of economic activity would combine for example analysis of change in employment with analysis of output (Gross Value Added or GVA) and productivity (GVA per worker). Employment has been the chosen focus, as it is the richest variable available at the local level, and the Business Structure Database gives comprehensive coverage across sectors and covers all but the smallest of businesses. GVA data are not available for a comparable business population or rural classification.

This study has drawn on firm level<sup>4</sup> data using the Virtual Microdata Laboratory facility at the Office of National Statistics. This has allowed a fine-grained analysis of sectors and geographies. For example, at the Standard Industrial Classification (SIC) 2-digit level<sup>5</sup> it was possible to explore the pattern of performance across 85 different sectors. It was also possible to differentiate performance at a geographic level, for example, at the level of region, Local Enterprise Partnership or Local Authority District.

### 2.2 Employment in rural and urban economies

The firm level data used in this study shows the rural economy accounts for 16% of employment, 26% of businesses, and 13% of turnover. When the sector composition is analysed, rural and urban economies are very similar.

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<sup>3</sup> This study's geographical analysis used the UK Government's 2001 rural-urban classification, which assigns a rural or urban classification to each Census Output Area (COA) using the 2001 Census. An Urban COA is one that lies within a settlement with population over 10,000. Rural areas consist of settlements below 10,000 people and account for around 18% of the population of England.

<sup>4</sup> 'Firm level' data refers to data for which each observation refers to a different firm.

<sup>5</sup> SIC uses successively finer levels to classify industries; each of these levels of division is called a digit. For example, manufacturing is a 1-digit sector, manufacture of food products is a 2-digit sector that sits within it.

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Some sectors are more heavily represented in rural than in urban (e.g. agriculture, tourism), but the vast majority of sectors present in the urban economy are present in the rural economy to a similar extent. For example the wholesale/retail/logistics sector grouping accounts for around 20% of employment in each area type; and services sector accounts for 19% of rural employment and 24% of urban employment.

However, performance of employment has demonstrated different paths. Rural employment declined by less than one percentage point from 2009 to 2011, and has since grown by more than two percentage points. By contrast, urban employment declined by two percentage points from 2009 to 2011 and, although there has been some recovery, in 2012 it was still below 2008 levels. Sparse and Less Sparse areas presented trends broadly between those for rural and urban areas.

**Figure 1.** Total employment over time by area type



Source: Frontier analysis of BSD (2008-2012) includes both private and public sector.

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### 2.3 Sectors driving the changes

Rural outperformance has not been driven by substantial differences in one or two sectors or locations, but is a general feature across many sectors and regions. In around two-thirds of sectors, and in every region, rural employment has grown more than urban. So, this rural outperformance is not due to sector compositions being different for rural and urban, but due to performance being stronger sector by sector.

Our main measure of performance at a sector level was the change in employment between 2008 and 2012<sup>6</sup> (in terms of private employment i.e. not public sector employment). The main contributors to rural employment growth were in sectors such as residential care, social care, health, education and retail. Many of these had also been growing before the recession, suggesting that these changes are structural rather than cyclical<sup>7</sup> in nature. The main contributors to employment decline were in cyclical sectors such as construction and civil engineering, or business support activities (employment activities and office admin), and in a range of manufacturing industries that have been in structural decline. Table 1 below lists the top 10 growth and decline sectors.

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<sup>6</sup> This analysis relates only to private sector employment, and not to public sector employment. Nevertheless, there may be scope for some private sector firms to be in receipt of public sector funding.

<sup>7</sup> Cyclical changes are those that arise as a result of wider economic conditions, whereas structural changes are sustained patterns that occur throughout the business cycle.

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**Table 1.** Top 10 employment growth and decline sectors in rural areas 2008-12 (private employment)

Top 10 employment growth sectors	Top 10 employment decline sectors
Social work without accommodation	Employment activities
Residential care activities	Construction of buildings
Education	Civil engineering
Retail	Manufacture non-metal mineral
Human health activities	Manufacture fabricated metal
Agriculture	Manufacture motor vehicle
Service to buildings	Office admin, business support
Computer prog, consultancy	Manufacture plastic / rubber
Sports & recreation	Repair installation machinery
Telecommunications	Manufacture machinery not elsewhere classified

Source: Frontier analysis of BSD (2008-2012)

The 10 growth sectors represent 34% of private rural employment. Between 2008 and 2012 they added these sectors added 108,000 private jobs, representing a 3.4% growth contribution. The 10 decline sectors above account for 12% of rural private employment. Combined, these sectors lost 76,700 jobs since 2008, a growth contribution of minus 2.4%.

The sectors have a mix of both cyclical patterns and structural change. As well as categorising sectors for their level of growth or decline, Frontier Economics also identified sectors with volatility or stability<sup>8</sup> of employment over this period. The most stable sectors were land transport and motor trade (wholesale and retail), but three of rural England's most widespread sectors – agriculture, retail, and accommodation – also presented stable employment profiles. In contrast several Manufacturing sectors, Office administration and business support, Information and membership services

<sup>8</sup> Sectors are categorised in the published report as Rapid growth/ decline (i.e. >15% change); medium growth/ decline (5-15% change) stable (<5% change); volatile are those with large changes from one year to the next.

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and several professions displayed volatility in their employment during these recessionary and recovery years.

### **2.4 The geography of employment change**

When the geography of changes in sectoral employment are examined, differences and similarities emerge between rural and urban economies, and between regions. In most cases sectors perform similarly in rural and urban areas, and vice versa. The best performing sectors in rural areas, such as social work, are also strong growth sectors in urban areas, with little difference between rural and urban performance.

However, nearly half of the rapid growth sectors in rural areas are sectors in which rural areas perform significantly better than in urban areas. Thus rural areas have had rapid growth sectors that are exclusive to rural economies, of which Telecommunications are an example. In contrast few of those sectors which reported rapid decline in employment, are ones for which rural performance is significantly weaker than urban.

Rural and urban employment change also differed across England's regions between 2008 and 2012. In every region rural employment growth exceeded that in urban areas, with the South West showing the largest difference in performance, with rural employment growth of 5%, while employment in urban areas declining by 2%. Rural (and urban) employment declined in three regions – North west, South east and North east with this last region experienced the largest employment decline. In the published report, we have also identified differences – and similarities – in the level and direction of employment change in the rural and urban areas for these regions.

It is important to record however that there is more variation within regions as across them. Employment growth has been strongest in rural areas within predominantly urban local authority districts, pointing to important links between rural and urban economies.



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The contribution to economic output from these employment changes will vary between sectors. For example, manufacturing jobs will tend to carry higher GVA per worker than jobs in agriculture, or residential care, so might have more of an impact in terms of economic output. Unfortunately, GVA data are not available at a sufficiently fine spatial scale to allow robust comparison of rural and urban areas. In addition, the PAYE employment data in the BSD may be an imprecise of the labour input used, due to part-time working, short employment spells, and changing use of the PAYE system over time.

[To provide some indication of the wider impacts on rural economic performance, Frontier Economics categorised 62 out of 85 sectors using five measures of change. Sectors were characterised firstly by the rate of change; then by controlling for the size of the sector; next the ‘churn’ of each sector as determined by the number of businesses entering and exiting relative to the size of the sector; by the long term trends where sectoral trends indicated structural, cyclical, counter- and pro-cyclical changes; and finally this analysis also contrasted rural and urban performance. This analysis is presented in the published report].

### 2.5 Drivers of rural employment change

Our study then sought to identify drivers of these employment changes since the recession began, conceptually, empirically, and from workshops to hear rural businesses’ views.

Although the patterns of change in different sectors point to some underlying drivers, reliable analysis requires data of potential drivers at fine scale, i.e. Output Areas or postcode. Regrettably for many demographic, employment and business components, data is only available, at best, at the level of the local authority, and with over 200 LADs with rural businesses, it is much harder to achieve reliable results from this level.

Nevertheless, empirically robust relationships between some factors and rural business performance – though not necessarily causal relationships –

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were found for Broadband and mobile communications; Transport infrastructure and proxies for Local demand such as population and income. Rural areas with good broadband have fared a lot better than those without, and both this feature and good transport connections were positively correlated with higher rates of business start-ups and failures, i.e. high churn. Similar relationships between such drivers and urban businesses were not found, suggesting that these sorts of effects are not driving such variation in urban performance.

These quantitative findings were confirmed during three workshops with rural business owners and representatives in different English regions. Concerns or barriers to business and employment growth in rural areas were also raised by these consultations. Those at the forefront of rural businesses' concerns related to the complexities of applying for grants and making applications for finance to multiple agencies, less helpful attitudes to development needs by local authority planning teams, and employers frustrations posed by employment law, and employee payroll and pension management requirements. Additional factors such as 'red tape', skills or qualifications of local workforce, and availability of land for business were also raised by business people attending the workshops, but these and other factors which potentially affect employment and business performance could not be tested empirically with data available for rural areas.

## **Paper 3: The take-up of business support by rural employers**

Jim Hillage, Director of Research, Institute for Employment Studies

### **ABSTRACT**

This paper draws on IES's 2013 research for Defra which examined the extent to which rural businesses access national employer skills programmes and government business support programmes. The study was based on secondary analyses of major employer surveys, supplemented by interviews with employers and others. It found that variations in the take-up of business support services, access to training and response to skill shortages between rural and urban businesses were largely a result of differences in the sectoral and size profile of rural and urban businesses rather than just location.

### **3.1 Introduction**

The profile of rural employment differs from that in urban areas in some significant respects. Rural businesses tend to be smaller, employ different kinds of staff and are more likely to operate in different parts of the economy to urban businesses. It is these differences, rather than operating in a rural locality itself, which largely explains variations in the take-up of business support services, access to training and response to skill shortages between rural and urban businesses.

### **3.2 Commitment in the Rural Statement**

In 2012 the government published its Rural Statement which said that it would 'ensure that all government policies designed to promote business and support economic growth benefit rural communities'. As part of that commitment the government said it would 'research the degree to which

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rural businesses are accessing national employer skills programmes and government business support programmes and identify options for improving take-up if evidence shows that rural businesses are not accessing programmes that might benefit them’.

In 2013 the Institute for Employment Studies (IES), supported by the Countryside and Community Research Institute (CCRI), was commissioned by the Department for the Environment, Food and Rural Affairs (Defra) working in conjunction with the Department for Business Innovation and Skills (BIS), to examine and assess the take-up by rural businesses of government business and skills support programmes. The study took place between January and June 2013 and included: a review of available literature; re-analysis of existing survey (mainly the Small Business Survey and the UK Employer Perspectives Survey) and administrative data; and interviews with policy makers, interest groups and rural- and urban-based employers. The findings were published by Defra in September 2013<sup>9</sup>.

The take-up or use of mainstream employer skills programmes and government business support programmes among rural employers is generally low but this is not driven by rural location and is broadly similar to that among urban businesses. Reasons for the low take-up include: lack of awareness; a perceived lack of need; a distrust of support provided by government; a lack of time or money; and failed earlier attempts to gain support.

In our detailed analysis of the survey data we did find some variations in the extent of awareness and involvement in government support programmes by location. So, for example, compared with urban businesses, rural businesses are:

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<sup>9</sup> See Culliney M., Pollard E., Hillage, J. (2013). [\*An assessment of the degree to which rural businesses access national mainstream employer skills and government business support programmes: Evidence Report\*](#). Institute for Employment Studies, September 2013; and Hillage J., Culliney M., Pollard E. (2013). [\*An assessment of the degree to which businesses access national mainstream employer skills and government business support programmes: Synthesis Report\*](#). Institute for Employment Studies, September 2013.

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- more likely to be aware of and to have sought help from Business Link
- are more likely to have contacted professional bodies, local authorities and learning providers (universities, colleges and private trainers)
- just as likely to have tried to access financial support (from any source) but more successful in actually obtaining the amount of financial support being sought
- slightly more likely to provide externally provided training to their staff
- less likely to be accredited as Investors in People, although urban and rural business are equally aware of the existence of the standard
- less likely to be aware of labour market programmes such as the Work Programme.

There are also indications that rural businesses are more likely than urban businesses to need some forms of business support. For example, more rural firms than urban are more likely to seek information or advice on e-commerce and technology, while urban firms were more likely to have sought information or advice on financial matters.

Detailed survey analysis shows that awareness of business development support is not driven by location. The age of the business and in particular its size are more important influences. Newer firms, those trading for no more than a year, are more likely to be aware of one or more sources of government business support, as are those working on public sector contracts. Business size is an even more significant determinant of awareness, with larger firms more aware than their smaller counterparts.

We found no substantial evidence that rural businesses are significantly less likely to be aware of, or participate in, national mainstream employer skills and government business support programmes than businesses from urban areas.

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A similar study commissioned by the UK Commission for Employment and Skills<sup>10</sup> looking at skill deficits and training behaviour in rural and urban businesses using slightly different datasets reached the same conclusion. For instance they found that a slightly higher incidence of hard-to-fill vacancies in rural than in urban areas but attributed this finding to differences in the profile of establishments and employment rather than locational factors per se.

### 3.3 What is different about rural areas?

Rural areas have a higher density of small businesses and proportionally more sole traders than urban areas. In rural areas, a much higher proportion of people are employed by SMEs than in urban areas. Rural businesses are more likely to be in the land-based, retail and distribution, construction, and professional, scientific and technical services sectors than urban businesses (who in turn are more likely to be in sectors such as finance or public service). Professional, associate professional and administrative/clerical staff account for smaller shares of employment in rural than in urban areas, while operative and elementary staff constitute a relatively larger share of total employment. It is this difference in the make-up of rural businesses that is the primary driver of any differential take-up of government business and skills support programmes and approaches to training and skill development.

### 3.4 Improving the take up of business support in rural areas

However there are things that can be done to improve access to national mainstream employer skills programmes and government business support programmes among rural businesses. These include:

- Providing information, advice and guidance to help guide businesses towards support rather than waiting for businesses to express an interest. This guidance needs to be delivered by phone or face to face

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<sup>10</sup> Owen D, Li, Y., Green A. (2013), *Secondary Analysis of employer surveys: urban and rural differences in jobs, training and skills* Evidence Report 75, UKCES, October 2013.

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by trusted intermediaries who do not change too often, as stability and consistency is needed. Business Link is a strong and recognised brand among rural businesses and fits this bill. Sectors are very important in shaping behaviour and so messages need to be delivered through, and targeted appropriately to, sectoral organisations.

- Ensuring businesses see a concrete and quick return on any investment in engaging with support, alongside emphasising the opportunity costs from not taking up support. Similarly, ensuring that the process of finding out about and accessing support is low-cost and simple.
- Tapping into or encouraging the development of local or sectoral (possibly virtual) forums and using champions to relay positive experiences.
- Providing businesses with only a small tailored menu of choices for information and/or support so that businesses can 'go with the flow' of pre-set options rather than be faced with a difficult decision or too much choice. This could include building on the Business Link brand.
- Tailoring support to the characteristics of the business (size, sector and to a certain extent age) and making it simple to understand; in particular, being very clear about the eligibility requirements, the commitment required and how the application process works.
- In marketing programmes, presenting those businesses that take up support as 'canny, savvy' employers that are 'in the know' and 'making the most of what is on offer', in order to attract others to getting 'something worth having'.

## **Paper 4: Business Premises: Honey Pots & Hives- Maximizing the potential of rural enterprise hubs**

Dr Paul Cowie, Research Associate, Centre for Rural Economy,

Newcastle University

### **ABSTRACT**

Many studies in recent years have profiled the steady decline in traditional rural industry and a growth in new knowledge intensive businesses, and brought attention to similarities between the wider rural economy and the national economy, in terms of employment and output. However there remain some significant differences between businesses in rural areas and in the wider economy, both in profile and in the structural issues which rural businesses need to overcome, one major one being lack of suitable business premises.

In the new knowledge economy the flow of knowledge, both tacit and codified, is crucial to business success, yet in rural areas the atomised nature of businesses militate against the regular interactions needed to facilitate this flow of knowledge. To address the twin issues of poor knowledge flow and the availability of suitable premises the North East Rural Growth Network (NERGN) initiated a project to create a network of Rural Enterprise Hubs throughout the rural NE of England. At the outset of the project there was only a sketchy understanding of what a rural growth hub should look like and more importantly do. This paper will outline how the research developed a typology of rural enterprise hubs and a better understanding of their (potential) role in the rural economy, and offer some ideas for strengthening their development and role in helping rural enterprise growth.



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### 4.1 Introduction

The growth agenda driving economic policy in the UK continually stresses the importance of knowledge creation and has as one of its main aims the growth of the knowledge-based economy (see for example Regional Studies special issue July 2013). Research has also identified the importance of Small and Medium Sized Enterprises (SMEs) in exploiting economic value from knowledge based assets (Teece, 2003). Rural areas possess a disproportionately high number of home based businesses, self-employment and jobs in micro-businesses but suffer from geographical isolation and limited choices in terms of available premises, employees and access to innovation networks and certain forms of knowledge. Whilst they face a constellation of growth challenges, rural economies are also increasingly recognised for the contribution they make to economic development and that they may be a source of unrealised growth potential (Phillipson, et al, 2011). DEFRA has recognised this problem and is now working towards solutions following its Rural Growth Review in 2011.

One DEFRA initiative has involved granting £165 million of funding to five pilot programmes across England, the so-called Rural Growth Networks (RGN) (DEFRA, 2013). This initiative is to support the creation (or upkeep) of business hubs in rural regions to complement growth. Business hubs, by definition, are central focal points in a network and in these circumstances provide a combination of *physical infrastructure*, that supports developing businesses by offering flexible office space and rent, and *social infrastructure*, by enabling *networking opportunities* for businesses to cooperate, collect clients and share expertise.

The north east of England has been chosen as one of the pilot programmes. As part of the RGN programme the Centre for Rural Economy (CRE) was invited to carry out some initial research into enterprise hubs in the rural NE<sup>11</sup>. The research found 22 hubs in the NE

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<sup>11</sup> CRE 2014, *Honey Pots and Hives: Maximising the potential of rural enterprise hubs*. Cowie, P., Thompson, N. and Rowe F. Centre for Rural Economy, Newcastle University and NE Rural Growth Network, 2013.

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RGN area; the smallest has the potential to host 7 businesses with the largest housing 35. The research collected data on all 22 hubs and conducted interviews with 12 hub owners/managers. The second phase of research concentrated in the businesses occupying the hubs and involved interviews with 21 businesses. Finally a series of workshops were held with hub owners and managers both from the RGN area and from the neighbouring urban core. Together this research has allowed the NE RGN to understand in much more detail the nature of rural enterprise hubs and the role they play in the rural economy.

### 4.2 Overview of enterprise hubs

In terms of ownership of the hubs, half of the business hubs are privately-owned, a third run by the third sector, with the remainder managed by the public sector. There was little of the flexibility normally associated with this type of businesses premises in urban areas. Only 2 hubs had the ability to vary the physical space available to rent. A similar number permitted tenants to share space with other occupiers. Finally only three hubs had flexible letting terms, 'easy in – easy out'. This flexibility in business premises is particularly useful for early stage businesses (Bergek & Norrman, 2008). During the workshops this was discussed with the hub owner/managers. The reason given for this lack of flexibility was fear of the unknown and a lack of legal knowledge about the possibility of flexible tenure options.

Hubs are also facing financial challenges caused by the recession. Hubs reported experiencing more vacant units and longer periods between re-lettings. In addition the increases in overheads were causing some hubs to re-evaluate the level of services they provided to tenant.

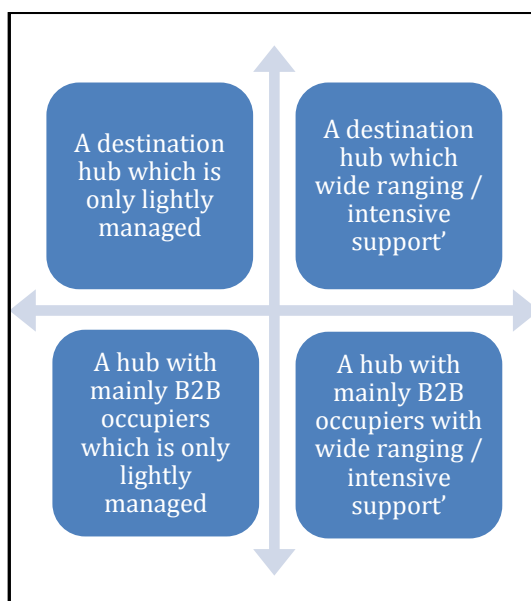
### 4.3 An enterprise hub typology

Whilst the term 'enterprise hub' does not feature in current academic and policy papers there are parallels with concepts such as business incubators. Most typologies of business incubators focus on both the

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physical nature of the premises, shared services, business support and flexibility of accommodation. This, however, did not provide the complete picture needed when investigating the rural hubs. After the initial desk based review of the NE rural enterprise hubs it became clear there was another differentiating factor in rural hubs. The hubs could be differentiated by extent to which the hub was a destination in its own right (see Figure 3.1). Businesses in destination hubs tended to be in the craft and visual arts sectors. These hubs could be termed 'honey pot' hubs. In contrast at the other end of the scale were the B2B hubs. These hubs were occupied by businesses in a range of knowledge intensive sectors and engaged with their customers on a more arm's length basis. These hubs could be termed 'hive' hubs. There was more evidence of collaboration and agglomeration affects in the honey pot hubs with examples of businesses collaborating to market the hub or running a shared gallery space. There was little evidence of collaboration or agglomeration affects in the hive hubs. Even in instances where business in the same sector occupied the same hub they did not interact to any meaningful degree.

**Figure 4.1:** Typology of rural enterprise hubs



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### 4.4 The needs of rural enterprise hubs

During the stakeholder engagement with hub owners and managers one issue arose again and again. Enterprise hubs are businesses in their own right. Many hubs felt as isolated and disconnected as the businesses within them. One development they were keen for the RGN to support was a network of enterprise hubs. It was felt by the hubs involved this should not be limited to rural enterprise hubs but as far as possible should include enterprise hubs in the neighbouring urban areas. The main issue the network seeks to address is the lack of expertise in managing enterprise hubs and generating the maximum amount of value added by having a critical mass of businesses within the network. This applies to all types of hub owner; public, private and thirds sector. For example use of easy-in easy-out letting terms are not always well understood and fear of making a costly mistake in a letting agreement puts off all sectors alike. By having experienced operators sharing knowledge, experience and expertise it is hoped these fears can be overcome.

There is also the issue of a lack of information on what is out there in terms of rural business premises. Whilst, as the next section outlines, it is mainly new or early stage businesses that predominately occupy enterprise hubs, there is evidence from elsewhere that as businesses mature further they tend to migrate to the urban fringe or core. Having available grow-on space in rural areas could limit this loss of businesses out of rural areas.

### 4.5 Business Occupiers – characteristics

When compared to the general NE rural business population, businesses occupying enterprise hubs were younger (41% were less than 2 years old) but employed the same number of FTEs as the general, much older, business population. In terms of their markets hub businesses had fewer very local customers but more regional customers than the general NE rural business population. Hub-based businesses are also more likely to serve other businesses this is particularly striking given the sample

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included businesses in honey pot hubs which target private customers.

In terms of the role enterprise hubs play in health of the rural economy, one of the most interesting findings was the fact that 58% of hub occupiers had moved to the hub from home. In addition a further 10% had started their business in the hub. This indicated that enterprise hubs are playing an important role in developing new and early stage businesses.

The exact nature of this role was explored in the next set of questions. Businesses were asked what their primary motivation was for moving to the hub. The majority of respondents cited that rent and flexibility of tenure has the biggest influence in their decision. More intangible benefits such as the opportunity network or collaborate with other businesses and gain access to business support was much less important.

This can be contrasted with what businesses feel are the barriers to growth. In this case collaboration and better business support were cited as the biggest barriers to growth. This is an area which needs further research. One possible explanation as to why collaboration and business support are not mentioned as primary motivations for hub occupation is that they are secondary issues.

The nature of hub occupiers may be key to understanding this issue. As outlined above most hub occupiers have either started their business in the hub or are moving on from a home-based business. In both instances taking on commercial business premises will be a significant commitment. Having flexible terms and affordable rent will therefore play a significant role in the decision making process. Once a business has secured suitable space on favourable terms they can start to develop the networks needed to overcome the barriers to growth. The need to overcome isolation and gain access to better business support starts off as a latent need but then crystallises once the functional problem of finding suitable face has been resolved. The business owner was aware of the potential to collaborate and gain access to business support but it played a secondary role in the decision making process. This has implication for the way rural enterprise

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hubs are promoted and how business support and networking activity is delivered through the hubs.

### **4.6 Early lessons in rural enterprise support from the RGN Enterprise Hubs Program**

There is evidence of strong demand for this type of flexible business premises with a number of hubs being filled through word of mouth within a couple of months of opening. In one case a business which started locally in the spare bedroom but moved to purpose build premises in the urban fringe as they became an international business has now moved back to an Enterprise Hub.

Further work is needed to understand the role Rural Enterprise Hubs do and can play within the business lifecycle. There is a clear indication that they play a role in the formative stages of businesses and could probably play an even more transformative role if the correct resources and support are targeted through them. Lessons from other situations where there has been successful regional agglomeration affects, the classic example being Silicon Valley (Saxenian, 1994), offer an indication of what coordinated support across a range of business issues. Rural Enterprise hubs also offer an opportunity to overcome the perennial problem in SME support of 'picking winners'. Businesses that are making the transition from home-based business to renting within a rural enterprise hubs must have some growth ambitions. This could allow a more intensive support program to be developed for these businesses.

This also brings into focus another aspect of enterprise hubs which will be an issue going forward. How can they ensure a churn of businesses and prevent themselves becoming ossified. Urban incubators and spin-out premises have specific polies designed to ensure a flow of businesses through from start-up to mature standalone business. There are greater challenges to this type of model within the rural economy, the most significant of which is a lack of grow-on business premises.

#### 4.7 Conclusions

Early indications are that the Rural Enterprise Hubs offer an interesting tool in the rural enterprise policy box. However they are not the complete solution. They needed to be embedded within the physical and virtual networks of the local and regional economy. However, how this can be achieved is yet to be fully understood.

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## **Paper 5: Networks and support for under-represented groups: Successful support of rural business women**

Polly Gibb, Director of Women in Rural Enterprise (WiRE)

### **ABSTRACT**

In this paper Polly Gibb describes the nature and successes of this dynamic UK-wide networking and business club for rural women, and offers some ideas about how WiRE's approach to supporting businesswomen could bring growth in women's enterprise in other places. The mission of WiRE is 'to have a positive impact by doing everything possible to help female led businesses in rural areas of the UK to start, thrive and grow and to celebrate the important contribution they make to the sustainability of rural economies and communities'.

### **5.1 Background**

WiRE was inspired by a piece of academic research – which found that women were driving economic diversification in the rural areas. The research also showed that these women were isolated, both from business support but also from each other and the wider business community. WiRE was founded with the objective of bringing these businesses together for mutual support and learning; and of creating links and access to business training, specialist expertise and professional business support.

Today, WiRE's inspiration still comes from a belief in the importance of a thriving business community to the economic and social health of rural areas and an understanding that women are leaders and drivers of this business community.

We have members in every part of rural Britain and provide business support and locally driven networking opportunities to rural women in every region of England. From our university base in Shropshire, we deliver start-



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up training and business development workshops. We carry out research and advocacy, and link members into the research and technological expertise of Harper Adams University.

WiRE aims to encourage entrepreneurialism and to support businesses to realise their ambitions, to be competitive, innovative and to grow. We believe that business improvement and growth is driven by the business community rather than grand interventions and we have developed a model of supporting business which is based on a combination of self-help and access to specialist expertise.

Courage and inspiration are at least as important as knowledge in the process of starting, improving and growing a business. WiRE recognised early on that businesses gain courage, inspiration and knowledge best from other businesses. The WiRE model of supporting business recognises and celebrates this, and creates forums within which businesses come together to learn from each other, associate, collaborate and innovate.

However, there are times when a business can benefit greatly from access to a real expert in a certain field. Small, new businesses are isolated from the sources of business and technical expertise which could help them to improve, innovate and grow. Based within a university, WiRE is uniquely placed to link entrepreneurs with a huge resource of knowledge and expertise and to help individual businesses take advantage of the latest technological developments.

### 5.2 WiRE Learning Networks

Networking continues to be the most important business benefit to women running rural businesses and we firmly believe that networks are by far the best vehicle for enabling business improvement. Networking is especially appropriate for female led, rurally based, businesses in enabling both peer group mentoring and learning; and the agglomerative effects which stimulate business improvement, collaborations and innovations.

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The importance of networking is now recognised in the rhetoric of business support. However, an understanding that networks should be part of the business infrastructure, and offer a valuable opportunity for business improvement, is not yet established.

Because we are determined to enable networking across all rural areas of the UK, we have developed a model of member-led local networks whereby women step forward and volunteer their time in order to set up and coordinate a network of local business-women.

We currently have 60 WiRE Networks, spread across all UK regions apart from Scotland. Networks meet at least 10 times per year attracting 15-40 attendees each time.

WiRE network meetings are not a forum for sales. WiRE Network meetings are an opportunity to learn about specific business subjects, through a combination of expert speaker, peer mentoring and peer group learning. Network members also gain from the mutual support of the group and the opportunity to bounce ideas around and find solutions to challenges in their own business.

WiRE Network meetings are also an opportunity to collaborate and associate to come up with new products and bid for new and bigger business. This happens informally in all our networks and occasionally a more formal initiative - such as the Staffordshire Weddings Circle and Dead Good Designs, a design collective in Norfolk - is launched.

### 5.3 Access to expertise

WiRE links businesses to the huge resource of knowledge, expertise and developing technology which is held within Harper Adams University and potentially, the wider university sector. There is no formal structure for this and again, it is about making links and bringing people together. An example of this would be the lettuce grower in Shropshire needing to upscale production. WiRE linked her up with an expert in hydroponic

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cultivation, enabling her to leapfrog several technologies and introduce cutting edge technology into her small rural business.

This ability to directly link up academic scientists and technologists with the entrepreneur is possible because we are based in a university.

There are also times when a business needs to access top level professional expertise. WiRE helps individual businesses recognise the point at which they need help from an expert and in some cases is able to link them up with a source of help (for example through our commercial partners or bodies such as the tax office, patent office, UKti).

### 5.4 Training

WiRE provides both training and business workshops. We currently offer a start- up programme, which encourages businesses to start and equips new entrepreneurs with basic business skills to help them set up a viable business which can survive and grow.

Nationally, we try to offer a programme of one-day workshops which equip businesses with the knowledge and skills to develop and grow. Equipping businesses with the knowledge and skills to make the most of the opportunities of new technologies, in particular ICT and social media, is a key area.

A great advantage of mediating training and new skills development through the membership and networks is that a community of practice is formed – people are not left to implement their new skills and knowledge alone, but go forward together sharing their collective memory and growing expertise.

### 5.5 Conclusion

WiRE inspires businesses and individuals to succeed and encourages businesses to start, grow and thrive. WiRE believes that supporting

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business growth is about enabling (self-help), and linking (with the knowledge resource). Our approach is light-touch certainly, but is also a careful blend of interventions and catalysing actions, which aim to harness the energy, expertise and courage, which already exist out there in the rural business community.

WiRE is a forum for learning, innovation and growth – developed around the core understanding that businesses learn best from one another and that innovation and growth occur when businesses are able to get together, associate and explore new ideas. We get businesses together, provide access to knowledge and technical expertise where needed, and leave the entrepreneurs and business people to do what they are good at.

WiRE is built upon, and builds on, social capital. Our business networks are led by volunteers – entrepreneurs who step forward to start and develop a group alongside running their own business – are locally driven and rooted in the business and social communities from which they spring. This national network of local groups represents an extremely sustainable model which works with the grain the business community.

## **Paper 6: Community-Led Local Development: LEADER and rural growth**

Dr. Gary Bosworth, Reader in Enterprise and Rural Economies, University  
of Lincoln

### **ABSTRACT**

LEADER has provided funding for rural development activities across Europe for over 20 years and is founded on the principles of local, bottom-up approaches. Such approaches should therefore give greater weight to local issues, place greater value upon local resources and engage local people in decision making processes. LEADER's success with this approach has directly led the European Union to embed Community- Led Local Development (CLLD) schemes in its Structural and Investment Funds from 2014.

From interviews across 20 of the 64 LAGs in England, it has become clear that during the course of this LEADER programme, many LAGs have been able to apply more flexibility to meet local opportunities and challenges. This local learning is an example of how LEADER can empower local actors to “valorise and exploit local territorial resources” (Ray, 2001). Further interviews with 30 beneficiaries of LEADER funding were also used to investigate the economic impact of LEADER for small businesses and the rural economy. In particular, the analysis focuses on the extent to which LEADER has enabled activity that would otherwise not have been possible and the scale of resultant local multiplier effects. We also consider how the process of promoting, allocating and monitoring grants could be improved for future LEADER programmes in ways that will advance rural entrepreneurship and develop synergies with the current rural growth agenda. This presentation will consider how English experience of the LEADER programme, can help other communities and economic delivery bodies to focus, plan and deliver other CLLDs as a valuable driver of

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sustainable growth.

### 6.1 Community-Led Local Development: LEADER and Rural Growth

LEADER has been at the heart of local rural development approaches across Europe for two decades. It is based on the philosophy that rural communities are best placed to identify local priorities, recognise local opportunities and design local solutions. The 7 rules of LEADER that underpin this philosophy are set out in Figure 5.1.

After 3 programmes with increasing budgets and increasing coverage across England, the latest phase saw LEADER “mainstreamed” as part of the overall EU rural development budget, as part of the Common Agricultural Policy (CAP). The precise shape of LEADER moving forwards is still unclear but commitment has been shown with transition funding available in England and guarantees in place from the EU.

The commitment from Europe extends to a desire to integrate Community-led approaches into urban as well as rural areas. The EU Directorate General for Urban and Regional Policy states that “a truly integrated approach to development must go beyond intra-city policy coordination and traditional rural issues” (Europa, 2014).

This paper fulfills two objectives. Firstly it sets out the lessons learned from the review of LEADER carried out for Defra in 2013<sup>12</sup>. These include procedural and governance issues as well as best practice for maximising the impact that can be achieved for local economic and community development objectives. Secondly, it considers how this learning can be employed in other forms of community-led local development and the extent to which LEADER can function as an effective component of a

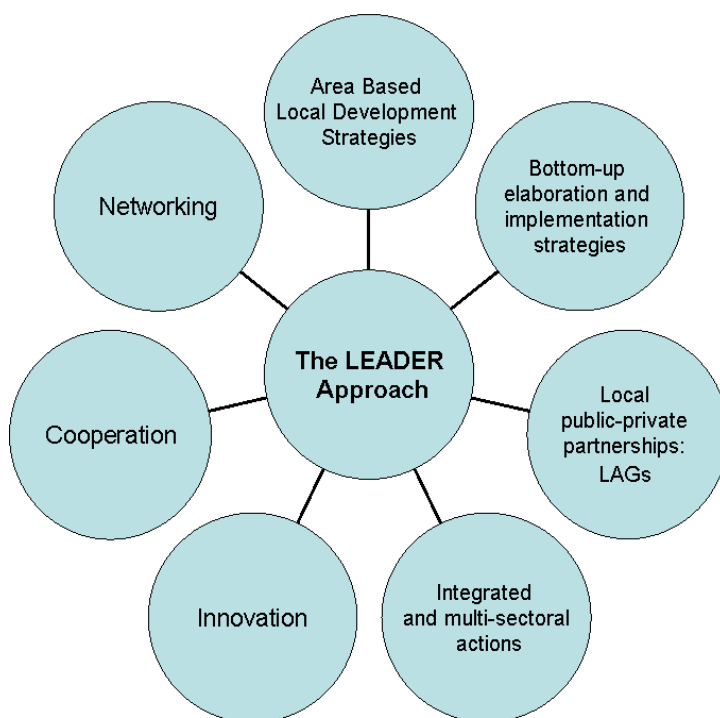
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<sup>12</sup> Defra 2013. *A Review of the Leader Approach for Delivering the Rural Development Programme for England. A report for Defra*. Lincoln Business School, University of Lincoln, 2013.

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common strategic framework<sup>13</sup> (CSF) in the 2014-2020 programming period.

**Figure 6.1:** The 7 Rules of LEADER



## 6.2 Lessons Learned

### 6.2.1 Impact

Most Leader areas have over-achieved against their targets relating to levels of expenditure, demonstrating the significant amount of activity achieved through the Leader approach in England. Most programmes appear to be delivering higher outputs than contracted (all 6 field study

<sup>13</sup> The CSF encompasses the following: European Regional Development Fund, European Social Fund, European Agricultural Fund for Regional Development, European Maritime and Fisheries Fund and Cohesion Fund.

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areas provided evidence to suggest this), however, a criticism that emerged throughout the research was that a lot of measurement concerned the proportion of spending rather than material impacts on the ground. While the basic numerical data provides some assurances on value for money it has serious limitations in capturing the full impact and outcomes of the Leader programme, especially over the longer term. We found many examples of LAGs struggling to turn anecdotal information of value into tangible recording. The recording system only permits outputs to be recorded up to the final payment date with no scope to assess multipliers.

The increase in employment attributable to LEADER was found to be modest in absolute terms, at an average of 3.5 FTE per business, but this is significant employment at a local level (Ekosgen, 2011). As one interviewee noted, *“You get more bang for your buck in rural areas like this, it saves one or two people having to go to [the nearest city] to get a job so it makes a real difference. That money would’ve been lost in a bigger town.”* The modest job creation rates also reflect the eligibility criteria where larger enterprises, those more likely to create more jobs, were unable to claim LEADER funding. This was backed up by a respondent to Defra’s own call for evidence where one respondent explained that they had turned away many potential applicants because they have in excess of 10 members of staff. In terms of measurement, the safeguarding of jobs is not counted which, especially in the recessionary period, may also have undervalued the impact.

We have significant evidence, particularly if broader social impacts are considered, that Leader has been very effective in delivering against Axis 3 – improving the quality of life in rural areas. Evidence suggests that the true value of LEADER is not about financial outputs, but in building capacity and triggering a ‘mind shift’ among local actors which, in turn, can help to improve the economic performance and sustainability of rural areas over time. This matched findings from studies in the Netherlands where raising awareness of rural development was seen as a valuable outcome and



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shifting the focus towards whole landscape areas rather than piecemeal policy design has enhanced its delivery (Franks and McGloin, 2007).

Many Leader grant applications have been submitted by community groups and social enterprises and the resultant projects continue to support and harness the efforts of volunteers. This is a powerful feature of Leader in terms of its role as a vehicle for engendering neo-endogenous growth. Our research also identified a huge diversity of projects across England and one could argue that this is the unique feature of LEADER.

- The volunteers managing Witham Hall in Barnard Castle had a 'village hall mentality' but are now able to operate a modern and versatile public space so protecting a major public investment
- The Forge Studios at Allendale has provided free workspace to enable young entrepreneurs to establish and grow a business
- The South Tyne Valley Railway is not only attracting additional visitors, contrary to regional tourism trends, but the many volunteers are more committed and lead more fulfilling lives
- Village Agents in remote rural Cumbria are finding novel ways of delivering community service and especially support for disadvantaged groups including the elderly
- Lakeland Eggs has enlisted a network of 50+ farmers into their supply chain, animal welfare standards are exemplary and employees are able to walk to their workplace
- Growing Together in Cornwall has through a simple concept reinforced community cohesion, bolstered local food supply chains and promoted healthier lifestyles
- Groombridge Hill farm in Kent is now defined by its new farm shop rather than the opposite and the Leader experience has inspired new initiatives in renewable energy
- Kent Lavender Growers have gained vital credibility as exporters to Continental markets
- Farmers markets have been established in Shropshire schools so embedding the benefits of local food production into the minds of future

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consumers

- Cumbria Woodlands has provided an essential translation service to overcome the language barriers between funding bodies and the forestry sector.

### 6.2.2 Procedure

The research highlighted a number of factors that enabled LAGs to operate most effectively. For example, those that had the benefit of continuity from a previous programme they were often more efficient highlighting the importance of clear advice and guidelines from the outset. LAGs that maintained their Local Delivery Strategy (LDS) as a living document were well positioned to adapt to changing local conditions and, looking ahead, those that maintain these documents through the transitional phase are also likely to be best placed to agree their priorities and inform the development of appropriate governance arrangements for the next programme.

One of the features of LEADER is innovation and we identified a number of factors that impacted on this: (i) the ability of LAGs to take their own decisions; (ii) the strength of community involvement; (iii) the level of project officer support; and (iv) participation of innovative individuals in LAGs, associated agencies, local communities and businesses. An additional factor was the perception of risk among LAGs. Despite the RPA reporting that project failures (requiring repayment of funding) were rare, cautious approaches to risk management were commonplace. For example, in some cases, a portfolio approach was taken where only one “risky” project was permitted to be on the books at any given time which could exclude particularly innovative projects.

Part of the cautious mentality perhaps stemmed from the complexity of the grant application and claims processes which were regarded as disproportionate compared to other funding regimes. As well as the complexity, the need for match funding at a time when lending was hard to come by and retrospective claiming requirements proved a further

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challenge to small businesses and community groups. This left applicants requiring considerable support from LAGs and accountable bodies throughout the process. In most cases the LEADER Officer was the most important person within the delivery process, often spending a significant amount of time supporting the monitoring and reporting activities of projects.

The need to develop meaningful, proportionate and not unduly burdensome approaches to data collection was another consistent theme arising from the field interviews and the workshops. Ongoing evaluation at the local level that can capture wider benefits would not only aid reporting but also enable LAGs to use better evidence to inform subsequent activity.

LAGs that have been able to focus resources on project development showed good results. The research indicated that a lot of projects emerged through word of mouth and existing relationships but it is suggested that the new programme will allow a share of the budget to be used for publicity. LAGs that operated an intensive Expression of Interest process were also effective at raising wider awareness.

The development of clusters were effective in increasing the returns on investment in some cases (e.g. the wood-fuel sector in Cumbria) although it could be argued that some other sectors (e.g. microbreweries) were overly favoured with the result that existing businesses are struggling to compete against those in receipt of funding. New LEADER areas that may incorporate urban and rural territories could benefit from identifying clusters that build links between urban and rural areas too.

We found evidence that networking between LAGs at the England wide level is a potent way of sharing and sustaining good practice – but there is scope for more activity, and especially more international collaboration projects. As part of a broader policy initiative, it may become harder to generate networks that connect groups facing similar opportunities/challenges when wider geographies and an amalgamation of

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funding streams are brought together.

### 6.2.3 Looking ahead

The Commission expects CLLD to facilitate implementing integrated approaches among the European Structural and Investment Funds. The Commission encourages the use of CLLD as it also allows local communities to take ownership of the objectives of the Europe 2020 strategy. Six priorities are identified within the new Rural Development Regulation 2014-20 and the LEADER approach could be used to deliver any number of these:

- 1: Fostering knowledge transfer and innovation in agriculture, forestry and rural areas
- 2: Enhancing competitiveness of all types of agriculture and enhancing farm viability
- 3: Promoting food chain organisation and risk management in agriculture
- 4: Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry
- 5: Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors
- 6: Promoting social inclusion, poverty reduction and economic development in rural area.

Building from LEADER, the intention is that CLLD is encouraged across all funds and regions, with a consistent approach to encourage multi-fund applications across both urban and rural areas. One criticism of earlier approaches has been that it has never truly shaken off the mentality of top-down grant-aid where CLLD becomes a delivery tool rather than a vehicle

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to introduce innovation into the system (LDnet, 2012).

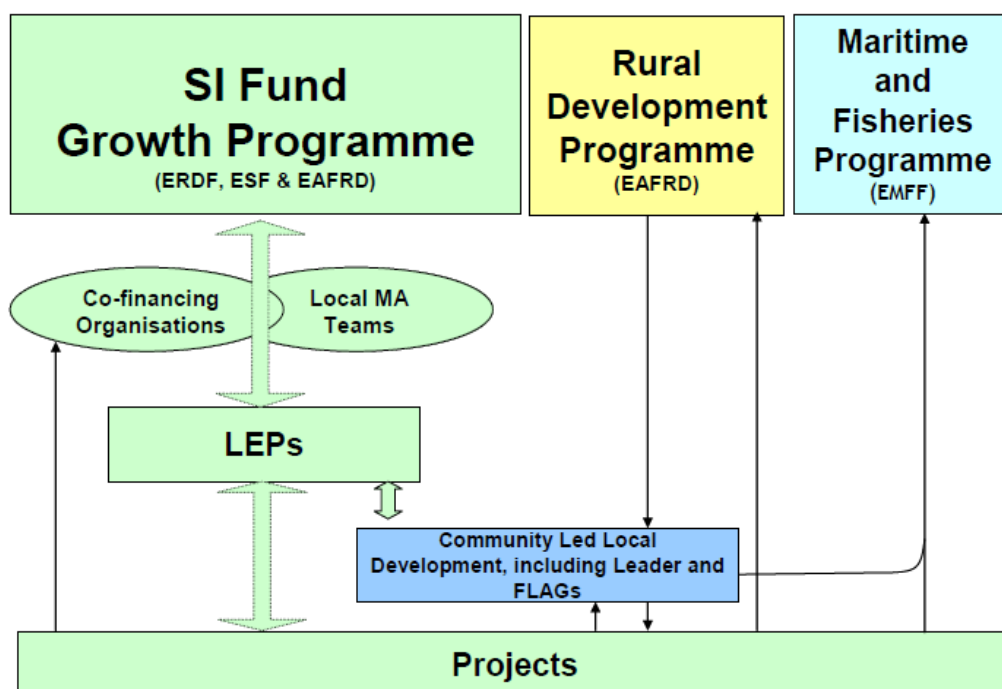
One risk is that in larger territories, the most rural areas are overlooked. With increasing political emphasis on *economic* development, investing funds in more urban areas are likely to deliver higher returns when measured by raw indicators such as output, employment and additional investment leveraged. However, as we have seen, investments in rural areas can have different impacts through reducing out-commuting and sustaining vulnerable supply chains with material benefits to other small producers. In urban areas, whilst the impact might be larger, the proportional impact may be less clear and the measurement of multiplier effects, community benefits and other value creation will be obscured by the overlapping communities and greater density of activity.

I have always argued that neo-endogenous development is people-led and not just territorial so when we talk about “community-led” local development, the people and not just the geography are critical. A lot is already being asked of volunteers on LEPs, LAGs, Parish Councils and other groups so larger LEADER-type organisations with responsibility for larger area and more complex combinations of funds could restrict participation. To be truly locally-focused and to allow the scope for local innovations requires those closest to the opportunities and needs to be able to contribute. Similarly, identifying collaborative partners among much larger LEADER groups could be more difficult. One possible model to increase geographical coverage, while allowing local engagement, is a two-tier system with county- or LEP-wide LAGs that have sub-LAGs for defined areas of (rural) need. This would allow all local communities the opportunity to engage in CLLD whilst still prioritising the most disadvantaged rural areas. Given that some of the problems identified from the previous LEADER programme originated from the inception and subsequent inflexibility, a two-tier system could also allow greater flexibility and ensure that smaller groups are better supported by the larger LAGs.

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It is possible in the context of this review, to identify a very clear role for LEADER post 2014. As illustrated in Figure 5.2, it can function as a neighbourhood focused element of rural development policy, working alongside LEP directed interventions to achieve local growth through small scale, innovative interventions based on LEADER's established principles. LEADER can achieve this within the broader framework of the Government's objectives for economic growth and in the context of the six priorities within the new Rural Development Regulation. This approach fits straightforwardly into the new CSF for cohesion funding.

**Figure 6.2:** The role of LEADER in the New Policy Framework



**Source:** HM Government. *Preliminary Guidance to Local Enterprise Partnerships on Development of Structural and Investment Strategies*, Department for Business, Innovation and Skills (Technical annex, p. 6) 2013.

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<http://ldnet.eu/Community-led%20local%20development:%20making%20it%20a%20success>

## **Paper 7: Finance for Growth – the experience of the Warwickshire Rural Growth Network Programme**

Tim Powell

### **ABSTRACT**

Financing growth at any time in any sector has always had issues. However, the Rural Community appear to experience additional problems. In this paper Tim Powell reviews recent experience in accessing and sourcing finance for 100 businesses whilst managing a specialist service to help small and medium sized businesses in the rural areas of Warwickshire access grants and finance.

### **7.1 Background**

Warwickshire County Council acting on behalf of Coventry and Warwickshire Local Enterprise Partnership (CWLEP), were awarded funding by DEFRA to establish a pilot Rural Growth Network (RGN). The RGN initiative launched in December 2011 is part of a package of measures announced in the Government's Rural Economy Growth Review for local enterprise partnerships (LEPs) or local authorities to apply to become pilot areas to test different mechanisms by which LEPs and local authorities can support sustainable economic growth in rural areas. Warwickshire is one of five RGN pilot areas<sup>14</sup>.

Warwickshire's rural areas have some of the highest start-up rates in the country. However, analysis showed that significant difficulties are incurred in turning new starts into growth businesses which can generate wider economic and employment growth. These same areas with good start up rates have "below average" business growth and higher business failure

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<sup>14</sup> The others are in Cumbria, Devon & Somerset, Durham & Northumberland, and Swindon & Wiltshire. See:  
<http://www.defra.gov.uk/rural/economy/econ-business-broadband/rural-economy-growth-review>.



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rates, and appear to be below average in terms of productivity (Coventry and Warwickshire Local Economic Assessment, 2011).

Factors affecting poor survival rates, low levels of productivity, and poor growth rates identified have been:

- Lack of suitable property and planning issues;
- Lack of superfast broadband;
- Lack of skills or suitably skilled staff;
- Lack of support for potential 'growth' businesses;
- Lack of business-to-business networking;
- Lack of access to local innovation and technologies; and
- Access to finance and the "rural premium" (the additional costs involved in setting up and running a business in a rural area).

The programme we have been delivering was specialist advice to access finance to small and medium sized businesses in the rural areas of Warwickshire, specifically operating in the Advanced Engineering & Manufacturing, The Digital and Low Carbon Sectors.

The role included working with businesses to identify the most appropriate source of funding and then to proactively support them in making successful applications including measures such as accompanying a business to meetings with banks or other funders.

So far in the programme we have interacted with 100 businesses from start up to mature enterprises comprising light and heavy touches primarily influenced by applications for the micro-enterprise grant available under the initiative, of between £10k-£100k, but only for those in the industry sectors identified.

Effective handling of enquiries has involved understanding the issues facing the business, its ability to handle the funding requested and actual growth should it occur.

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### 7.2 Observations

We have not conducted a survey or specifically recorded any of the data from which the observations below has been identified nor did we validate information on prior lending enquiries.

The majority of businesses we met, both new, existing and mature, were micro enterprises with no ambition to be any more than a “lifestyle business”, often looking to serve the local community albeit some were very successful viable concerns. However, for others either because overheads were unsustainably low or there was a lack of competition and both personal & business ambition; their potential survival outside of this economic environment would be in doubt.

Their ability to access traditional bank lending by far the most common sought and obtained, was equally hard fought, fully secured, considered expensive borrowing not without personal risk to assets.

The withdrawal of banks generally from the SME market has also had equal effect in rural areas on levels of borrowing but I believe the added withdrawal of management experience and the closure of branches that we have seen, will also have a negative impact in the rural business community.

Internet banking is a saviour for managing day to day transactions. However, the inability to have “human contact” on a funding requirement either because the level of turnover <£1m pa did not necessitate an account manager is a barrier in itself and clearly impacted on people asking for advice on funding.

In handling access to finance enquiries we found ourselves often spending as much time going back to basics to uncover the real issue, with finance a symptom of something else. Not being prepared, nor having time to undertake research or articulating their growth plan were common factors

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in slowing down an application for funding.

However, where genuine growth was anticipated or being achieved; management inevitably was strong, dynamic and in a few cases, energetic and ambitious. The business was often technical or niche and given the sectors the programme was concentrating on helping i.e. Manufacturing/Engineering the use of asset finance, invoice discounting and bank overdraft & loan has been optimised.

We did though meet with two large medium size enterprises (between 50-250 employees) turning over between £2-7m, both profitable who had enquired about grant facilities and displayed limited interaction with their bank and their professional advisors on such matters and had found the local Chamber of Commerce more helpful.

We also found that this lack of accessibility to the funding sources or lack of desire to go into “town” by the entrepreneur had by default made people look more to their own or family resources for short term debt borrowing and others had negotiated good terms with suppliers.

We also saw that the CDFI's were considered a valuable source and one that probably needs more support to better service the rural micro enterprise and small business community.

There was also a very large number we spoke with who simply could not navigate their way around the complex array of grant funding suitable, out of date, applicable or not there was a genuine lack of understanding about alternative funding sources in the market, even if most were not appropriate in any event. The lack of a replacement for Business Link “good & bad”, a one stop shop for support was also an issue in providing information on finding sources.

Grants were sought mainly by start- up concerns. The RGN micro-enterprise grant has been extremely well received overall. However as already indicated with only a few exceptions generally people did not know

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what was available or appropriate or could be applied for. Having already produced a guide to local, regional and national grants for the LEP that resource was very useful. (As at 31.1.14 there were just over 500 ERDF grants/projects in the region – it can be a confusing landscape).

External Equity i.e. not family and friends was probably the least sought and understood source of funding and few businesses were appropriate but where it was in place it was entirely appropriate and had gone in at seed stage in most cases into technology led businesses.

Getting a loan for an asset was relatively easy to find even if the cost was expensive, but the most common complaint was the lack of working capital/short term facilities traditionally made available by banks and now unavailable or hard to obtain quickly and easily.

## Paper 8: Rural and Urban Economies – similar and different?

Roger Turner, Rural Economies consultant

### 8.1 Profiling rural economies

Three papers presented at this Workshop (**Papers 1-3**) raised directly questions of differences, similarities and links between rural and urban economies, their business composition and growth trends.

For several decades researchers, policy makers and stakeholders at national to local level have been able to apply an Official Rural and Urban Classification to quantitative and qualitative evidence. A long-standing Government decision defined the threshold between urban and rural settlements at 10,000 residents. In recent years this Official Rural and Urban Classification for England and Wales<sup>15</sup> has ordered features of settlement size, form and function into 10 spatial categories, using data for Census Output Areas (OAs). Today this Classification embraces sparsely populated countryside with isolated dwellings and hamlets at one end, and cities and other major urban settlements at the other end of this spatial spectrum. When data, including much economic evidence, is collected, or can only be released with confidence, at local authority districts (LADs) level or aggregations of such LADs, 6-levels of rural and urban definitions can be used.<sup>16</sup> The latest version of the Rural and Urban Classification (RUC 2011), prepared using 2011 Census returns, was not available to be applied to this Workshop's research and presentations. However, it can now be viewed in datasets for Local Authorities, Local Enterprise Partnerships, and other higher geographies such as Parliamentary Constituencies, Local Health and Education authority areas.

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<sup>15</sup> Defra, 2013. *2011 Rural Urban Classification User Guide*  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/239478/RUC11user\\_guide\\_28\\_Aug.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/239478/RUC11user_guide_28_Aug.pdf) and Rural Urban Classification leaflet  
<https://www.gov.uk/government/publications/rural-urban-classification-leaflet>

<sup>16</sup> Defra 2013. *2001 Local Authority Classification*.

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Such classifications allow differences and similarities between, and within, territories to be studied. Spatial diversity of enterprises and employment can now be studied and presented for standard characteristics such as Enterprise location, numbers, industry and sector classification, turnover, legal status, employee and total employment numbers and business size bands. For those researching and representing rural economies, a tradition or expectation has emerged that rural profiles are presented with comparative urban profiles, leading in turn to a focus on urban and rural differences. This is evident in the papers from Frontier Economics and the Institute of Employment Studies (**Papers 2 & 3**).

Presented at the workshop, the research by Frontier Economics<sup>17</sup> (**Paper 2**) provides important statistical evidence of growth, stability and decline in employment in rural and urban firms. Covering the period between the UK's first year of recession (2008) and 2012 this analysis of business' returns generates a rare profile of employment change within 62 sub-sectors, identifying those which have contributed most, and least, to private sector job growth across England's rural and urban areas. As such it extends previous quantitative analyses of recessionary impacts in our rural economies<sup>18</sup> into the growth years in our national economy. Some substantial or indicative sectors in both urban and rural areas exhibit different trajectories or profiles of employment growth between rural and urban England. This may be attributable to different composition of enterprise sub -sectors, (and sizes or age of firms?) in different rural and urban areas. Translation of these findings to smaller rural areas or sub-sets of rural categories may need additional analysis. Overall, however, the higher rate of rural employment growth serves as a reminder to all that rural economies make a substantial contribution to our nation's economic health.

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<sup>17</sup> Defra 2014. *Drivers of rural business growth, decline or stability* Frontier Economics Ltd

<sup>18</sup> ISBE, 2010. *Rural Entrepreneurship – Does English Economic Policy recognise its strength?* Turner, R. Paper presented at the Institute for Small Business and Entrepreneurship (isbe) Conference, 2010, and Defra, 2010-12 *Quarterly Rural Economic Bulletins*.

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Rural and Urban Spatial analysis has not been embedded yet into many enterprise and employment surveys and studies. Nor has a tradition of presenting comparative profiles of urban AND rural areas been adopted by large numbers of urban or city-centric representatives or papers, though rural studies are expected to present comparative data for urban areas. Thus rural economies' analysis still depends heavily on secondary analysis of surveys and evidence, and rural and urban comparatives are often conducted or presented at a coarse or binary rural and urban level.

Such homogeneous and binary profiles offer a limited foundation on which national policy- makers, decision-takers and representative organisations can build, or challenge, support programmes and measures. For those active in sub-national economies, they may offer signposts to sectors of growth and decline, which might be present in their rural (or urban) areas. However, for many such participants at this Workshop, and other economic development agencies, decision makers and resource managers, Frontier Economics' analysis of spatial and sector variation in employment growth, **(Paper 2)** and IES's analysis of access to Government-backed business support and skills programmes, **(Paper 3)** have been conducted or presented at too broad territorial level. Workshop participants called for similar profiles and analyses to be available at more local level, for smaller rural territories such as LEADER Local Action Groups, and especially for Sparsely-populated areas where core business and employment structures may differ markedly from these national (rural) profiles.

Some economic and demographic datasets, disaggregated using Rural and Urban Classification (RUC), are available from Defra and ONS (National Statistics) for Local Enterprise Partnership areas<sup>19</sup>, Local Authority areas<sup>20</sup>

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<sup>19</sup> Defra 2014 *Rural Statistics Local Level Datasets – Local Enterprise Partnership (LEP) local level data sets (RUC 2011)*.

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/293911/LEPs - LOCAL LEVEL DATA - Feb 2014 - FINAL.xlsx](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/293911/LEPs - LOCAL LEVEL DATA - Feb 2014 - FINAL.xlsx)

<sup>20</sup> Defra 2013a *Rural Statistics Local Level Datasets – Local level data on population, claimant counts, insolvencies, business numbers and house prices*

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/209703/local-data-12-13\\_LU.xlsx](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209703/local-data-12-13_LU.xlsx)

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and LEADER Local Action Group areas<sup>21</sup>. These allow economic and rural leaders to compare the composition of these local economies with national and sub-national profiles. However, few sub-national datasets present more than two consecutive years' evidence using the same RUC, nor do they provide sub-sector data. Assessment of rural business performance at local level is currently inhibited.

Spatially differentiated evidence can point to significant differences, upon which national and local agencies attention should focus. Some of these may merit distinct rural, village or market town responses or solutions. For example:

- Retail Partnerships and Business Improvement Districts (BIDs) initiated by BIS and CLG for larger town centres, may contrast with automatic rate reliefs, advice on co-operative ownership and grants for village and farm shops from Defra's Rural Development Programme for England.
- Support to employers with Hard-to-fill vacancies in urban areas may be addressed by training programmes, but in remote or peripheral rural areas employers may need help to provide transport or access to affordable housing to reduce Hard-to Fill vacancies.

Workshop participants drew attention to the harmful effects of weak provision of affordable housing, public transport, other services and infrastructure provisions on rural firms.

Nevertheless, decision makers considering spatially-distinct interventions to boost rural enterprise growth, should aim to identify where changes in employment, turnover, profitability are arising within rural firms. Rural Enterprises are not detached from wider economies. Rurally-located Local Business Units (LBUs) may be branches of Enterprises registered in our towns and cities, but rural enterprises also successfully operate urban and

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<sup>21</sup> Defra 2013b. *LAG vs LEP Characteristics Analysis*  
<http://randd.defra.gov.uk/Default.aspx?Menu=Menu&Module=More&Location=None&Completed=0&ProjectID=18472#RelatedDocuments>



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international branches. During the economic downturn, closures reported by several rural firms did not signal cessation of those firms, but restructuring of their businesses. This resulted in changes in the mix of workplaces, loss or relocation of jobs across spatial and sometimes sectoral boundaries. Thus some employment growth reported by Frontier Economics (**Paper 2**) and local business surveys may result from such restructuring, rather than improved enterprise or sector performance in specific rural or urban locations. Strategic planning, policies and interventions which convert spatially-different evidence into distinct and separate rural and urban programmes, may ignore or undermine Interdependencies between rural and urban economies evident at the firm level or local place.

### 8.2 What drives growth? - Skills, Access to business advice and other support

During the Workshop, speakers and participants discussed several drivers of, and barriers to, growth. These included access to finance, for individual enterprises and for organisations that supported them; access to and awareness of business advice, to skilled staff and training; mentoring; networking; broadband and business premises, planning restrictions and reduced support for public transport. Drawing on research from the Coventry and Warwickshire's Local Economic Assessment, these and other drivers/barriers are reported in Tim Powell's paper as, "Factors affecting poor survival rates, low levels of productivity, and poor growth rates...." of rural firms (**Paper 7**). Most of these drivers/ barriers feature regularly in local and rural business surveys, and affect rural firms of different size, sector, age and market orientation to varying degrees - a selection of which were summarised in Centre for Rural Economy (CRE)'s submission to the Government's Rural Growth Review.<sup>22</sup>

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<sup>22</sup> CRE/ Relu 2011. *Rural Economies: Incubators and Catalysts for Sustainable Growth*. Submission by the Centre for Rural Economy, Newcastle University and UK Research Council's Rural Economy and Land Use Programme.

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Surveys analysed by IES, and the Institute of Employment Research's analysis of UKCES's Employer Perspectives and Employer Skills Survey (**Paper 3**), explored differences in rural and urban firms' take-up of skills, training and government-backed business support, as well as Skills gaps, shortages and training behaviour in urban and rural areas. Although differences were evident between rural and urban firms' challenges, awareness and access to support, multivariate analysis explain such differences more by diversity of enterprise size and sector within rural and urban economies, than as a function of rural locations, *per se*.

Rural locations clearly exhibit differences, within rural categories and between rural and urban economies, in the composition or balance of sectors, firm sizes, market-orientation, origin of entrepreneurs and age of firms. These in turn produce different effects on growth, competitiveness and performance. Teasing out the influences of spatial and non-spatial factors must continue to be an important focus of future research – and policy making!

Workshop discussions again drew attention to the importance of more detailed understanding of challenges and differences faced by rural firms, than those which can be measured in national surveys. IES's research (**Paper 3**) identified that rural firms appear to have had more success in accessing finance than urban counterparts. Yet, some participants suggested that this finding might be biased by the greater ability of farmers and land-based enterprises to raise finance secured against land, and underwritten by constant EU/ national farm payments. Other participants drew attention to frustrations faced by very small employers in completing numerous, repetitive and complex applications needed to secure bank and other funding, and called for greater streamlining of forms, and sharing of generic information from applicants.

Some of the drivers and barriers to growth described above can be influenced only at national level. Others such as training, planning and transport networks lie more fully within the remit and reach of local actors.

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Local economic planners should seek out evidence from rural areas comparable to their own, but it was argued that for many rural locations, evidence of how sector, size and stage of firms, affect the drivers of business growth, is unavailable.

Secondary analysis of Newcastle University's North East England's Rural Micro-Business Survey, for example, revealed variation in business owners' aspiration and/or expectation to grow, in their preferred routes to growth, and in their needs to achieve growth. Re-analysis of 5 years of responses to the Global Entrepreneurship Monitor UK survey <sup>23</sup> traced higher levels of entrepreneurial activity in England's most rural areas than reported for other locations except inner London, to the attitude and background of rural residents. Such detailed analysis allows real differences between rural places to become visible, and helps economic leaders to tailor interventions. It is hoped that Defra's Rural Growth Network pilots for rural micro-businesses will extend such evidence. More generally such analysis requires more public-sector commissioned surveys to incorporate rural and urban spatial tags in their survey fields.

Some of the drivers of rural growth discussed at the Workshop lie beyond the normal focus of business policy and support organisations, yet affect product and service markets, or firms' operating conditions. For example, the aging population being experienced in many rural communities, raises the prospect of greater demand for care and health services, yet may also grow the marketplace for leisure and cultural services and activities. Such activities featured in the high growth sectors for rural employment presented in **Paper 2**. Workshop participants made regular reference to the inhibiting effect of the paucity of services in rural areas such as affordable housing, public transport and road networks, broadband and communication infrastructure and local banks, echoing findings of Frontier Economics. Some of these services may lie beyond traditional business

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<sup>23</sup> Levie, J. (2010) *Entrepreneurial futures in rural areas in England and Scotland. Insights from Global Entrepreneurship Monitor*. Presented at Rural Entrepreneurship Conference, 2010.

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support interventions. Nevertheless they are considered influential on rural enterprises' abilities to recruit and retain employees, transport goods and access efficient communications, and need attention.

Small firms in remote rural areas, especially those in hospitality, residential care, retail or nursery education for example, point to the inhibiting effect of poor public transport on the travel to work journeys of their low-pay employees, often made at unsocial hours. Alternatively, medium sized manufacturing or technology firm in more densely-settled rural locations, such as the Harwell, Oxfordshire example (**Paper 1**) are frustrated by poor connections to nearby railheads, and congestion on business parks' approach roads concern. Other rural firms' might seek road improvements that offer easier access and parking by tourists, better access for freight transport and courier services, or even swift access to international airports to reach global markets and destinations.

Access to finance similarly displayed multiple faces in the Workshop's presentations and discussions. Land-dependant sectors face fewer challenges than many other businesses, partly because land values in recent years have continued to rise, partly because most high street and specialist lenders have dedicated agricultural specialists and funding packages. Frontier Economics' focus group discussions (**Paper 2**) drew out other rural businesses' frustrations with low availability of investment funds, and suggested poor awareness of loans and grants - also described in Tim Powell's presentation (**Paper 7**). This contrasted with IES' finding that, when compared with urban firms, those in rural areas were, "Just as likely to have tried to access financial support...." and "Rural businesses more likely to be successful in applying for funding". (**Paper 3**).

However IES also reported that costs or complexity of applications were deterring applications for business support, recommending that providers need to improve and simplify their offer and processes. This theme found much support amongst participants, and generated much discussion about how application processes – for accessing grants, loans and other funds,

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and for business support more generally- could be improved for applicants and providers. Suggestions included: creating common application forms or sections; promoting a culture of sharing applicant's information especially between public-backed providers; allowing applicants to several providers to focus their efforts on sections and information-needs that are specific or confidential to individual schemes, measures, and the most probable provider.

Decision makers should be aware of the variety of firms' and their needs. Nevertheless, Workshop discussions drew sufficient attention to additional influences of rural locations that need to be better understood and addressed by economic partnerships and other designers or deliverers of business support programmes and measures. These include attitudes and enterprising spirit of rural residents and employers; differences in the built and semi-natural environment; sparse populations, peripherality and distance to urban settlements, customers and services. Business leaders should consider, explore, and where appropriate design, differentiated solutions to respond to the needs of rural employers and firms.

### 8.3 Sparsity or peripherality

Sparsity, or low density of resident population (and businesses), is a characteristic of some rural areas that affects enterprises' performance. Whilst 'agglomeration' is frequently cited as an important positive influence on higher productivity, analysis of the variability of productivity or performance rarely test the influence of 'rurality' or 'peripherality'. Research into drivers of productivity and competitiveness, is frequently confined to the influence of skills, enterprise, infrastructure, employment, R&D, investment and innovation.

However, as part of UK Government's Rural Economy Growth Review, Defra undertook a literature review, regression analysis and modelling of factors influencing productivity, to explore the influence of any spatial

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factors<sup>24</sup>. Rural or urban locations were found to influence productivity, but they lost their significance to other variables - a finding echoed in this Workshop (**Paper 3**). Nevertheless, Defra's analysis identified two spatial influences, *sic*, "productivity was higher where there were larger village and large market town populations..." whilst productivity decreased with distance from London. However, it should be noted that such spatial elements were less influential on levels of productivity, than the three key (+ve) variables - Business start-ups per 1000 population, Number of employees per business unit, and Capital Investment per workforce job. Such variables can be changed unlike some spatial characteristics.

For example, research by Rose Regeneration et al in 2009/10 for the Local Government Association and the Commission for Rural Communities, analysed productivity and performance in different rural and urban categories of local authorities. This identified many districts, predominantly rural in character, in peripheral locations, that were regularly amongst the least productive areas in England. Yet here also low critical mass and peripheral locations were discovered to be more important influences than 'rurality' per se.

Workshop participants echoed the need to view 'sparsity' differently from an aggregated rural influence. They argued for more information and evidence of growth, stability or decline and access to business support and training to be available for sparse rural (and urban) areas. Sparsely populated rural areas show some marked differences in sector and size composition from the aggregated rural enterprise profiles presented. Indeed, it is only in sparsely-populated open countryside and very small settlements that farming and allied land-based businesses form a majority of the stock of enterprises. With such marked differences in business composition, sparse rural areas can be expected to show some differences in the rate, and source, of employment and enterprise growth from those evidenced in those less sparse and rural town categories which form the substantial share of rural England.

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<sup>24</sup> Defra 2011. *Understanding the Drivers of Productivity through Regression Analysis*.

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Some participants also argued that the economies of these sparse/ remote/ peripheral areas receive, and are likely to receive, less attention from national and sub-national economic bodies, including LEPs, due to their small economic contribution, distance from major centres and dispersed characteristic of businesses. Together with indirect effects, such as higher costs and physical challenges of connecting residents and enterprises to broadband and mobile communications; lower level of local demand for many products and services; thinner transport infrastructure; and thinner human networks, 'sparsity' affects growth and competitiveness. A targeted rural policy for sparse areas was one of the OECD's recommendations to strengthen the rural economy in their Review of England's Rural Policy, and they suggested perhaps building on (then) current interest in market and seaside towns.<sup>25</sup>

### 8.4 Clustering and networking?

Although spatial characteristics of sparsity and peripherality are difficult to modify, policy and infrastructural connectivity can reduce the effects of distance for many rural communities and businesses. Broadband infrastructure and speeds are being improved in many rural areas, although participants illustrated the do-it-yourself expectation to this need in some rural areas. Two successful approaches to raising the connectivity and critical mass of rural enterprises were portrayed and discussed at the Workshop.

The first of these presented benefits of local level physical clustering of enterprises in hubs and business parks in rural north east England (**Paper 4**) surveyed by Dr Paul Cowie and colleagues from Newcastle University's Centre for Rural Economy. Successful Enterprise Hubs and Business Parks can be found in large numbers throughout rural England. They take many forms, and focus.

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<sup>25</sup> OECD, 2011. *OECD Rural Policy Reviews. England, United Kingdom.*



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There are large numbers of isolated and very small rural business, office and retail parks, each with a handful of small units, and some substantial business hubs. Some have been developed in redundant farm buildings as part of farm diversification schemes. Others have been built by local authorities, by former national, regional and rural agencies, or privately-developed on the site of former public or commercial premises such as livestock auction marts, large factories, hospitals and rural colleges. Many traditional estates have created award winning 'business villages' in converted former estate buildings with new additions, as at Broughton Park Estate Business Park, near Skipton, North Yorkshire. Others have developed sector specific technology centres, for food at Harper Adams University, Shropshire; wood at the Woodland Enterprise Centre, East Sussex; high-tech engineering (Hethel Engineering near the Lotus car plant in Norfolk); space healthcare, life science technology and innovation centres as at Harwell in south Oxfordshire, optical technologies as at Technium OpTic, St Asaph, North Wales.

Those studied in rural areas of the NELEP (**Paper 4**) embraced many business activities, with many attracting occupiers who had started businesses at home, were early-stage enterprises, and those operating in creative and cultural activities. Some hubs used their facilities, environments and events to attract visitors and tourists, boosting the market for enterprises that sold products to visiting consumers, whilst other occupiers were attracted by purpose-designed and managed business premises with flexible space and tenure - of limited provision in some rural areas - and sold to businesses and distant markets. Strengthening their role and contribution to wider rural economies could be achieved by networking the hubs and parks themselves, as well as by encouraging landlords to respond to businesses' desire for networking and flexible occupancy conditions. Since the research was completed, the NE Rural Growth Network has established the Rural Connect platform to develop and share good practice between rural hubs and encourage innovation.

Perhaps also such Rural Hubs and business parks could induce clustering



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of firms in future growth sectors, i.e. rural versions of the Silicon Valley agglomeration effects, as Paul Cowie, put it. Some of those rural business parks and innovation centres referred to above illustrate clustering operating at different scales and rural sectors.

Successful networking can and is being achieved in rural areas independent of dedicated business hubs and premises. The strength of peer-to-peer networking, training and support was illustrated by Polly Gibb Director of the network for female entrepreneurs in Britain (WiRE) (**Paper 5**). This was the second approach to increasing connectivity and critical mass of rural enterprises discussed at the Workshop.

Operating as member-organised local learning networks, reinforced by national level training, business support and networking events, access to business and academic experts, the WiRE network inspires and steers business improvement amongst rural businesswomen. Workshop participants were inspired by the WiRE approach, and encouraged WiRE to contribute their experience of engaging and supporting women to start and grow rural businesses to LEADER Local Action Groups and other rural business communities and organisations. The UK Government's Rural Growth Review initiated a funding and support programme for women run enterprises, although interestingly, WiRE has not been engaged by Defra, LEPs or supported by these measures to build on their experience and networks.

### **8.5 Exogenous, or community-based, approaches to strengthen rural economies?**

In too many economic and business strategies and policy measures, rural economies are either absent, separated or under-valued. Farming and other land-dependant enterprises are often assumed to dominate these economies, even where evidence clearly shows other sectors and employment are more substantial, as illustrated in the opening presentation (**Paper 1**).

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Linkages and interdependencies between rural economies and cities and towns areas are recognised and addressed even less frequently than are non-farming rural enterprises. Indeed such interdependencies were one of two aspects left unresolved by the joint OECD and UK experts group, when the OECD's report of their first UK Territorial Review – Newcastle in the North East – was launched in 2006. LEPs' Strategic Economic Plans, EU Structural and Investment Funds Strategies, and City Deals offer opportunities to improve the understanding and attention to such rural and urban interdependencies. Indeed Frontier Economics research (**Paper 2**) encourages policy makers to give more focus to the positive synergies between rural and urban economies. Workshop participants showed interest in understanding these linkages and opportunities to improve understanding and strengthen interdependencies should be seized also by rural stakeholders and business leaders.

LEPs Growth Strategies should include opportunities for urban and other communities to benefit from the successful delivery of the LEADER programme for rural development, as described by Dr Gary Bosworth (**Paper 6**). Successful delivery of this rural version of Community-Led Local Development (CLLD) was the basis of the European Union's decision to incorporate CLLD programmes in all Structural and Investment funds from 2014. LEADER has successfully empowered local communities across Europe's rural areas to determine and deliver their priority needs, and improve community services, land management, local environment, business diversity and growth. English LEADER groups generated an average 3.5 FTE jobs per rural business helped in the period 2007 to 2013. The EU and UK Governments' have placed business and employment growth at the heart of the new LEADER funding round commencing in 2015. Existing LEADER Local Action Groups (LAGs) and representatives of other rural areas are developing their Local Development Strategies and funding 'bids'.

The UK Government has accorded LEPs a role in informing and deciding the coverage and focus of future LEADER programmes, and LEADER

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proposals will be expected to align with their LEP's Strategic priorities. This caused some disquiet amongst representatives of LAGs and other rural representatives at the Workshop.

These participants expressed concerns about the low level of commitment to rural economies in their LEP strategies. Some were concerned that they will be asked to focus on innovation, an important priority in several LEP strategies, not least because they see LEPs' emphasis to be focused on technology- driven and business innovation. Participants representing LEADER areas want their focus and encouragement for innovative communities also to be accepted.

A more strongly expressed reservation about the new directions, was that it amounted to a shift from bottom-up, locally-led setting of priorities and approaches, to a future in which LAGs are seen as local deliverers of higher tier agencies and partnerships, with a narrower and dominant focus on economic outcomes. If such shifts do indeed emerge, the essential feature of bottom up, locally-led (endogenous rural development) may be threatened by exogenous models and external direction. LEADER and other rural groups wish to be trusted by LEPs, Departments and agencies to devise and deliver their local area priorities, engaging with LEPs as equals. They are willing and able to assist LEPs and their partners to learn from rural communities' successful management of CLLDs, and help other communities and places to benefit from this approach.

Perhaps, there is a need for a meeting place and independent brokerage between these drivers and constituents of economic growth and local development. Good relations could also benefit from joint working on setting out examples of what LEPs' priorities will mean for village and rural areas, and how locally-led rural development can provide a complementary approach to LEPs' capital-investment focus for economic development?

## 8.6 Conclusions

This Workshop was designed to enable consultants and others to share with practitioners' recent research and experience of the composition, contribution, change and support of rural enterprises and jobs. The papers in this Evidence White Paper reinforce previous work in demonstrating growth, substance and potential of England's rural economies, shedding new light on drivers, differences and ongoing barriers to their growth. Lively discussion displayed variety of understanding, and commitment, to non-farm rural enterprises; the need to disaggregate evidence within rural economies, not just between rural and urban areas, and for economic leaders to do more to reflect rural enterprise in Growth measures. However, participants also request that development approaches that are designed to boost sustainability and resilience of local rural communities, rather than job creation and business growth, should also be respected and supported by programme and resource managers.



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