INTERROGATING THE MEANING OF A RURAL BUSINESS THROUGH A RURAL CAPITALS FRAMEWORK

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ABSTRACT

The purpose of this paper is to use two new case studies of businesses established in England's rural areas to explore what features might make them distinctively "rural businesses". This draws on an earlier framework proposed by Bosworth (2012) where location alone was considered an insufficient discriminator.

Two case studies are presented as the basis for analysis against a set of parameters defined from earlier research. The case studies are drawn from personal experiences of working with the companies and additional interviews and secondary materials are introduced to collate a detailed representation of rural characteristics of the businesses and the owners' motivations throughout the development of the businesses.

One business was founded in a rural location but now operates nationally, and through its growth it has drawn different values from its rural origins. Initially it supplied a local rural market and early growth was a response to demand from other rural businesses. Now, the rural head office remains, generating local employment, but otherwise the rural setting appears only to provide a strong business identity.

The second is a small business that operates from a single remote location but is tied into global supply chains. Although its connections to the rural economy are less obvious the stillness and quietness of its location is essential for the precision manufacturing processes.

With rural economies across the developed world increasingly mirroring those of urban regions, the need to better understand what, if anything, distinguishes businesses in rural areas, and how rural qualities can be harnessed as such businesses develop is of increasing importance. Rural businesses that have strong connections to local communities and draw on local assets are considered more likely to support local development trajectories than more footloose and less embedded ones.

A clearer understanding of specifically "rural" characteristics of a business can guide policy towards approaches that deal with rural challenges and support the harnessing of rural opportunities for businesses that are connected to rural places. Such approaches would be better tailored to local conditions that broad-brush spatial policies.

A clearer understanding of how "rural-ness" defines and influences a business and the relationship which a business has with its local environment.

KEY WORDS: Community Capital Framework; Rural Business; Rural Entrepreneurship;

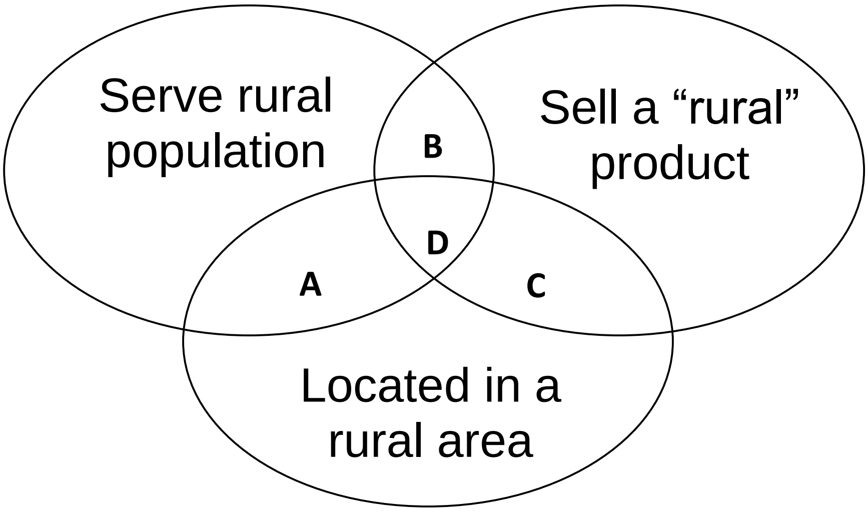
Introduction

Understanding the characteristics of a rural business is increasingly important with growing diversity of economic activities in rural areas and with increasing interconnections and interdependencies between urban and rural economies (Lichter and Brown, 2011). Recent publications such as the CLA report “Standing up for Rural Businesses” (CLA, 2016) highlight the need for a clearer interpretation of what makes a rural business distinctive, in terms of both their opportunities and challenges. The academic debate has shifted towards an acceptance that a “rural business” is not simply any business in a rural location (Bosworth 2012; Korsgaard et al., 2015; Moyes *et al*., 2015), although planning authorities and business support bodies may not share this view. For example, a business located in an urban area that plays a pivotal role in rural supply chains and rural service provision could be characterised as a “rural business” while a business located in a rural area that has no local economic impact and whose activity is embedded in urban networks may not be a “rural business”. Korsgaard et al. (2015) also make a distinction between ‘rural entrepreneurship’ and ‘entrepreneurship in the rural’, where the latter may be less embedded. To interrogate this complexity further, two case studies are used as the basis to develop a “rural capitals” framework that can identify which types of businesses draw value from their rural location and make contributions to their local economies in different ways.

Theory Development

This paper builds upon an earlier proposition that a rural business must satisfy any two of the three criteria in Figure 1, which results in areas A, B, C and D representing four groups of rural businesses. The paper also provides a response to Moyes *et al*. who presented a detailed case study of a crematorium business established in rural Scotland and sought to define a 5th type of rural business as “rural service and rural location” (2015, p. 20). Unless we can identify what makes the service itself “rural” in character, this appears rather similar to the previously suggested group A, “serving a rural population and based in a rural location” (Bosworth, 2012). Moyes *et al*.’s new category clearly does not work once services such as buses and taxis are included. These are ubiquitous services (although actually less ubiquitous in rural than in urban areas!) but where they appear in a rural area, the fact that they are serving a rural population is a defining factor – not that the character of the service is itself “rural” in any particular way. Alternatively, if we are considering the rural character of the service, perhaps typified by the skills employed and the origins of a certain profession, the most obvious business to sit in this new category would be a farm vet or a land agent – both of which Moyes *et al*. (2015) have been content to leave in Category B where the “product” is define as rural.

Figure 1: Categorising rural businesses



Instead, perhaps Moyes *et al*. (2015) could have adapted the “rural product” dimension to recognise that their crematorium provided an innately rural offer and this inspires us to revisit and widen the meaning of this dimension through the application of a rural capitals framework. This expands upon ideas developed in community development where it is considered that the growth and transformation of all forms of capital (built, natural, social, human, financial, cultural and political) in a community can create virtuous spirals of development (Emery and Flora, 2006). We therefore propose that “Sell a rural product” is replaced with “Employ rural capital”, following an earlier development where the term “rural assets” was used (Finke and Bosworth, 2016). Admittedly, this demands an additional definition but if we take rural capital to include the natural, man-made, human and social attributes of rural locations that can generate value for those with access to it (from Castle, 1998), there is wider scope for categorising rural businesses.

Moyes *et al*. applied social capital theory as a mechanism for developing their ideas about the embeddedness of rural businesses as part of their rural identity. However, they argue that social capital is a “fluid process” (Moyes *et al*., 2015, p.11) and yet throughout the paper it appears to be described, defined and applied as an asset, not a process. In arguing that social capital is a process, Moyes *et al*. (2015, p.13) suggest that it can expand, develop, pause, remain static and decline. Instead, I would argue that while the *development* of social capital is a process which can pause and decline etc, social capital itself is a form of capital, an asset that can benefit groups and/or individuals in different ways for different purposes. Later the authors refer to “social capital as co-operation” which again attempts to align the concept to being a process. However, the majority of authors in this field would argue that co-operation is supported and enhanced by social capital (Lee *et a*l., 2005; Forrest and Kearns, 2001) and that social capital can itself be created and strengthened through co-operation (Westlund and Bolton, 2003; Putnam, 2000) but this is rather different to suggested that social capital and co-operation are synonymous.

This is not the place to provide a conclusive answer to the question of “what is social capital?” but from Moyes *et al*. (2015) we are told that it is “the good-will created through social relations” (p. 12), “a concept of our social networks” (Woolcock and Narayan [2000], cited by Moyes *et al*., 2015, p.12) and something that can be used for positive and negative ends – echoing Field (2003) and others. Bourdieu’s definition that it is “one asset amongst four capital forms” is cited as being particularly useful. Each of these, along with later discussion of social capital being “collected”, “used” and “accrued” (p20) all suggest that there are numerous processes at work, but that to define social capital as a process itself is erroneous. The final conclusion, however, that “the development of social capital can add significant value to enterprise creation” is confirming previous studies from small business literature, especially in the rural domain. Rather than overstating the linguistics terminology point, in addressing the question of the categorisation of rural businesses, we can consider the development of social capital here to be the process, and keep an open mind as to the exact definition of social capital itself – drawing on the range of literatures identified by Moyes *et al.* themselves (p.12).

The concept of “rural capital” was discussed by Castle (1998) who indicated that “the development and conservation of rural capital is of fundamental importance to rural people as they exercise their autonomy in addressing common concerns and pursuing their aspirations” (1998; p.622). In this quote we can see parallels with neo-endogenous development thinking which emerged in Europe at a similar time (Lowe *et al*., 1998; Ray 2001; 2006; Ward *et al*., 2005; Terluin, 2003) to advocate the deployment of local assets combined with extra-local networks in the pursuit of development objectives. These might include combinations of tangible (economic, natural and physical) and intangible (social, organisational and cultural) capitals as well as human capital which arguably falls somewhere in between (Svendsen and Sorensen, 2007). Castle suggests that the agglomeration of capitals within the rural economy creates additional value, just as the

Community Capital Framework suggests that accrual of different forms of capital within a community can be mutually self-reinforcing (Emery and Flora, 2006; Flora and Flora, 2008).

Rural capital, as an aggregation of forms of capital attached to a given rural territory, could be aligned to the concept of territorial capital, defined as “the system of territorial assets of economic, cultural, social and environmental nature that ensures the development potential of places” (Perucca, 2014: 537). It has been observed that in regions where territorial capital assets play an important role, regional growth performance tends to be stronger (Camagni and Capello, 2009). Capello *et al*. (2009, p.7) explain that “the success of a territorial system does not depend solely on the quantity and quality of the material resources with which it is endowed. It also, and crucially, depends on the richness of cognitive elements, or the way individuals think and behave.” The importance of intangible resources which tend to be more localized and immobile is emphasised in rural development theory too (Terluin, 2003) and this leads us to view rural capital as a form of territorial capital. However, we see rural capital as a nuanced version of territorial capital that includes particular rural identities and rural assets drawn from the environment as well as from rural communities which together shape the nature of the intangible networks, norms and behaviours described in the mainstream territorial capital literature.

Methodology

To explore the scope for a rural capitals framework to enhance our understanding of rural businesses, two case studies are used. These were selected because of the authors’ knowledge of the development of the businesses over time which allows a dynamic analysis of the meaning and relevance of rurality for each business. The two cases are set out in the boxes below drawing from published materials on their websites and interviews with representatives from each business that sought information on the background of the business and the significance of the rural location in each case. Analysis is then carried out to identify the different forms of capital that are employed in each business to aid our understanding of their rural characteristics.

Crystal Scientific, Northumberland

A small unassuming building deep in the countryside of north Northumberland, is the source of highly specialised optics used by the world’s scientific and research communities. The micro-business that occupies it, Crystal Scientific, was founded in 1995 by Dr Simon Cockerton, a research physicist trained in leading UK Universities. He moved into commercial activity to develop, manufacture and supply diffraction crystals required by Government and Higher Education research facilities on most continents, and in the late 1990s extended its range of products and services to fill a growing niche in the market for the manufacturer and restoration of x-ray mirrors. These products are particularly used in the world’s Synchrotons – extremely powerful sources of x-rays – which are used in a variety of experimental and commercial uses to better understand and test the structure of matter and material from sub-nanometer levels to millimetre level important for example in medical imaging. The largest and newest in the UK was opened in 1996 at the Harwell Science Business park in Oxfordshire. [This Diamond Light Synchroton produces brilliant x-rays which can be used in medical, material science, biology and other uses which benefit from imaging created by radiation. There uses can allow physically hidden features to become visible, scientists to understand structure of very, very small quantities or properties or changes that occur too fast to see or measure by other means, including medical imaging]

The firm commenced in a small workshop in Lee Moor Business Park, Near Alnwick, Northumberland – itself a diverse rural business created from former tenanted farm on the Duke of Northumberland’s estates. In 2002 it acquired the assets of Colorado-based rival that assisted its development into the market for reflection optics, i.e. scientific and industrial mirrors.

The firm continued to grow and in 2008 moved to a purpose designed building in the countryside near to the National Park. Speaking to the Countryside Agency in 1996 Dr Cockerton explained the benefits of the rural environment of the Lee Moor Business Park as being its secure, crime free and safe environment. With advanced expensive machinery, critical computers and high value products, a secure environment is a reasonable expectation. The company's web site also draws attention to other benefits of a rural environment, its northern location and its new purpose designed workshop environment, *sic*:

"Our rural location minimises vibration which is a key requirement for the high precision work that we undertake", whilst the careful design of the workshop "ensure the best conditions for creating high quality mirrors and crystals. The windows all face north to reduce the heating effect of the sun and have been designed in a way to allow natural light to enter most parts of the unit. The walls are super insulated to a thickness of 0.5m and the whole factory floor is temperature controlled. Both of these factors minimise temperature fluctuations, which is most important in this technology"

Five people including the founder managing director are employed in this company. As well as the links to his former research and commercial locations, Dr Cockerton clearly appreciates the rural and north eastern locations including its proximity to the university communities of Newcastle and Durham "- each well known for their universities and with strong links to x-ray applications and the synchrotron community".

The principal sources used here are http://www.crystal-scientific.com/history.html and *5 Enterprise Stories* dvd produced for The Countryside Agency and Enterprise Island, CAX170

Lakeland - Kitchenware and Homeware

A family firm's journey from agricultural salesman, to multi-national retailer of kitchenware and cookware.

During the 1960's, Alan Rayner an agricultural salesman of animal feed from Windermere, Cumbria, responded to demand from his Lake District farmer customers for plastic sheeting for hay and silage, and plastic bags for farm produce. Such sales were organised from his garage, supported by his school-age sons, and sold directly and through agricultural shows. As demand grew, this activity formed the basis of a new company – Lakeland Plastics.

With increasing encouragement in the late 1960s and 1970s for farm diversification, and with the wider public showing a growing interest in home freezing, Lakeland Plastics became a leading supplier of packaging and utensils for this market. As the founder's sons took on the running of the company, they slowly moved the firm away from its farming market, extended their range to kitchenware, products and equipment for cooking, baking and other homeware, became a pioneer in mail order promotion and sales, and opened their first store in Windermere. This rural town remained the location for this small family-owned Lakeland Plastics, albeit from larger premises close to their founding location, but their reach had made them one of the UK's leading kitchen and homeware suppliers.

Expansion in the 90s resulted in, a change of name to Lakeland Limited, opening a large distribution centre at Kendal, spreading their network of stores, many of which were opened in shopping centres and high streets of Britain's major cities and large towns, and adopting the internet as an additional marketing tool.

Since the turn of the millennium, further expansion has continued the development of the firm. From its origins as a family micro-business selling a limited range of plastic products to a largely farming market, operating from Windermere, a market town in one of England's most visited National Parks, it has become a large, multi-national retailer. Now simply known as "Lakeland", it has 69 Stores in UK's principal cities and towns from Inverness to Truro, from Canterbury to Enniskillen, a major Distribution centre in Kendal, and stores in the Middle East Gulf Coast states and India. The business uses multi-channel promotion and marketing tools, helped by a workforce approaching 1,500, under the management of family Directors, and sells thousands of product lines in kitchenware, cookware and homeware, to consumers across the United Kingdom and some overseas markets. The Head offices, Flagship store are still located on the site of their early premises in Windermere, in the heart of England's Lake District, and the founding family remain at the helm and heart of the company's management and growth.

The principal source of information used here is http://www.lakeland.co.uk/info/AboutUs

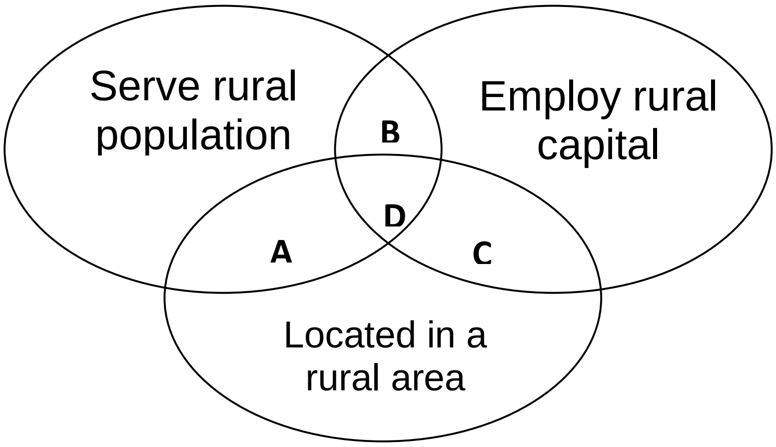
Employing "rural capitals"

Based on the earlier Venn-diagram, Crystal Scientific would only meet one of the three criteria (ie Located in rural area, and thus would not be described as a rural business as neither the target customers nor the product could be considered "rural". However, from the vignette above it is clear that the rural location is important for their manufacturing process and with the revised diagram (Fig. 2), we can place this into category C because value is drawn from the rural "environmental capital". The connections between the rural location and the nearby urban knowledge centres add to the viability of this location which also demonstrates that rural areas are now better able to exploit human and social capital across wider distances, diminishing the disadvantages of remoteness. Just as Moyes *et al*.'s crematorium succeeded in part due to its peaceful rural location, the same could be said for this scientific manufacturer.

The other forms of capital that are critical here include the built or physical capital – the building itself being designed to function most effectively within its environment and the technological connectivity that is essential for participating in global science networks. Here the interaction of the entrepreneur and the rural context is more negotiated as the human activity requires interventions to make the rural setting work. Rural entrepreneurs, working with the rural setting, can create new forms of rural capital – in this case improved ICT connectivity – that might also create value for other people and businesses in the locality.

For human and social capital, however, Crystal Scientific requires external sources of information and regular interactions with external networks. As these are global and often virtual, the location is less of a constraint for this rural business compared to those in which co-location of a critical mass of like-minded people might be more important. The business is able to trade off the network-remoteness for the unique environmental capital of the rural setting. As part of that trade-off, new rural capital is created in the forms of technological and physical capitals.

Figure 2: Revised Venn Diagram characterising rural businesses



Categorising the rural business fit of Lakeland is more complex. Arguably it could be viewed as three very different businesses, starting out as an agricultural supplier, moving into wider household markets and then becoming a multi-national retailer. In the initial phase there is little doubt that it satisfies at least two criteria – 'Serving a rural population' and 'Located in a rural area' – and the products might be considered to be rural, considering that they were principally designed for agricultural uses. At this point, human capital, in the form of rural market knowledge, was a core resource and the routes to market were strongly connected to the local agricultural community.

As it grew into Lakeland Plastics the business maintained its rural location, through its head office in rural Cumbria, but its consumer base and product range became less rural. In this phase it would meet our criteria of 'Located in a rural areas', and arguably continued to serve the changing needs of a rural population. As Lakeland Plastics grew into its current profile as Lakeland, its target consumer base became national, international and its operations are more dependent on retail outlets in urban locations. If an established retailer with these characteristics had chosen to move its head office to a rural location, using our criteria it is unlikely that it would considered to be a 'rural business'. However, Lakeland's story is different from such inwards migrating retailer, because it can be argued that the human and territorial capital of rural areas that it has harnessed and developed still forms part of a complex set of values that make Lakeland a successful national retailer. From a path dependency perspective, it is therefore impossible to ignore the role that rurality has played.

One might assume that Lakeland's brand today also exploits symbolic capital associated with rurality, but their Marketing Manager observed "*I don't think our customers or suppliers would see the rural label as relevant"* and *"Lakeland and this place is only a part of our company's brand".* In other businesses that sell products with rural provenance, the symbolic or cultural capital generated can add considerably to the potential profitability and influence their routes to markets. Though this is not evident with this retailer, Lakeland is an important business for its Cumbrian rural economy as the Marketing Manager went on to explain, *"We benefit from loyalty of employees and local people*", which indicates that the rural heritage and identity of the firm is recognised as a source of value.

Returning to Korsgaard et al. (2015), each of these cases is very difficult to place within either of their categories of ‘rural entrepreneurship’ or ‘entrepreneurship in the rural’. While Lakeland’s origin was strongly embedded in the local economy, the rural location has arguably become more of a site of convenient, perhaps best explained by a path dependent trajectory than one of local embeddedness through either resource dependency or value creation within the rural setting. For Crystal Scientific, there is little doubt that the spatial context or the local rural environment matters, yet from an economic trading perspective, there is again very low levels of embeddedness. This questions the usefulness of Kosgaard et al’s distinction in isolation and encourages a deeper conceptualisation of the types of capital that add value to rural businesses at either end of their spectrum between the ‘embedded rural entrepreneur’ and their disconnected ‘entrepreneur in the rural’.

Conclusions

While these are only two case studies, they highlight that rural capital can be diverse and can generate value in diverse ways. The research must now be developed to consider how entrepreneurs might seek to exploit these forms of capitals to strengthen their business models. From a broader rural development perspective, if these capitals are more overtly connected to value creation, it indicates that there are also economic reasons for a continuing rural policy agenda. For example, specific questions might be: *How does “rural-ness” create value for diverse enterprises? What “rural penalty” exists and how can rural entrepreneurs overcome it?* and H*ow do rural entrepreneurs contribute to their local rural economies and communities?*

By challenging the hegemony of a “rural penalty”, and seeking aspects of comparative advantage that lie within the suite of rural capitals available to businesses, we can think about rural businesses as creators of value more broadly, including their contribution to community development. Such an approach should help rural business policy to become less ‘relational’ in its nature, which results in attempts to compensate for not being urban, and instead become more tailored to the rural context.

For businesses themselves, recognising the extent to which they have a rural identity and the extent to which rural capitals offer value-creating potential can add to their resilience and growth potential. On one hand, like Lakeland, it can guide growth that recognises rural origins but also embraces national and international opportunities. On the other hand, for businesses moving into a rural area, it can help them to recognise distinctive forms of capital that are available to help them benefit from their new location. Developing business models that combine local and extra-local integration, mirroring some of the neo-endogenous development literature for rural development theory (Ward et al, 2005; Ray,2006; Bosworth and Atterton, 2012), can also aid their resilience. For example, if rural businesses are marginalised by network:power imbalances that favour actors in urban centres, rural locations might offer alternative allies and sources of support. Alternatively, in a time of rural crisis, extra-local connections might be essential to sustain large enough markets and bridge the local economic challenges. Focusing further on resilience, we might move on to examine which components in our typology are most resilient, and which forms of rural capital within rural business models are most valuable assets for resiliency.

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