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## **How to cite this publication**

Please cite the final published version:

Korsgaard, S., Müller, S., & Tanvig, H. W. (2015). Rural Entrepreneurship or Entrepreneurship in the Rural: Between Place and Space. *International Journal of Entrepreneurial Behaviour & Research*, 21(1), 5-26. DOI: [10.1108/IJEBR-11-2013-0205](https://doi.org/10.1108/IJEBR-11-2013-0205)

## Publication metadata

<b>Title:</b>	<i>Rural Entrepreneurship or Entrepreneurship in the Rural: Between Place and Space</i>
<b>Author(s):</b>	<i>Steffen Korsgaard, Sabine Müller and Hanne Wittorff Tanvig</i>
<b>Journal:</b>	<i>International Journal of Entrepreneurial Behaviour &amp; Research</i>
<b>DOI/Link:</b>	<a href="https://doi.org/10.1108/IJEBR-11-2013-0205">10.1108/IJEBR-11-2013-0205</a>
<b>Document version:</b>	Accepted manuscript (post-print)

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# **Rural Entrepreneurship or Entrepreneurship in the Rural - Between Place and Space**

## **Abstract**

**Purpose** – This article investigates how rural entrepreneurship engages with place and space. It explores the concept of “rural” as a socio-spatial concept in rural entrepreneurship, and illustrates the importance of distinguishing between ideal types of rural entrepreneurship.

**Design/methodology/approach** – The article uses concepts from human geography to develop two ideal types of entrepreneurship in rural areas. Ideal types constitute powerful heuristics for research and are used here to connect and review existing literature on rural entrepreneurship and rural development as well as to develop new research avenue and questions.

**Findings** – Two ideal types are developed (i) entrepreneurship in the rural and (ii) rural entrepreneurship. The former represents entrepreneurial activities that have limited embeddedness and enact a profit-oriented and mobile logic of space. The latter represents entrepreneurial activities that leverage local resources to re-connect place to space. While both types contribute to local development, the latter holds the potential for an optimized use of the resources in the rural area, and these ventures are unlikely to relocate even if economic rationality would suggest it.

**Research limitations/implications** – The conceptual distinction allows for engaging more deeply with the diversity of entrepreneurial activities in rural areas. It increases our understanding of entrepreneurial processes and their impact on local economic development.

**Originality/value** – This study contributes to the understanding of the localized processes of entrepreneurship and how these processes are enabled and constrained by the immediate context or “place”. The paper weaves space and place in order to show the importance of

context for entrepreneurship, which responds to the recent calls for contextualizing entrepreneurship research and theories. In addition ideal types can be a useful device for further research and serve as a platform for developing rural policy.

**Keywords** – Rural entrepreneurship, Space, Place, Contextualizing, Local economic development

**Paper type** – Conceptual paper

## **Introduction**

On the very small island of Strynø in Denmark, John Sørensen, a former sail ship captain, makes jam. The jam is produced from berries grown in John's own orchard on the eastern side of the island where the neighbouring island of Langeland offers some shelter from the wind, but where the rain is still salty. This combined with the many hours of sunshine compared to the rest of Denmark provides excellent conditions yielding a particular depth of flavour in the berries. The jam recipes used were developed from the recipes of local amateur jam-makers who on occasion serve as co-developers and sample-tasters. John's products are now sold in specialty shops all over Denmark, and the venture has an annual turnover of approximately 140,000 Euros. This may not seem like much, but it is well enough for John to make a living, and on an island of about 200 inhabitants the venture is a source of considerable pride contributing to the overall atmosphere of development on the island.

The above example indicates the importance that the immediate spatial context has on shaping entrepreneurship. Essentially, the unique qualities of this island, the social, economic and spatial context combined make this venture viable. Indeed, it appears that this particular venture could not have unfolded anywhere else, and that the past, present and most likely the future of the venture are intimately linked to the island of Strynø. Furthermore, this entrepreneurial activity is distinctly rural due to its need for arable land but also because of the adaptation to the location. It is unlikely to take place in an urban area and it incorporates a particular enactment of rurality in the development, process and product of the venture.

While it is easy to define John's venture as rural entrepreneurship, it is less straightforward to state why this is the case, as well as how rural entrepreneurship can be defined as a construct. The concept of rural entrepreneurship suggests that it is entrepreneurship and then something

extra: a “value-added” that has to do with the socio-spatial category of the rural. Rural entrepreneurship can be defined as all forms of entrepreneurship that are located in areas characterized by large open spaces and small population settlements relative to the national context (Kalantaridis and Bika, 2006b). Such a definition has distinct advantages when exploring rural entrepreneurship from an aggregate level. Yet, in the context of trying to understand the micro-level processes of entrepreneurial activities and their role in the continual enactment of rurality, it suffers from three shortcomings: Firstly, it does not recognize the increasing diversity of entrepreneurial activities in rural areas, and hence overlooks that entrepreneurial activities can enact rurality in a variety of different ways. Secondly, it treats the spatial dimension as a matter solely of location as opposed to an integral part of the entrepreneurial process (Welter, 2011, Hindle, 2010). Thirdly, it does not capture the potentially intimate link between the spatial context and the entrepreneurial activities that were apparent in the example above. Or in other words, it gives an overly broad and un-informative perspective on what constitutes the “extra” in rural entrepreneurship.

To date, research has paid less attention to the impact of the spatial context than to the social, economic and to some extent institutional contexts (Welter, 2011; Hindle, 2010). In particular research on the localized spatial level has been limited (Trettin and Welter, 2011) and even more so when the spatial context is rural, since much of the research on the link between entrepreneurship and spatial context has focused on innovative environments and milieus, clusters and learning regions (Notable exceptions include, Anderson, 2000; Johnstone and Lionais, 2004; Heilbrunn, 2010). Similarly, studies of rural development have generally devoted only little attention to the finer details of entrepreneurial activities or restricted their view of entrepreneurship to profit-oriented and short-sighted opportunistic behaviour (Van Der Ploeg et al., 2000). Consequently, linking the concepts of space and place to rural

entrepreneurship is important for establishing a more fine-grained and contextualized understanding of entrepreneurship in rural settings.

Within this study it is argued that entrepreneurial ventures located in rural locations vary in terms of the extent of rurality insofar as they engage with their rural location in different ways. Additionally, these differences are important for their impact on local development and resilience (Bristow, 2010; Hudson, 2010). Specifically, within this paper two ideal types are developed, namely “rural entrepreneurship” and “entrepreneurship in the rural”. The latter type engages with the immediate spatial context as merely a location for its activities, thereby employing a logic of space characterized by profit and mobility. An industrial plant or a shop that, unlike John’s jam production, could be relocated without any significant loss of function or identity and does not involve an exchange or relation between the human actors/the venture and the specific rural location will thus be referred to as entrepreneurship in the rural. The former type, rural entrepreneurship as it is conceptualized within the present study, involves a particular engagement with its place and in particular the rurality of the place and environment. Rural entrepreneurship involves an intimate relation between the entrepreneurial activity and the place where it occurs. Rural entrepreneurship draws on the innate (natural, cultural, historical, human, social and/or financial) resources of a place, which the venture needs to support its development (Jack and Anderson, 2002; Johannisson and Dahlstrand, 2009; Gaddefors and Cronsell, 2009). From these resources codified artefacts are created; these can partake in the logic of space, hence re-connecting place to space (Johnstone and Lionais, 2004).

This study makes the following main contributions: Distinguishing between rural entrepreneurship and entrepreneurship in the rural sharpens our analytical gaze of the micro-level and localized processes of value creation and how these processes are enabled,

constrained, and intertwined with the immediate spatial context (Hindle, 2010). As such, it contributes to our understanding of two central issues that have received insufficient theoretical and empirical attention: the role of the immediate spatial context or “place” in entrepreneurial processes (Welter, 2011), and the impact of entrepreneurial activities on local development and resilience (Hudson, 2010). The paper contributes to the current body of knowledge by weaving space and place to entrepreneurship and demonstrate the importance of context in understanding entrepreneurship. The study thus answers the recent calls for contextualizing entrepreneurship research and theories (Welter, 2011; Wright, 2012), as it captures some of the diversity of entrepreneurial activity. This is important to gain a thorough understanding of the phenomenon of entrepreneurship (Zahra, 2007). In addition, local and regional debates about entrepreneurship and its value for regional development are not always well understood by national policy makers (Soliva, 2007). Ideal type narratives – such as proposed in this article – can be useful devices for further research but also serve as a platform for developing rural policy that bridge local and national interests more effectively (Soliva, 2007).

The paper is structured as follows: In the following, we introduce how Weberian ideal types can be useful for developing the understanding of types of rural entrepreneurship. The two ideal types proposed in this article are constructed by synthesizing the extant rural entrepreneurship literature and the concepts of space and place. These key constructs will be introduced in the subsequent section and include a brief presentation of the concepts of space and place as well as a functionalist definition of entrepreneurship. The following section presents and elaborates on the motives, strategies and outcomes of the two ideal types. This is followed by a discussion of the potential for a virtuous cycle of entrepreneurship that contributes to sustainable rural development, as well as the potential negative consequences.

Finally, implications for research and practice as well as suggestions for future research topics and questions are presented.

### **Ideal types as a method for theory building**

Ideal types have been used in sociological research since their introduction by Max Weber in the early 20<sup>th</sup> century. They are particularly useful as heuristic devices for understanding phenomena, analysing and connecting empirical findings, and for communicating research to practitioners. An ideal type is a coherent theoretical concept that is “formed from characteristics and elements of the given phenomena but it is not meant to correspond to all of the characteristics of any one specific case” (Soliva, 2007, p. 63). Ideal types in the Weberian (Weber, 1904; Weber and Winckelmann, 1968) tradition therefore highlight and amplify certain aspects of reality and synthesise these into analytical constructs or devices used to make sense of otherwise complex, incoherent and diffuse empirical observations (Soliva, 2007, p. 64). Consequently, they are typically extreme cases on either side of a spectrum. They are “ideal”, and empirically observed cases or phenomena thus tend to be located somewhere in between in spectrum defined by ideal types.

Ideal types can be used as integral part of theory building (Doty and Glick, 1994). According to Doty and Glick (1994) ideal types stipulate key concepts in theoretical understandings and can help to identify important patterns of variance, which may subsequently be subjected to empirical testing. Ideal types are also a very useful tool for comparative studies which analyse different forms of a given phenomenon such as entrepreneurial activities in rural areas (Calhoun, 2007).



The two ideal types in this article are constructed by synthesizing the extant rural entrepreneurship literature with the two related concepts of space and place from human geography. The ideal types can be used to make sense of or connect otherwise fragmented findings, propose new research questions on the basis of variation between ideal types, construct data collection devices such as interview guides and survey questionnaires, as well as to organise new findings through, for example, deductive coding schemes for qualitative analysis or help to interpret quantitative findings (cf. Doty and Glick, 1994; Soliva, 2007).

As ideal types are not meant to provide complete and accurate descriptions of given phenomena, their validity hinge less on the empirical accuracy, but on what Kvale (1995) refers to as pragmatic validity related to their usefulness as heuristic devices for research, dissemination, and practice. In terms of usefulness for research, in this paper the ideal types are used to organise and connect selected parts of the existing research on rural entrepreneurship, as well as pose new research avenues and questions. This is where the main contribution of this paper lies. In terms of practical usefulness, the pragmatic validity (Kvale, 1995) of the two ideal types has been confirmed to the authors, as they have discussed these on several occasions with different sets of practitioners and policy makers. On all these occasions the ideal types have proven meaningful to the practitioners, who were able to identify cases from their experience that embody features of the ideal types. And, perhaps most importantly, they could use the typology as a starting point for discussions of how to support entrepreneurship in rural areas through policy and support initiatives.

## **Entrepreneurship and the spatial dimension**

The ideal types are built on the concepts of space and place as derived from human geography and a functional definition of entrepreneurship, which are presented in the following.

### *Space and place*

The concepts of space and place are crucial for understanding rural entrepreneurship. Rural entrepreneurship stands apart from other forms of entrepreneurship because of its particular spatial characteristics. While the concepts of space and place has been given relatively limited attention in the field of entrepreneurship, they are well established in the field of human geography, where they are used to explore the nature of the socio-spatial and how it impacts on social processes (Cresswell, 2006). As such they are useful for exploring the role of spatial context in general and rural context in particular in entrepreneurial activity.

Tuan (2007/1977) broadly defines space as processes of movement and mobility, and place as fixation or pause. Place is experienced through intimate dealings with surrounding things and people, exemplified through the infant child's experience of the mother as a "safe place" (Tuan, 2007/1977). Space is the network that unfolds between places defined by movement between places. As such, space is abstract and quantitatively defined, while places are a form of object to which qualities, meaning, intimate experiences and values are attached (Tuan, 2007/1977).

For scholars focusing on economic and social aspects of space and place, space typically means the movement and flow of capital, labour, resources and information (Castells, 1999; Hudson, 2010). This movement and flow has been increasing rapidly in scope and density

with the emergence of new information and transportation technologies. Space is dominated by economic concerns relating to the optimization of profit or accumulation of economic value for companies, countries and regions. While the movement of capital, labour, resources and information is always an exchange between places and while capitalist production must take place somewhere, a place is more than a place of capitalist production (Hudson, 2001). Echoing Tuan (2007/1977), places are seen as localized material, social as well as economic relations. As a consequence, places can be unique, have unique qualities, and become meaningful to those who feel attached to them.

Clearly, the relations between space and place are complex. The increasing movement in space has led to growth in some places, primarily in larger urban areas. Other places seem to be threatened by space. Capital, labour, resources and information accumulate at centres and leave the periphery depleted (Johnstone and Lionais, 2004), as the movement flows away from or around these peripheral places. In addition, the heterogeneity and uniqueness of individual places, growing or declining, appear to be threatened by the dissemination of global products and culture, as evident in the substitution of local variety with, for example, enterprises such as 7-Eleven and McDonald's, or what (Mitchell, 1998) refers to as a phase of early destruction of the rural idyll.

Scholars have emphasized the socially and materially constructed nature of places (Cresswell, 2006). Places are not there to be discovered but are created and continually recreated through the interaction and meaning assigned by people (Cresswell, 2006). These interactions define and redefine places, and sometimes places become the scene for conflicts over identity and value. A place is therefore more than a simple location; it is constituted by the practices that take place in a location and the relations that engage with the location, so that the social practices are influenced by the place, and the place is shaped by the practices. Accordingly,

the natural and material environment of places enables as well as constrains localized practices. Therefore, re-creation of places is neither materially nor socially determined but occurs in complex interrelations between the social and the material.

### *Functional view of entrepreneurship*

For the purpose of exploring rural entrepreneurship as a process that is impacted by its immediate spatial context and central to rural development, the functional view of entrepreneurship is appropriate (Klein, 2008; Kalantaridis and Bika, 2006a; Kalantaridis and Bika, 2006b). The functional perspective treats entrepreneurship as an activity or process. The function of the entrepreneur is not necessarily connected to particular individuals or firms, but is seen as a mundane activity in which all market actors can engage (Foss and Klein, 2012). Drawing on this tradition, entrepreneurship can be understood as the recombination of resources to create value, yet emphasize an open attitude towards the types of value that entrepreneurs can create (Müller, 2014; Korsgaard and Anderson, 2011). Rural entrepreneurship, being spatially bound, thus involves the creation of new value by (creatively) recombining resources from a given environment (Müller, 2013; Anderson, 2000; Anderson, 1998).

Entrepreneurship is also a function that can be undertaken by a number of different rural actors including, but by no means restricted to, farming and farmers – the traditional focal point for much of the rural development literature. Further, entrepreneurship as a function is not at odds with holistic and qualitative ideas of regional and rural development, which emphasizes the creation of localized, endogenous, sustainable and resilient communities in the rural (Kitchen and Marsden, 2009, Bristow, 2010). Indeed, entrepreneurial activities lie at

the heart of any development in rural areas, regardless of whether or not it involves opportunistic industrialization of farming (cf. Van Der Ploeg et al., 2000).

### **The two ideal types**

The conditions offered by rural locations, regardless of the heterogeneity of such spaces, include depopulation, peripherality, lack of human, cultural or lack of financial capital. In relation to entrepreneurship, rural areas typically have limited entrepreneurial activity compared to urban areas. There are a variety of barriers to rural entrepreneurship. These include inter alia relatively weak communication and knowledge infrastructures (Pallares-Barbera et al., 2004; Keeble and Vaessen, 1994 ) that create slow and expensive external communications (Kalantaridis and Bika, 2006a), limited access to government support (McElwee and Annibal, 2010), limited availability of financial and human capital (Wortman, 1990), and relatively small markets, which results in limited economies of scale and critical mass (Meccheri and Pelloni, 2006; Kalantaridis and Bika, 2011).

Despite the disadvantages, previous research also highlights particular benefits for rural entrepreneurs such as greater employee stability and loyalty (Pallares-Barbera et al., 2004) as well as lower labour cost (Keeble and Tyler, 1995), greater availability and lower costs of land (Pallares-Barbera et al., 2004), gaining competitive advantages through high-amenity living conditions (Meccheri and Pelloni, 2006; Keeble and Tyler, 1995), and the availability of emerging or niche markets (Keeble and Tyler, 1995; Meccheri and Pelloni, 2006).

Anderson (2000) for example, argues that the "otherness" of rural areas becomes an advantage since the socio-spatial context of the periphery provides some unique conditions for entrepreneurial activities (cf. Müller and Korsgaard, 2014).

In the following the two ideal types are presented as well as how they respond to the challenges and potentials of a rural location in different ways through different engagements with the socio-material aspects of their context.

### *Entrepreneurship in the rural*

All forms of entrepreneurship as well as production in general have a spatial dimension (Hudson, 2001, 2010). As such, any entrepreneurial activity is situated in one or more locations in space. Traditional economic theory states that production and entrepreneurship, *ceteris paribus*, will tend to gravitate to those locations that provide the strongest economic incentives, be they land prices, labour costs, specialized labour skills or infrastructure-based transaction costs (Pallares-Barbera et al.; Keeble and Tyler, 1995). Such incentives or characteristics are quantifiable and may serve to attract the kind of capital and production that emphasizes economic incentives. Hence, the competitiveness literature has emphasized the need for regions and localities to make themselves attractive to outside investments and global flows of capital, labour and people (Kitson et al., 2004; Bristow, 2010).

Entrepreneurship in the rural, as it is defined here, refers to those types of activities that engage with their spatial location as a space for profit. Location in the given rural area is thus driven by advantages for the business or the entrepreneur, and the desired outcomes of the venture are unrelated to the overall well-being and development of the rural area.

Entrepreneurship in the rural therefore has only limited engagement with the locality as a meaningful location; hence is weakly embedded in place. As a consequence, entrepreneurship in the rural would mainly operate on global markets in terms of sourcing and selling. No special prevalence and emphasis is given to utilizing place-based or localised resources other than for purely economic or practical reasons, for example by using cheap local land or

labour. Finally, entrepreneurship in the rural targets the markets, which are economically most profitable, regardless of the extent to which these markets are local. This does not mean that the entrepreneurial activities do not have positive spill-over effects on the rural place, but that this is not explicitly sought by the entrepreneur.

### *Motives*

Rural spaces in general offer a number of distinct possibilities and incentives for prospective entrepreneurs and for certain types of production. Farming as a form of production is prevalent in rural countryside for obvious geographic and topographical reasons, and the cultivation of land has played an important role in shaping many rural spaces (Harvey, 1990; Mitchell, 1998). Within the rural development literature the concept of entrepreneurship has been used to highlight a certain perspective on farming, which emphasises industrialisation of farm production through, for example, large scale production, profit maximization, and risk taking (Niska et al., 2012). This approach to farming treats farm products as largely homogeneous and generic with limited connection between the place of production and the characteristics of the product (Goodman, 2003; Parrott et al., 2002). Entrepreneurial farming as conceptualised in rural development research thus emphasises rural areas as spaces of production. As suggested by McElwee and others (Vik and McElwee, 2011; McElwee, 2006; McElwee, 2008) the relationship between farming and entrepreneurship is complex. While farmers are not by definition entrepreneurs, certain ways of running and developing farms may well be highly entrepreneurial. Innovative ways of optimizing farming production (cf. Van Der Ploeg et al., 2000; Kitchen and Marsden, 2009; Niska et al., 2012) are surely entrepreneurial, while the same goes for farmers that add new business areas to their farming activities – what is sometimes referred to as pluriactivity, diversification, or portfolio entrepreneurship (Carter, 2001; Carter, 1998; Alsos and Carter, 2006; Eikeland, 1999). What

is central in this regard is the different ways in which entrepreneurial activities related to farming interact (or not) with the spatial context in which it unfolds.

For non-agricultural forms of production other factors such as the greater availability and lower prices of land and government subsidies may incentivise entrepreneurs to locate in rural areas (Kalantaridis and Bika, 2006a). Although rural labour may typically be less skilled and educated (Audretsch et al., 2010) they may well be more loyal, compliant, adaptive, and in possession of a strong work ethic (Kalantaridis and Bika, 2006a, Jensen-Butler, 1992).

Finally, the rural idyll and its aesthetic appeal offer certain types of lifestyles which are attractive for individuals. What may be broadly termed rural lifestyles associated with nostalgia for a simpler life (Bunce, 1994). The choice of business location in a rural area may be the result of the entrepreneur's lifestyle choice, but unrelated to the activities of the firm. This may affect how rural entrepreneurs engage with location as 'place'. Information technologies and generally improved infrastructure have made it possible for entrepreneurs to settle down in rural areas and enjoy the pleasures of rural life while running their businesses. While this means that the entrepreneur is enacting a form of rurality in his or her personal life, it does not necessarily mean that this is the case for the entrepreneurial activity. In such an instance the entrepreneurial activity is incidentally located in the rural and the venture engages with the location as a space for profit.

### *Strategies*

The strategies adopted in what we here refer to as entrepreneurship in the rural are likely to differ in very limited ways from the strategies adopted by entrepreneurs in non-rural spatial locations. Thus, this type of entrepreneurship is likely to pursue more or less the same



strategies as elsewhere, which means the business could theoretically be uprooted and placed elsewhere without losing its key value proposition.

### *Outcomes*

From a local development perspective, entrepreneurship in the rural holds substantial potential advantages, in particular the ventures that seek and ultimately realise firm growth. To the extent that they are integrated in the global flows of capital, growth oriented ventures can generate high and fast economic growth rates at the venture level. By operating on global factor and product markets these ventures will not be limited by small local markets and limits in local resource availability that create bottlenecks and which may cap the growth trajectories of firms (Porter, 2000). Growing businesses contribute to the overall economic development of regions and localities with potentially positive direct effects on, for example, job creation, increased tax revenue and in-migration, as well as indirect effect on competitiveness and supply conditions (Fritsch and Mueller, 2004). Yet, we argue that there may be a number of risks and problems associated with this. In particular these concern (i) the emergence of enclave economies and two-tier communities, (ii) increased vulnerability to changes in global markets and (iii) suboptimal use of localized resources.

Firstly, entrepreneurship in the rural may lead to the creation of enclave economies and two-tier communities. In relation to the industrialization of rural Denmark in the 70s and 80s, Jensen-Butler (1992) highlight that such economies occur when production is disconnected from the local or regional economies. This may occur when production builds (primarily) on imported input and the sale of the output happens on non-local markets. Proliferation of an enclave economy can lead to disintegration of local economic linkages and make the localized flows of materials and capital less important. Similarly, rural development scholars

have pointed to the risk of two-tier communities characterized by social exclusion of the indigenous rural people and lower social classes, if rural spaces are taken over by entrepreneurial activities that are not embedded in the local communities (Shucksmith and Chapman, 1998).

Secondly, localities that depend on activities and production strongly integrated in the global markets on both the supply and demand sides are more vulnerable to changes in the global markets, as the recent global crisis has demonstrated (Hudson, 2010). While this may be positive when global markets are sound and growing, it makes for greater damage in times of crisis. In addition, local economies are more susceptible to competition from other localities that may begin to offer better economic incentives for location of production. Examples abound concerning regions and localities that have lost jobs due to outsourcing and relocating driven by economic incentives (see, for example, Simmie and Martin, 2010). Thus, these entrepreneurial ventures, being marginally embedded in the local economy, may be more likely to relocate as soon as economic incentives suggest it or if economies of scale result in the ventures outgrowing the confines of their local infrastructure or factors markets (Baldock and Smallbone, 2003).

Thirdly, a predominance of entrepreneurship in the rural, may lead to a suboptimal use of localized resources (Kitchen and Marsden, 2009). This may become a long-term problem as businesses that are not grounded in local resources are more vulnerable to shifting market conditions (Simmie and Martin, 2010), and more likely to leave if economic incentives shift.

### *Rural entrepreneurship*

Rural entrepreneurship, as it is defined here, engages with its location not primarily as a space for profit, but with “place” as a location of meaningfulness and social life. It is well

known that many entrepreneurs are less concerned with monetary incentives and profit, and more concerned with the pursuit of personal, societal, or cultural aspirations. Sometimes entrepreneurs even compromise financial development of their ventures for the achievement of non-monetary aspirations (Achtenhagen et al., 2010; Davidsson, 1989; Leitch et al., 2010; Lewis, 2008). Rural entrepreneurship thus is conceptualised as entrepreneurial activity that engages with its spatial context and is embedded in its spatial context through resource use. Based on the definition of entrepreneurship as a function, rural entrepreneurship involves new combinations of place-based or localized rural resources that create value not solely for the entrepreneur but also for the rural place. In contrast to entrepreneurship in the rural, this type cannot be “uprooted” and located elsewhere without losing all or part of its key value proposition because its intimate engagement with place (Müller and Korsgaard, 2014).

Rural places offer certain ‘location-specific advantages’ in the form of the material, social and cultural amenities (Harvey, 2010; Müller, 2013). Such location-specific advantages may result from the particular aesthetic landscape (shaped or untouched by human activity) or heritage-scape (Mitchell, 2013), which is the social, cultural and historical elements that have accumulated over time through the people who live and work in these places (Williams *et al.*, 2004). These natural and social, cultural and heritage amenities can be used as unique resources in entrepreneurial activities (Stathopoulou et al., 2004; Müller, 2013). These are unique because they are place-specific and no place is made up of the same mix of resources, thus offering distinctive opportunities for entrepreneurship. According to Johnstone and Lionais (2004), community business entrepreneurs can use the qualities of place to recreate a rationale as space for profit. They do this by engaging in forms of entrepreneurship that use the social relations and meanings of the place, for example through local volunteers, markets and networks, to create alternative forms of organizing that serve local development

purposes. Another example is the recent surge of localized food products leveraging territorial and heritage aspects in the so-called quality turn (Goodman, 2003). Such entrepreneurship provides a good example of the recombination of rural resources that creates new value for the entrepreneur but moreover contributes to the place where these products come from. Indeed, our example of John's jam production on the island of Strynø is a case of localized quality-food production that has creatively recombined material and social resources of this particular rural place. He thereby created value in the form of economic income as well as in the form of contributing to the pride and the community life of the place and its inhabitants (Johannisson and Nilsson, 1989). Arguably, John's jam production contributes to branding the small island of Strynø, which may attract tourists. This is in line with Anderson (2000), who suggests the existence of a particular peripheral form of entrepreneurship. The advent of experiential or aesthetic consumption has created spatial business opportunities for entrepreneurs, so that the periphery, instead of being a place of production, becomes a multi-functional place of leisure and heritage consumption (Mitchell, 2013).

### *Motives*

As pointed out by Niska et al. (2012) multi-functionalistic perspectives on farming emphasise a sustainable development of rural areas which may be at odds with entrepreneurial farming as defined above, but not necessarily with our definition of entrepreneurship as value creation. Indeed, the development of new dynamic co-production between farmer and nature, with a key concern for the land or the material dimension of what we here refer to as place is just as entrepreneurial as the opportunistic optimization of farming described. Similarly, a recent study of Norwegian and Scottish rural portfolio entrepreneurs showed that oftentimes entrepreneurs are driven (partly) by strong feelings of engagement and responsibility for their

communities and the place, and that these feeling can be triggers in the development of new business activities (Alsos et al., 2014). These findings resonate with the ongoing research into community entrepreneurship (which may also take place in rural areas) and what Pallares-Barbera et al. (2004) refer to as spatial loyalty. Shared across this research is the idea that the concern and emotional attachment some entrepreneurs feel to their rural place can serve as a catalyst for new venture development. Certainly, a concern for the wellbeing of the local community as well as the historical heritage and landscape of the island of Strynø were pivotal for John Sørensen in his decision to start his business and in deciding the direction of the business.

### *Strategies*

Rural development scholars have suggested three contemporary strategies adopted by farmers in the sustainable development of ventures: 1) deepening, increasing the value of a given unit of production such as can be seen in organic farming; 2) broadening, including new activities “located at the interface between society, community, landscape and biodiversity” (Van der Ploeg and Renting, 2004: 235), such as agri-tourism; and 3) re-grounding, in which rural ventures engage with new sets or patterns of resources (Kitchen and Marsden, 2009), for example shifting away from traditional agriculture to tourism or energy production (Van der Ploeg and Renting, 2004). These strategies emphasise the embeddedness of the entrepreneur/farmer in the local place (with a particular emphasis on the topographical materiality of the place) and connects with traditional understandings of the farmer as a steward of nature and the landscapes (Niska et al., 2012).

Alsos et al. (2014) in their study of the Norwegian and Scottish entrepreneurs found that the rural entrepreneurs adopted strategies that made the most of the resources that were locally

available or available within the family household, in particular those that are underutilised with the current activities. Such strategies limit the risk involved in undertaking new venture development, yet also further increases the connectedness of place and venture.

### *Outcomes*

Rural entrepreneurship, being bound by place, may not offer the promise of fast and high growth in the way that certain forms of entrepreneurship in the rural do. Still, it presents two distinct advantages: Firstly, it holds potential for an optimized use of the inherent resources in the rural area in question (Kitchen and Marsden, 2009; Stathopoulou et al., 2004). Rural entrepreneurship focuses on using the resources that are locally available, even if these are more expensive to acquire and use than resources acquired through the global market (Müller, 2013). While this may not necessarily lead to an optimal allocation of resources on a global market, it does create a local equilibrium in that localized resources are allocated in such a way that more (economic and social) value is extracted from these resources. In our jam example, the combination of the local islanders' jam recipes with John's locally grown berries and entrepreneurial narrative made the recipes more valuable for the jam-makers, John as an entrepreneur, and the entire island of Strynø.

Secondly, genuine rural entrepreneurship holds potential for making localities more resilient (Bristow, 2010, Christopherson *et al.*, 2010, Hudson, 2010). This is due to two factors. First, entrepreneurial ventures based on local resources are less likely to relocate even if economic rationality would dictate it. In particular, if their competitive advantage rests on a link to the place (see, for example, Porter, 2000). Second, decreased reliance on resources acquired on the global market makes their activities less dependent on fluctuations on this market.

## **The virtuous cycle of rural entrepreneurship**

Much, if not most, policy initiatives targeting entrepreneurial activity emphasises the importance of high growth firms that are strongly integrated with global markets (Hudson, 2010; Hudson, 2005). Accordingly, many entrepreneurial ventures that exhibit the ideal type of entrepreneurship in the rural will fit the bill of what policy makers seek to attract. Yet, while entrepreneurship in the rural is indeed important and valuable for rural development, it is essential not to overlook the potential of rural entrepreneurs – despite their likely slower and lower growth rates compared with opportunistic entrepreneurship in the rural.

If successful, genuine rural entrepreneurship results in a virtuous cycle between space and place. The virtuous cycle consists of a dual and complementary dynamic (see Figure 1). On the one hand, entrepreneurs extract value from the place by recombining local resources. This typically involves a process of codification, which makes the resource combinations transferable and comprehensible in non-local markets and/or settings. Hence, place is reconnected to space (Johnstone and Lionais, 2004). In contrast, recombination and codification transform the resources and hence meaning of the place, as they intervene in the existing social and material configurations that constitute the place as a constructed site of meaning and felt value; re-valorisation of place. Re-valorisation can be understood as a process of utilizing the local potential and qualities of a place (Stathopoulou et al., 2004) to create new rural products and services and add value to them in a way that ultimately positively feeds back into the local place. In the following section, the constructs of codification and re-valorisation as two dynamics of the virtuous cycle of rural entrepreneurship will be discussed.

INSERT FIGURE 1 ABOUT HERE

### *Codification and recombination of resources*

Extracting value from a place and (re)connecting place to space requires a transformation of the localized resources. This involves the form of entrepreneurial recombination of resources that characterizes all forms of entrepreneurial activity, but in the case of rural entrepreneurship it involves a form of codification of localized resources as well. The logic of space requires this. For an artefact (product, narrative etc.) to become mobile and transferable in space, it must be codified and to some extent quantifiable. In the case of John's jam it needs to be carefully labelled and the storyline surrounding it must invoke elements that are known and familiar outside the island of Strynø. Or in other words, the jar of jam that John originally received from his neighbour, having no label and a storyline comprising elements only meaningful to the locals, is not mobile in a spatial logic. For this to be the case John had to engage in entrepreneurial recombination involving a form of branding of the jam and the island to a form and narrative that is meaningful and attractive outside the island of Strynø. Similarly, for example hiking trails, mountain climbs, historical sites and other spots locally known and appreciated needs to be marked and translated in order to be communicable and mobile outside the immediate local place (Korsgaard and Anderson, 2011).

Codification as a general term holds a variety of different strategies. One of these, and perhaps the most important one in the context of rural entrepreneurship, is commodification. Commodification occurs when objects "take on an exchange value over and above their use values and are able to be traded" (Cloke and Perkins, 2002, p. 526). Revaluing place as space thus involves converting place-specific objects into commodities by giving them a form that creates or increases exchange value thus making it possible to trade them. According to Cloke and Perkins (2002), this transforms the objects into quantitatively appreciated objects



and therefore these objects become potentially mobile in the flow of space; or simplified: a price is set for the object.

While commodification is the most conspicuous case of codification, it needs to be stressed that codification does not necessarily involve a pricing and exchange value, and consequently does not necessarily involve the creation of economic value. Other forms of value may be sought and realized. Local entrepreneurs may, for instance, recombine resources and create artefacts to attract new residents with the hope of creating social value in the place.

### *Re-valorisation of place*

Codification results in a transformation of the place from which the codified resources were drawn (Clope and Perkins, 2002). The recombination of resources intervenes directly in the social and material relations that define the place as a meaningful location. By recombining place-based objects, the place is re-enacted and re-valorised as place. Such re-valorisation can be either negative or positive depending on whether the recombination and codification of resources is experienced by the local community as something that makes the place more valuable and meaningful. In the example of the island of Strynø, the use of localized resources and in particular the use of local recipes made the locals proud of the product and of *their* island. The fact that the residents feel pride and increased meaningfulness in the place is important especially in these times where rural areas experience outmigration to metropolitan areas. Feeling pride and attaching meaning to a place may encourage a sense of belonging to and identity with the place where one lives (Lindgren and Packendorff, 2006; Schneider, 1986), which may reverse the trend to relocate to more urban places. Similarly, the local community may experience recombination and codification as negative, leaving the rural place and its community exploited and at a loss. Previous studies conducted in rural

towns in Australia (Tonts and Greive, 2002) and Canada (Mitchell, 1998; Mitchell and De Waal, 2009) show that the creation and consumption of commodified heritage and economic overdevelopment can be destructive for rural places as it causes visual degradation which can diminish the natural amenities and aesthetic quality of a rural area. Thus, excessive rural development can result in undermining the character, culture and hence future attractiveness and prosperity of a rural place (Mitchell, 1998).

A virtuous cycle is thus achieved when the extraction of value leads to a re-valorisation of the rural place in that the local resource base has been enriched. This may then encourage new activities and even new ventures, which build on the new enriched local resource base. On the island of Strynø, John's jam production has encouraged other activities, such as the recently opened cider production at the opposite end of the road from John's jam facility. While it is acknowledged that places and hence the transformation of places can be contested and ambivalent, within this study it is suggested that the concept of re-valorisation is useful even if in some cases it may be difficult to sort out and measure the overall long-term impact of re-valorisation.

## **Discussion**

The distinction between the two ideal types of entrepreneurs in rural settings is a tool for engaging conceptually and empirically with the diversity of entrepreneurial activities in the spatial context of the rural. This is important in order to further contextualized entrepreneurship research and theory (Welter, 2011; Wright, 2012, Zahra, 2007).

Contextualized entrepreneurship theory building is an important safeguard from what Zahra (2007, p. 444) refers to as "over-generalization", which can potentially compromise the relevance, rigour and ultimately usefulness of research findings. In addition, the distinction

between the two types of rural entrepreneurs increases our understanding of rural entrepreneurial processes and their impact on local development (Hudson, 2010).

Furthermore, the conceptualization of rural entrepreneurship presented here pushes spatial issues to the forefront and suggests that the spatial can be of central importance for entrepreneurial processes. Understanding the rural environment and context within which entrepreneurs operate and function can improve our theory building about entrepreneurship (cf. Zahra *et al.*, 2009).

Studying entrepreneurial activity in alternative spaces is likely to bring forth new perspectives and ideas (Steyaert and Katz, 2004, Hindle, 2010, Trettin and Welter, 2011). In the present conceptual study it becomes clear that spatial issues in entrepreneurship cannot be reduced simply to matters of concentration: for example concentration of ventures, resources and forms of capital in distinct spaces. The importance of place in rural entrepreneurship suggests that entrepreneurship may not simply be about quantitative agglomeration but also about qualitative intensification and re-enactment. Rural entrepreneurship may not as such lead to the creation of innovative regions nor should that necessarily be the ambition. Instead, rural entrepreneurship first and foremost leads to an enhancement of the quality of place and life in rural places, an enhancement of the value – in the broad sense – of the localized resources. As such, a strengthened interest in the spatial aspects of entrepreneurial activity in rural as well as other forms of entrepreneurship is suggested.

From the authors' perspective, it is a fruitful avenue for research to treat the rural as a distinct context for entrepreneurship. Such a line of research may lead to a better understanding of entrepreneurship in rural areas as well as greater appreciation. This understanding and appreciation is a prerequisite when researchers seek to assist rural entrepreneurs and policy

makers in creating more sustainable rural ventures. Indeed, it seems that current entrepreneurship research will struggle to understand, appreciate and support ventures such as John's jam production and other similar examples and their economically irrational locations, self-imposed resource scarcity and capped growth.

### *Implications for research*

Ideal types can be a useful element in the development of research questions and avenues. Following the elements elaborated under the two ideal types, research avenues and research questions are presented relating to motives, strategies and outcomes.

Entrepreneurial activity can be inspired by a number of motives. As suggested above, these are likely to range from motivations that are completely unrelated to the spatial location of the venture such as profit making or creating a certain (simple or balanced) lifestyle, to motives that are tightly connected to the well-being of the place and community (Borch et al., 2008; Haugh and Pardy, 1999; Johannisson, 1990; Korsgaard and Anderson, 2011). In the case of John Sørensen of Strynø, his entrepreneurial activities are motivated by a combination of wanting to create a successful business – also in economic terms, creating a lifestyle of idyllic rural dwelling, and making a positive contribution to the local community. These motives have impacted the type of venture John has created as well as how he operates it. The specific combination of motives influences the extent to which he aspires to grow, and actually can grow his venture. His deliberate reliance on local fruits both enable the charging of a premium price per unit, but also constrains the scale of his production. In this regard, it is important for future research to further investigate the motives of entrepreneurs located in rural locations as well as how these motives may be related to the spatial context. Moreover, there are opportunities for further research to explore how motivations differ across rural

locations – peripheral, remote or island (cf. Welter,2011). Thus, entrepreneurship in the rural – characterized by engaging with its location as a space of profit – will likely be driven primarily by economic motives, while rural entrepreneurship – characterized by engaging with its location as place – will likely be motivated (at least partly) by place-based and community oriented value creation.

In terms of the strategies adopted by entrepreneurs in rural locations, the ideal types suggest important variation with respect to patterns of resource use. Spatial context influences entrepreneurial processes through the local resources endowments that are available. One of the ways in which rural entrepreneurship engages intimately with place is through the use of locally available resources. John Sørensen of Strynø deliberately relies on local resources, from the berries to the local recipes and the powerful cultural imagery of the idyllic Archipelagos that Strynø is a part of. This strategy enables and constrains John in the development of his venture in ways that would be radically different if he had chosen to source his resources from the global factor market. Exploring further how and to what extent entrepreneurs engage in what may be referred to as spatial bricolage – making do with the resources that are locally available (cf. Baker and Nelson, 2005; Di Domenico et al., 2010) – will make an important contribution to our understanding of the role of the rural context.

The ways in which entrepreneurs engage in strategies that involve the local community may also be explored further using the spectrum defined by the ideal types. Engaging with location as a meaningful place will likely involve the local community in some way or other. Certainly, John Sørensen involves the local community in some aspects of the venture, for example as ambassadors, recipe providers, storytellers and occasional transporters of the product to shops. For other tasks such as marketing expertise and berry picking, John uses non-local people. The various ways in which entrepreneurs do and do not involve the local

community in their ventures will further expose the role of the socio-spatial context for entrepreneurship. Thus, entrepreneurs in the rural will be less inclined to engage in spatial bricolage and less inclined to involve the local community in their venture (except as paid wage employees) compared to rural entrepreneurs.

In relation to outcomes, interesting variation is suggested through the ideal types both at the firm and local level. In the case of John Sørensen it is clear that the deliberate engagement with the place inhibits the potential long term growth of the venture. John Sørensen's Jam factory will never be a large venture, creating hundreds of jobs in the local economy. The reliance on local resources and the concern for the local place integrated in the running of the firm makes this rather impossible. However, if John had not leveraged the local resources such as local recipes and berries he might never have established a viable venture. It could thus be speculated that different ways of engaging with rural locations will impact on the growth trajectories of ventures, both in terms of how much they grow and the speed with which they grow. Rural entrepreneurs may be less likely to exhibit fast and high growth trajectories compared to entrepreneurs in the rural.

Furthermore, there is likely to be variance caused by differences in whether ventures engage with the location as a space for profit, or as meaningful places in terms of outcomes for the locality. Mainstream economic theory would suggest that high growth firms acting on global factor and product markets are highly conducive to local development as they create new jobs and economic activity (cf. Porter, 2000; Nightingale and Coad, 2014). This perspective on the relation between entrepreneurial ventures and local development, however, has been questioned in the contemporary literature. Firstly, some questions have been posed regarding the long term employment effect of the high growth firms (Storey, 2011; Gjerløv-Juel and Guenther, 2012), and secondly, it has been argued that such ventures are vulnerable to

external changes in markets, and that a predominance of high growth firms may leave local economies highly exposed to events such as the recent financial crisis (Bristow, 2010; Christopherson et al., 2010; Hudson, 2010). In this line of thinking, Hudson (2010) distinguishes between the competitiveness and resilience paradigms. The former emphasises the importance for local economies of positioning and competing in global markets, and therefore stresses the importance of policies to support specialisation and high growth firms (cf. Porter, 2000) – or what is here referred to as entrepreneurship in the rural. The latter emphasises the importance of resilience to external shocks and therefore puts forward policies that enhance local independence on factors markets and extensive and diversified use of local resource bases, even if this compromises short term and long terms growth – similar to the ideal type of rural entrepreneurship.

Considering this debate it is highly relevant to explore how variation in the distribution of entrepreneurship in the rural and rural entrepreneurship, correlates with short and long term development in local economies and their ability to absorb and recover from external shocks in global markets. Do certain forms of entrepreneurial activities create short term but less resilient growth, while others create lower yet more resilient local growth? And do these patterns vary across different types of rural areas? This would be the case according to the ideal types developed in this paper. While such questions are not necessarily easily studied empirically, they are of vital importance for local and national policy makers.

#### *Implications for practice and policy*

Practitioners and policymakers engaged in rural development face a complex problem with no easy solutions. The distinction proposed in this study may prove a helpful tool for understanding and addressing the heterogeneity of entrepreneurship in rural areas. While it is

clear that both ideal types of entrepreneurship may contribute to economic development in rural areas, our analysis suggests that policymakers, local governments and business support agencies be aware of the potential and advantages of genuine, place-based rural entrepreneurship. In accordance with recent territorial policies (OECD, 2006), our analysis suggests the value of experimenting and innovating with localized resources even if this does not represent the shortest route to fast growth. Understanding this contextualized entrepreneurial process may allow a more "effective design, delivery and implementation of competent entrepreneurial policies in rural and lagging areas" (Stathopoulou et al., 2004, p. 414). Similarly, local policymakers and business support agencies are encouraged to acknowledge the diversity of ventures in rural areas and to enact a multidimensional attitude to value creation, emphasizing the importance of creating a more qualitative and holistic approach to venture, local and regional development (Hudson, 2010).

The ideal types may serve as a useful heuristic for regional policymakers, as they assist in understanding and communicating the often complex entrepreneurial processes in relation to spatial context. For example, using ideal types terminology, policymakers or practitioners can more easily relate to the underlying assumptions, positions and concepts from other people, thus minimising misunderstandings and enabling a more fruitful debate (Soliva, 2007). The notion of ideal types must, however, always be used cautiously as they represent extremes on a spectrum. The ideal types should therefore not become directly translated into policy but can serve as a starting point for developing policies that are adapted to the specific particularities of a spatial setting.



## Conclusions

This paper has explored rural entrepreneurship as a distinct phenomenon with important differences from other forms of entrepreneurship, including what is referred to as entrepreneurship in the rural. In the present study it was argued that the particular nature of rural entrepreneurship stems from how this form of entrepreneurship engages with place and space in a dual process that re-valorises place as space, thereby re-enacting place. Ideal types highlight and amplify certain aspects of a phenomenon, which was useful for developing an understanding of entrepreneurship in rural settings. Since ideal types primarily serve as heuristics, it would be fruitful to further investigate the extent to which these proposed ideal types exist and how the extent to how they differ.

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