

## **Education, mobility and rural business development**

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### **Abstract**

**Purpose** In a period of rural economic change, knowledge and skills transfers and the generation of new economic opportunities are seen as essential for promoting rural development. The purpose of this research is to provide evidence of the impact of educated in-migrants establishing new business activity in rural areas.

**Design/methodology/approach** The research employs qualitative interviews with rural business owners informed by an earlier postal survey of rural microbusinesses in the North East of England. The interview data is used to explore the implications of owners' past education and work experience for the development of their businesses. The attitudes and networking behaviour of business owners are also explored in order to assess the extent to which social capital facilitates the exchange of valuable knowledge and opportunities between rural businesses.

**Findings** Data indicates that rural in-migrants, defined as having moved at least 30 miles as adults, arrive with significantly higher education qualifications than their local business-owning counterparts. It also indicates that those with higher levels of education are most likely to engage with networking groups and business advice providers. This leads to the conclusion that as well as bringing higher levels of human capital, the integration of in-migrants into local economies is indirectly increasing the potential levels of human and social capital across the rural economy.

**Originality/value** The research highlights important data concerning the levels of education among in-migrants and local business owners. It continues by developing theoretical explanations about the way that a business owner's background can influence their business activity. This raises awareness of the diversity of skills and networks among rural business owners that are enhancing the stocks of human and social capital in the rural economy.

**Keywords** Business skills, counterurbanisation, education, entrepreneurship, human capital, knowledge exchange, business networks, rural economy, social capital

**Paper Type** Research paper

## **1. Introduction**

As the composition of rural economies and approaches to rural development have changed in recent decades, this paper seeks to identify the importance of education and work experience among rural business owners. Traditional rural enterprise was characterised by family succession and the importance of local knowledge and reputation but today, the variety of businesses operating in rural areas calls for different skills and knowledge. Although obscured by net in-migration to rural areas, rural communities are losing a significant proportion of school-leavers who are unable to access suitable employment opportunities or further education locally (Stockdale, 2002; 2004). The aim of this paper is to identify whether this out-migration of human capital is compensated by the inward migration of individuals who are able to introduce new human and social capital into the rural economy.

Guided by results from a postal questionnaire survey of rural microbusinesses (see Raley and Moxey, 2000, for a detailed methodology and additional results), this research used 40 qualitative interviews to explore the background of business owners and the way that previous education, training and work experience influenced the subsequent development trajectory of their businesses. Within such a study, it was possible to compare and contrast business owners in different sectors, those with different levels of formal education and those who grew up locally or outside the area. The data also allowed preliminary investigation into the extent that knowledge and skills were transferred among actors in the rural economy – a critical factor to address the contrasting hypotheses of whether local people with lower levels of education are marginalised by the in-migration of individuals with higher skills and education levels or whether the increase in the average level of education provides opportunities and benefits to individuals who were previously marginalised by virtue of the combination of peripherality and low skills.

## **2. The Changing Composition of the Rural Economy**

Rural districts have experienced significant growth in small business numbers with an increase of over 7% in the number of new businesses registering for VAT (or 37,000 per year) between 1995 and 2004. This was marginally higher than the rate of increase in urban or mixed authorities (Commission for Rural Communities, 2007). It is also estimated that some 5 million people work in rural locations in England (Reuvid, 2003). Although the national economy is dominated by urban centres, some 28% of all small businesses are in rural areas (Department of Trade and Industry, 2005) compared to approximately 19% of the population. Rural businesses operate across a range of activities as the dominance of land-based sectors has declined in recent decades. Recent data suggests that the mix of rural businesses is not dissimilar to the national average and “perhaps unexpectedly, in 2006 rural areas supported more than the national share of workplaces in energy and utilities, construction, transport and communications and manufacturing” (Commission for Rural Communities, 2008, p. 104).

As well as business growth, rural areas have experienced significant population growth over the past four decades with a shifting balance of the population away from urban centres. Champion (1989) defines this process of counterurbanisation as an inversion of the traditionally positive relationship between migration and settlement size. Counterurbanisation has traditionally been seen as a principally negative phenomenon being accused of increasing property prices to the disadvantage of indigenous residents (Gilligan, 1987; Hamnett, 1992), reducing the potential viability of services (Divoudi and Wishardt, 2004) and diminishing the sense of community (Bell, 1994).

Previous research (Bosworth, 2006; 2008a; 2008b) sought to provide a counter-argument to these views and discovered that inward flows of population are helping to stimulate the rural economy by creating new businesses and additional employment. In-migrants are more growth oriented and entering a diverse range of business sectors. Other research has found new arrivals to be relatively affluent, often equipped with distinct

attributes and networks of contacts and also much more successful in penetrating international markets (Kalantaridis and Bika, 2006). Although not directly addressing the problems of young, educated individuals leaving rural areas (Stockdale, 2004), it is considered that rural in-migration can help to offset some of the problems and restore human and social capital in rural economies.

In the context of Neo-Endogenous Development, defined by Ray (2001, p. 4) as “endogenous-based development in which extra-local factors are recognised and regarded as essential but which retains belief in the potential of local areas to shape their future”, rural actors require the ability to influence local development and to generate extra-local connectivity. As Lin (2001) explained, the accessibility of valuable social capital is directly connected to an individual’s human capital resources. In his view, the hierarchical nature of social capital makes individuals with higher education levels or higher skills more attractive and therefore more influential in business and social networks. If this is true, the case for increasing education and skills in the rural economy is clear but the potential for inequality is equally evident.

### **3. Education Levels in Rural Areas**

Rural areas experience higher academic achievement in schools when measured in terms of GCSE grades (Commission for Rural Communities 2007, p. 48) but achievement is slightly lower in the more sparse areas. This is in turn reflected in a higher propensity for rural school-leavers to attend university, resulting in the outflow of a high number of 18-21 year olds. Stockdale (2004) notes that rural out-migrants are highly qualified, employed in secure and responsible positions, and earn in many cases substantially more than they could in the donor community. Policy aimed at retaining young people in rural areas would restrict their personal development opportunities so it appears that return migration back to rural

areas (Ní Laoire, 2007) or the inward migration of other individuals constitute increasingly important sources of entrepreneurship and skills for rural economies.

Focusing on the adult population, census data indicates that in general, “there is a higher incidence of top end qualifications such as university degrees (Level 4–5 and above) in rural areas and, correspondingly, a lower incidence of those without skills or qualifications” (Commission for Rural Communities, 2005, p. 90) A study in Wales confirmed this with a survey of the rural workforce showing that “rural areas have a lower proportion [of the workforce] with no qualifications at 18.7% and 20.5% for males and females respectively compared to 20.0% and 24.6% for the rest of Wales” (Jones, 2003).

The higher levels of education among rural populations are considered to be an advantage for rural economies with Chell (2001, p. 270) reporting that “the more highly educated are more likely to found high growth businesses”. Littunen (2000) also refers to the importance of previous work or entrepreneurial experience in the decision to become an entrepreneur. Storey (1994, p. 64) provides further evidence with empirical work from America which indicates that, *ceteris paribus*, “educational attainment levels are positively associated with a move into self-employment/new business formation.” A study by Westhead and Matlay (2006) advocates policies aimed at increasing human capital in the small business sector, either through graduate recruitment or lifelong skills development,

Founders of businesses in rural areas in the UK are generally more likely to have higher educational qualifications than those in urban areas (Townroe and Mallalieu 1993). While education levels are higher, the employment opportunities available in rural areas tend not to require high-order skills with the result that, on average, in-migrants to rural areas move to jobs with lower Standard Occupation Classifications (Groves-Phillips, 2008). This may be a further reason for the propensity for in-migrants to move into self employment on the grounds that “latent entrepreneurs will move into their own businesses when they reckon

the pay-off from employment to be greater than that afforded by their present position” (Hamilton and Harper, 1994, p. 6).

Earlier research in Northumberland (Bosworth, 2008a) found that, on average, in-migrants had attained higher levels of education. This suggests that counterurbanisation is helping to maintain levels of human capital but adds further weight to arguments that rural in-migration can be a divisive force for local communities. Literature on the differentiated countryside (Murdoch *et al.*, 2003) places a strong emphasis on social divisions but this research explores the extent to which in-migrants are able to enhance rural economies through their business activities and embeddedness. As Jack and Anderson (2002) explain, by becoming part of the local structure, an embedded entrepreneur is able to draw upon and use resources and new entrepreneurial opportunities are created. Also, as local knowledge can be a “key factor of profitability” (*ibid*, p. 469) in-migrants will be keen to become embedded and through this socio-economic process, it is hypothesised that opportunities arise for knowledge exchange, new trade and new networks which can all benefit the local economy.

#### **4. Methodology**

A mixed methods approach was used whereby re-analysis of a survey of almost 1,300 rural microbusinesses provided the context for in-depth interviews with 40 rural microbusiness owners. The survey data provided important contextual data and a valuable sample group from which to explore deeper sociological processes. Large scale surveys, however, only provide broadly categorised data so in depth interviews were essential for eliciting the life stories and motivations of rural business owners. These detailed stories were critical to understanding how previous education and work experience were applied to the activities of business owners and the benefits that were perceived at different points through the business start-up and development process.

The initial survey was conducted by former colleagues in the Centre for Rural Economy at Newcastle University and included questions relating to education and professional qualifications, the use of business support and advisory services and many aspects of business performance such as growth, employment, trade and turnover. It also included questions that enabled the categorisation of local and in-migrant business owners, with the latter being defined as those who had moved at least 30 miles to their current place of residence during their adult lives.

While statistical data can provide generalised results, the interviews add insights into how issues such as education and work experience impact upon decisions to start a business and the ongoing running of a business. The sample of 40 businesses was selected to comprise a mix of those in the retail, business and domestic services, manufacturing and hospitality sectors as these were the four most populous sectors from the original survey. These sectors also included businesses that had combinations of more or less local and extra-local customers and suppliers.

A flexible interview schedule was designed with questions that sought to follow the history of the business and business owner to understand how they had reached their current situation. This biographical approach encouraged interviewees to describe their stories and where critical moments arose, the researcher was able to probe into the motivations that lay behind key decisions and the personal attributes that individuals required at each stage.

The mix of qualitative and quantitative data allows the analysis not only to identify statistical results but also to explain some of the underlying reasons associated with personal decisions and business development. Additionally, the qualitative research enables investigation into the ways that information and expertise is shared among different business owners, providing a new insight into the networks that facilitate knowledge exchange in the rural economy.

## 5. Findings from the Microbusiness Survey

Having identified a broadening base of rural enterprise, the analysis in Table 1 shows the education qualifications achieved by business owners in the main sectors identified in the survey. With the concept of “Knowledge Economies” (Department of Trade and Industry, 1998) gaining greater attention, certain business sectors are thought to have a greater importance for local development and the data illustrates the importance of higher education in certain sectors, most notably the professional and domestic services sector.

**Table 1**

**The highest education qualification achieved by business owners in each of the main business sectors.\***

	<b>Number of Firms</b>	<b>16 or Under</b>	<b>GCSE or O-level</b>	<b>A-Level or equivalent</b>	<b>Diploma</b>	<b>Degree</b>	<b>Post-graduate</b>
<b>Land Based **</b>	61	27.9%	23.0%	6.6%	18.0%	13.1%	1.6%
<b>Manufacturing</b>	138	24.6%	14.5%	8.0%	18.8%	18.1%	3.6%
<b>Construction</b>	101	47.5%	20.8%	1.0%	21.8%	3.0%	1.0%
<b>Retail</b>	310	31.0%	21.9%	7.7%	16.8%	9.0%	4.2%
<b>Hospitality</b>	271	20.3%	15.5%	8.5%	14.4%	17.3%	5.9%
<b>Business/Domestic Services</b>	201	11.9%	11.4%	2.5%	10.9%	20.4%	23.4%
<b>Other Services</b>	193	11.3%	9.3%	4.7%	12.7%	24.0%	14.0%

\* Those business owners who selected an additional category of “professional qualification” as the time at which they completed formal education are excluded from the analysis as they may or may not have been to university and not all business sectors have professional qualifications.

\*\* The survey excluded farm businesses so these include other land-based activities

The survey data for the North East shows that over 25% of people who started their businesses had a degree compared to approximately 10% of those who took over through succession and 20% of those who purchased the business. This confirms the findings of Townroe and Mallalieu (1993) indicating that education is an important factor associated with business start-ups. Despite other claims that education is associated with business performance (Storey, 1994; Chell, 2001) the data showed no clear trends between a rural business owner's education and their attitudes towards growth, their business turnover or job creation. There was also no significant difference in the mean number of jobs provided by business owners with different levels of educational qualifications.

It was possible to elicit other conclusions about how education affects aspects of the behaviour of business owners. There was a very strong correlation between education and use of the Internet which, as the original survey data is from 1999-2000, is considered a good proxy for the general adoption of new technology. A further indication of education being associated with forward-thinking business practices is that over 30% of businesses owners with a degree or postgraduate qualification reported that they were keen to improve staff development compared to fewer than 16% of those with only school-based qualifications. Leaving formal education at a later stage was also linked with a stronger willingness to participate in business networks. These two factors indicate that other local employees and business owners participating in networks will see benefits too.

Previous knowledge is considered to be highly valuable in the integration and accumulation of new knowledge and in adapting to new situations (Davidsson and Honig, 2003) and this is supported by the fact that individuals with higher education qualifications were more likely to engage with business support organisations. Perhaps related to this, some 25% of those with undergraduate or postgraduate degrees applied for grants compared to just 16% of other business owners. Those applicants with degrees were also marginally more successful with 72% winning grants.

**Table 2**

**Comparing responses to the survey question “Have you ever considered seeking business advice?” among business owners with different levels of education qualifications.**

	<b>No</b>	<b>General Business Advice</b>	<b>Sector Specific Advice</b>	<b>Both</b>
<b>16 or Under</b>	68.4%	17.6%	13.4%	0.7%
<b>GCSE/O-level</b>	53.7%	28.0%	17.8%	0.5%
<b>A-Level/BTEC</b>	38.5%	33.3%	24.4%	3.8%
<b>Diploma</b>	38.8%	37.2%	17.3%	6.6%
<b>Degree</b>	37.4%	38.5%	18.7%	5.3%
<b>Postgraduate</b>	35.9%	37.9%	17.5%	8.7%

Table 2 illustrates the fact that a longer time spent in education is associated with the use of business advice. The trend is less strong with sector specific advice suggesting that this is learned through more formal channels of education but for more general advice, education appears to enable and encourage engagement. In-migrants are also more likely to have sought business advice with almost 60% having considered either general or sector specific advice compared to just over 40% of local business owners<sup>1</sup>, demonstrating that both education and mobility are positively linked with business support and network participation.

Those with degrees gave lower scores to the importance of local service provision and local employment creation but this is strongly associated with the fact that in-migrants are almost three times more likely to have degrees than local business owners. As well as being more likely to have stayed in education for longer, in-migrants are also more likely to have a

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<sup>1</sup> A chi-square test confirms that these differences are significant to a 0.1% confidence level.

professional qualification although the data does not indicate whether these are directly relevant to the business that they are running. With over 50% of local business owners not being educated beyond GCSEs or O-levels, the influx of new business owners is raising the levels of human capital in the rural economy.

**Table 3**  
**Comparing the stages at which local and in-migrant business-owners**  
**completed their formal education.**

<b>Origin</b>	<b>GCSE or earlier</b>	<b>A-level or equivalent</b>	<b>Diploma</b>	<b>Professional qualification</b>	<b>Degree</b>	<b>Post-graduate</b>
<b>Local</b>	<b>55.6%</b>	<b>6.5%</b>	<b>18.1%</b>	<b>10.3%</b>	<b>7.6%</b>	<b>1.9%</b>
<b>In-migrant</b>	<b>29.3%</b>	<b>5.7%</b>	<b>13.2%</b>	<b>17.7%</b>	<b>20.8%</b>	<b>13.4%</b>
Planned Start-up	32.0%	6.5%	16.2%	15.5%	21.2%	8.6%
Unplanned Start-up	27.0%	5.2%	11.3%	19.4%	20.6%	16.5%

Table 3 confirms the above analysis with the bottom two rows distinguishing between those in-migrants who moved with a clear intention to start a business (planned start-ups) and those for whom self-employment was a later decision (unplanned start-ups). We can see that business owners who intended to start a business when they moved completed their formal education earlier than the owners of unplanned start-ups and they are also less likely to have a professional qualification. Initially we might think that those who are able to plan to start a business would be better educated and that a professional qualification would be an advantage for people planning to move and start their own business. However, if we reverse the causality, perhaps these statistics are actually telling us that educated people are moving to the North East to pursue further education or other employment and only after that does the opportunity arise to establish an independent business.

This also raises the possibility that local people are being misrepresented if they move away for a period of time to pursue higher education. To test this, the separate category of return migrant (those who grew up in the areas and returned in adult life) is introduced in Table 4. With universities and urban employment taking people away from rural areas as well as attracting new people into the region, return migration offers a potential benefit for rural areas whereby out-migrants leave to gain education and work experience and when they return they already possess some of the advantages of local knowledge and local networks.

**Table 4**  
**The percentage of local, return and in-migrants leaving school before**  
**A-levels and the percentage attaining degrees**

	<b>Completion of formal education</b>	
	<b>GCSE or earlier</b>	<b>Degree or postgraduate</b>
<b>Local</b>	55.6%	9.5%
<b>Returned</b>	25.7%	26.5%
<b>In-migrant</b>	29.9%	35.9%

This table demonstrates that return migrants who own rural microbusinesses are considerably more likely to have a degree compared to those who have always lived locally but the fact that they still lag behind other in-migrants suggests that those brought up in the rural North East are disadvantaged in terms of accessing higher education. The distinction between local and in-migrant business owners based on their education and qualifications is not simply the result of local people who attend university subsequently being defined as migrants. It may be that higher educated local people are less likely to enter self-employment and are therefore not picked up by this survey but as small businesses are the lifeblood of rural economies (North West Development Agency, 2004; Federation of Small Businesses, 2008), it is those entrepreneurs that run rural businesses that are considered the most

important units of analysis in this study. Having established that this difference exists, the following sections seeks to explore the implications for rural businesses and the extent to which new forms of human capital are making a difference to businesses in the rural economy of the North East.

## **6. The Importance of Education and Work Experience for Rural Business Owners**

As noted by Politis (2008), the effect of prior start-up experience for entrepreneurs has thus far been relatively under-researched. His research discovered that previous experience could overcome the liability of newness and change their attitudes and expectations but this paper seeks to delve more deeply into the activities of business owners are influenced by their levels of education and work experience.

From the biographical interviews, individuals' education and training appeared to impact upon their business activity in three distinct ways. The first is as an enabler of entrepreneurship, the second as the provider of essential business skills and the third as the provider of learning and networking skills. In this section, each of these three points is explained with the use of examples from the interviews before the concluding section explores the extent to which these attributes are transferable and the extent to which skills may be developed in other ways, outside of formal education or employment.

### ***6.1 Enabling Entrepreneurship***

From the literature we have already seen that education is positively associated with business formation. In the previous section, the statistical findings also confirmed that those people starting a rural business were more likely to have a degree compared to those buying or taking over an existing business. Given that education is also positively linked to salaries, the opportunity cost associated with self-employment among higher educated individuals will

be higher than among those individuals with lower levels of education (Shane, 2003). This section therefore explores the entrepreneurial attributes and opportunities that are provided by higher levels of education and work experience that encourage or enable this group of business owners to run their own businesses.

For some business sectors, professional qualifications are a barrier to entry but once the business owner has these qualifications, they are in a privileged position where the number of competitors is limited. The accrual of experience in that business sector during the learning phase will provide both the requisite business knowledge as well as the skills to do the work. With these attributes, an individual is well placed to identify a business opportunity and to turn that opportunity into reality. Examples may include a range of businesses and interviews illustrated that this covered a variety of business sectors. One business was run by a couple who each took a catering course and subsequently bought premises to realise their professional ambitions, a second was run by photographers who met studying their art at university, and others included property and business consultants with professional qualifications or a specific masters degree.

For other individuals, high educational attainment enables them to fast-track their careers. One interviewee explained that after taking a postgraduate degree, he was able to enter the teaching profession at a more senior level than other colleagues and this resulted in him becoming a head-master at a relatively young age. Once in that position, the administrative work became a greater burden and a ceiling had been reached where any further career progression would have resulted in fewer teaching hours. In his words, *“by the time you’re a head teacher you have nothing to do with the classroom, largely you’re involved with administration so I decided that if I was going to do admin I’d rather do it in my own business and have the freedom to be where I wanted to be when I wanted to be rather than carry on teaching.”* Rather than pursue a career that was becoming less attractive, he took the opportunity to develop an independent business in his spare time and once he was

confident that it would succeed, he was able to run the business full time. Without the job security and contacts that he developed as a teacher, the start-up would have been significantly riskier and without the personal and financial status, the prospects of success may also have been slimmer.

Other examples of how education and work experience can facilitate entrepreneurship come from early retirees and pre-retirement in-migrants (Green, 2006) who subsequently recognise opportunities to pursue business interests. Without the financial pressures of having to earn a living, those in early retirement or semi-retirement are able to tackle new projects or expand their hobbies into business activities. Examples from the North East region include a brewery which is run by a retired computer engineer and a bed and breakfast run by a couple where one had been in the police force and the other a teacher. Had they not had successful careers behind them, they may not have had the financial capital, business acumen or the time to develop these enterprises. These were both examples where the business owner had previously worked in nearby cities but a third example comes from a farmer's wife with extra time on her hands after her children had grown up. She said "*I just needed something else for myself to do*" and as she had always enjoyed baking, when the local tea-room came up to rent, it was an obvious step. Rural areas are seeing increasing numbers of pre-retirement entrepreneurs and although in some cases, older business owners have less ambition for growth, this business has relocated to larger premises, employs up to 20 staff in peak season and attracts significant numbers of visitors into a small village. The owners of these three businesses had no formal education beyond A-levels but the ubiquity of university education is a more recent phenomenon and computer engineers and teachers today would be expected to have degrees.

The importance of education as an enabler of entrepreneurship is well advertised by a local business owner. After completing an undergraduate degree and finding few appealing career options, he had an ambition to establish a specific manufacturing business. He knew

that this would require some specialist knowledge so he enrolled on a masters course some 30 miles away and used that year to built up the necessary contacts as well as the business knowledge to reach the position where, with family support, he was able to acquire a property and develop the business. While in-migrants may arrive with certain attributes, this demonstrates that local entrepreneurs often have to make greater efforts to achieve similar ambitions. A further example was presented by a farmer who uses the farm assets as the basis for a variety of diversified activities, many of which he acknowledges would not have been possible without the networks of friends and professional advisers that he developed by taking a masters degree. In each case it was the contacts and confidence rather than specific business skills that enabled the entrepreneurs to follow their chosen career paths.

The importance of universities for regional development has been the subject of increasing academic interest (Ward *et al.*, 2005) and as well as spin out firms and knowledge transfer initiatives, universities are also able to attract new entrepreneurs into a region. While local people may have to seek out appropriate education and training courses elsewhere, other graduates may enter the local community as a result of migration associated with higher education. One such business owner was attracted to the North East to attend university before working in the city for a short time, marrying a local girl and subsequently taking over his father-in-law's manufacturing business. This, and other examples of individuals relocating to the region to take urban-based employment before a subsequent counter-urbanising move, are clear examples of the importance of urban centres for the supply of rural entrepreneurs and education is a significant factor in the mobility of these individuals.

A further example of the impact of education on a rural microbusiness comes from a marketing consultancy that was initially run from home by one person. She explained that the decision to work from home was twofold: it was much cheaper to work from home and she wanted to have a dog. This was in essence a lifestyle business which would provide a stable income until retirement but once her son had graduated and joined the business, they

relocated to new premises and have continued to widen the range of services and expand their client base and staff numbers. The migration of individuals with extra-local, usually urban-based, experiences can be highly significant for a variety of businesses. As an example, a farm diversification business was aided by the involvement of the farmer's father-in-law who had taken early retirement from a financial career and his skills have helped to establish a successful new business.

Each of these examples demonstrates that for the majority of rural business owners, growth trajectories are related to their previous education or employment, or that of close associates within the firm. By contrast, the rural businesses that are struggling in the modern rural economy tend to be those whose owners have less external networks and fewer experiences beyond the local area. As the statistics showed, retail and land-based activities, which might dominate the traditional image of rural business (Horton, 2008), tend to be owned by individuals who left formal education at an earlier stage. Of course, there are many factors influencing the decline of traditional rural activity, from external forces such as supermarkets taxation and regulation, to changing lifestyles and individual preferences and to the influence of land and property markets but an owners' lack of connections and experiences beyond the local area can be a factor in the vulnerability of some of these businesses.

## ***6.2 Providing Business Skills***

As well as providing the opportunity to take up entrepreneurial opportunities, we must also explore the extent to which education and work experience help business owners to survive and hopefully grow their businesses. Almost any research into business owners tends to focus on those still in business, so there is an automatic success bias (Chell and Baines, 2000; Davidsson and Honig, 2003) but it is still possible to elicit the key business skills that are recognised by business owners as well as areas where they felt that their skills were

inadequate. Several interviewees commented that certain aspects of running a business cannot be taught. One made the following observation:

*“The problem is, you start out with one then two people and the office grows but nobody’s ever sat down with me and said this is how a modern office is run, I’m not sure you can get advice on that ... you have to learn yourself and you make mistakes”*

A second interviewee commented that:

*“I think that’s the main thing that every business is lacking, there’s no-one to come and help you or show you...everything I’ve learnt I’ve just stumbled through and learnt myself because you have to keep going. If I did something that was wrong, I just had to start again and try it another way. Sometimes you think I wish somebody could come out and help us.”*

In these two examples, the first interviewee had a degree and the second had no education qualifications so it appears that certain elements of running a business are only learned by experience, regardless of education. Other interviewees commented on the need for a wider range of skills to run a business. Rather than just taking photographs for clients or cooking and serving food for guests, there are accounting requirements, staffing issues and other bureaucracy that demand the attention of business owners. In some cases these are skills that can be taught or hired in via consultants but in many cases the business owner will still learn by experience.

Business owners mentioned several other more obvious applications of education and these included use of the Internet, report writing skills, business planning, financial awareness, technical knowledge and accounting skills. The owner of a family business highlighted the fact that these skills may also be introduced through other individuals. He

explained, *“The Internet’s very important, my sons heavily involved in that...He’s been to university so he’s very clued up on that sort of thing.”*

When applying for a grant, another business owner compared the process of writing the bid to working on a university dissertation and said that he felt his education certainly helped. In many cases these are specific personal skills but the increasingly diverse range of businesses and especially the spread of professional services firms are enabling the spread of new skills. A further example demonstrating the transfer of skills and knowledge comes from a business owner in the manufacturing sector. His company has a high proportion of exports and he felt that he was educating other local service providers such as his bank and his accountant who were unaccustomed to dealing with exporting businesses.

As well as personal skills, education can enhance the reputation of a business. As one business owner commented, she continues to attend courses because the certificates enhance the reputation of her business. In this example the information or skills that might have been learned appeared to be very much of secondary importance. For other business owners, previous work in computing, marketing and accounting all provided directly applicable skills that enabled them to manage and develop their businesses. Principally, however, the most valuable skill acquired from education seemed to be flexibility. Where markets change, clients or suppliers are lost or new technology arrives, business owners need the skills to adapt and re-assess their situation. One interviewee described how the business plan factored in a certain core client group that never materialised and this led them down a route where they had far less experience but this was compensated by the ability to adapt and quickly learn enough to get by. Small firms are thought to benefit from flexibility in their organisational structures (Power and Reid 2005) but the ability of key decision makers is also essential if this flexibility can result in the exploitation of new opportunities.

With a growing emphasis on the potential for “knowledge economies” to develop in rural areas, the transfer of these skills is essential. A knowledge economy is defined by the Department of Trade and Industry (1998, p. 2) as “one in which the generation and the exploitation of knowledge has come to play the predominant part in the creation of wealth” so the trend of educated in-migrants moving to rural areas and engaging with rural economies can be seen to contribute to this. For a sustainable “knowledge economy” to develop, however, these attributes need to become a part of the rural economy that is also accessible to local people and concurrently, in-migrants need to accrue local knowledge from participation in local networks and the next section explores this in more detail by examining the implications of education and work experience for the networking behaviour of business owners.

### ***6.3 Enhancing Networking and Learning Skills***

While certain direct skills are learned in education and more so through the course of work experience, perhaps the most significant advantages are those associated with personal skills such as communication and confidence. As well as learning how to learn (Weick, 1996), exposure to education makes individuals more comfortable in a learning environment. Those with fewer qualifications are less likely to consider attending courses or networking events. Publicly they may ascribe this to a strong independent attitude but the reality may include an underlying lack of confidence or a lack of knowledge about the people or the ways in which the course is run.

The statistical data confirmed that higher education qualifications were associated with higher levels of networking and use of business advice services. Clear examples from the interviews included the owner of a new business who said, “*We targeted these formal networks, we didn’t know what else to do. We didn’t have any contacts, we didn’t know which networks would be best so in the first year we just went to all of them and then decided*

*which to stick with.*” Another explained that *“no problem is unassailable, if you’ve got the right network you can up the phone and get it sorted”*. This individual also talked about the need to *“play the system”* saying *“nobody’s better than me”*. This confidence in dealing with formal systems and developing beneficial networks is not shared by all business owners.

For those who are less familiar with learning and networking arenas, more common sentiments include, *“If we turn up to an event, you get more out of the chat over the bar than anything else.”* When asked about networking, another replied, *“I don’t do it...I don’t really have to do it...I know the people who come in the shop and just communicate with them as and when.”* A third business owner initially commented that networking *“is something to do with computers”* but further questioning revealed that she was a very strong communicator with her customers and suppliers. Each of these demonstrate that business owners have certain comfort zones where networking is a part of their daily life but for business owners with exposure to more diverse learning and work experiences, they tend to be comfortable in a wider range of more formal settings.

This is not to say that all experienced and educated people are avid networkers. The following two quotes come from business owners in the manufacturing and professional services sectors respectively.

*“In the early days I used to go to these networking lunches, the first thing you realise is that three-quarters of the people there are from government agencies justifying each others jobs and departments. Because we don’t particularly sell in this area or this country and the raw materials we need we can’t get from this area, it didn’t work for us.”*

*“Someone tried to get us involved in a business network club a few months back...and they were on at us all the time, it was 6 o’ clock in the morning you’ve*

*got to go to these things and a guy came in to see us about doing some web design and saw the card on the table and he said “you’re not doing that are you?” we said we’d been thinking about it but he said you can’t get sucked into it, if you go once you’ve got to go every week and it’s like no way we could go every week, our work changes day to day, it’s not like its 9-5, this time next week we might be in Manchester, here in Edinburgh...a weekly thing isn’t something we could stick to so we never went.”*

In each case, the owner has a degree, considerable business experience and confidence in dealing with a diversity of clients. Because of the nature of their business, however, they recognise that these networking opportunities are not advantageous. Despite the final decision not to participate in these networks, they have been open-minded and considered the opportunities. By contrast, a business owner who had worked for many years in employment before setting up independently had less experience of networking and commented *“I’ve always resisted it, I hated the thought of it...I probably should have done more of it as I’m not getting as much business now.”* In a bigger company, it is possible to avoid using or developing certain skills but this example illustrates how a self-employed entrepreneur requires a full complement of skills to maximise their potential growth. As Minniti and Levesque (2008) explain, entrepreneurs must be ‘jacks of all trades’ with the ability to perform many tasks.

Where a business owner lacks skills, these can often be overcome with strong support networks. The presence of other entrepreneurs in networks of social relationships can also reduce the ambiguity associated with entrepreneurial activity (Minniti, 2005). Not all business owners have access to networks that are rich in human capital or entrepreneurial ability. An in-migrant business owner in a small village characterised by a strong local community has been able to bridge this gap. Her outward-looking attitude takes her to regional network meetings and training course and through this activity she has been able to

introduce other local business owners to business advice providers. This individual is also more familiar with the Internet and has helped to advertise a range of local businesses, recognising the potential benefits of drawing in a higher number of visitors to the village. This charitable behaviour has helped the business to become embedded with the business owner and her family quickly accepted into the local community.

This example demonstrates the potential advantages that a local business community can gain from the introduction of new entrepreneurs with different education, experiences and attitudes. Initially, the above example may seem unusually charitable but for many in-migrants the desire to be accepted into the local community does lead to active local networking. A couple who bought a guesthouse explained that they were always keen to recommend other guesthouses in the local area at times when they were full and this was quickly reciprocated by the other members of the local community. A couple establishing a restaurant were also keen to get to know other members of the local business community and through the development of social relations in this way, business owners will exchange ideas and knowledge and support other local businesses in ways that develop both human and social capital in the local area.

This section has sought to explain how both education and work experience convey a confidence and a familiarity with networking behaviour and knowing how to learn, where to access training and having the desire to engage with information providers are all characteristics that are beneficial for business owners (Davidsson and Honig, 2003). Furthermore, there were many indications from the research that individuals with these characteristics are engaging with local communities as well as wider and more formal networking organisations. Future research might seek to explore this element in more detail to understand the extent of local knowledge transfer that occurs between business owners in order to address the question of whether in-migrants are marginalising individuals with lower levels of education and work experience or whether they are helping to reduce

marginalisation. Early indications from the North East, however, are positive, suggesting that local employment creation, local trade and the development of local social relations are all helping to raise levels of human capital across the rural economy.

Lin (2001) suggests that social capital is hierarchical and therefore individuals with higher levels of human capital will tend to participate in networks of like-minded people and aspire to access networks that are higher up the hierarchy. This would suggest that the most educated and those who have had the most success in business would be unlikely to engage in local networking groups. Where networking is a purely business decision, this has sometimes been true. One business owner explained, *“I don’t think there’d be any point in us being in the local chamber of trade, it’s not as if we’ve got a shop on the High Street or anybody would seek our opinion about trading here”*. Another in-migrant commented *“there is a networking group...which I have been to a couple of times but realistically there is little chance of working with any of the local companies.”* Even in these examples, however, the strong significance of the local community is evident. The first quote shows a consideration of whether other businesses would benefit and later spoke of the importance of supporting local businesses and knowing reliable local tradespeople. The second interviewee continued to explain that they sponsor local events and work with a local school because they recognise the importance of their local reputation, even though their trade is almost entirely outside the region.

While social capital can be hierarchical in some environments, it appears that rural business owners are more influenced by their local communities and for them to access local social capital requires the recognition of certain obligations towards that local community. Given that the community is important outside of work, especially for those business owners whose location choice was influenced by perceptions of rural lifestyles, it is clear that the process of embedding gives rise to the opportunities for valuable knowledge transfer and support among rural businesses.

## **7. Conclusions**

This research has sought to ease concerns over the loss of educated young people from rural communities by providing evidence of the human capital attached to in-migrant business owners. With statistics illustrating that in-migrants are considerably more likely to have stayed in full-time education for longer, they are raising the average levels of education in the rural business community. This alone, however, was considered an insufficient conclusion because it raised a further question concerning the potential marginalisation of local people with lower levels of education qualifications and less advanced or diverse work experiences.

Education provides a variety of opportunities and skills that relate to self-employment. For many business-owners, achievements in previous employment are essential to develop the necessary experience and contacts to support a nascent entrepreneurial venture. Thereafter, the ability to learn and be flexible and having knowledge and skills relating to their specific business activity are all highly valuable human capital resources. Moreover, with this human capital comes the advantage that other business owners are keen to build both personal and economic relations which in turn provide access to wider stocks of social capital.

This was reflected in the statistics which showed that business owners with higher education qualifications were the most likely to have used a variety of business advice and networking organisations. Their engagement with private sector advice services, Chambers of Commerce and other contacts in industry, lends weight to the notion that attracting greater numbers of more highly educated business owners into rural economies can foster a culture of enterprise with the potential to support other local business activity. On average, both in-migrants and business owners with higher education qualifications are conducting the majority of their trade at the local and regional levels and interviewees indicated a strong desire to become embedded, both personally and for their businesses. Overall, in the rural

North East, such findings lead to the conclusion that the in-migration of business owners with high levels of education is benefiting the local economy.

As more and more people are encouraged to stay on at school and attend universities, educational differences may diminish but for the majority of rural people, they have to leave the area in order to go to university and then there are often few jobs in rural area that are suitable for new graduates if they wish to return. This may not be a problem for the graduate but in the community left behind the lack of younger people may be of greater concern. As rural businesses are growing and encompassing a wider range of activities, it is hoped that there will be higher demand for skilled employees which will see rural wages increase and provide opportunities for younger people, whether school-leavers or graduates, to stay in their localities and secure rewarding jobs or develop new enterprises in a vibrant local economy. If not, at least the in-migrants that replenish rural communities can continue to sustain the rural economy through their employment creation, business formation and local trade.

From a theoretical point of view, this research has illustrated the value of mobility for the development of human capital. It also supports Lin's (2001) assertion that access to social capital is related to an individual's human capital assets. Whether "purposively" or "passively", business owners are becoming embedded into their local rural communities and this is creating new opportunities for knowledge transfer and the introduction of new human capital assets. As Jack and Anderson recognise, the exchange of both local and extra-local knowledge is highly valuable for businesses and "embedding provides a mechanism for bridging structural holes in resources and for filling information gaps" (2002, p469). This research has illustrated that personality mobility is a key facilitator of such knowledge exchanges.

Chell and Baines (2000) refer to the increased potential for business success if their owners are alert to business opportunities. Through both education and work experience and

through the education and experiences of friends and acquaintances, higher levels of human and social capital, enhanced by greater personal mobility, are contributing to the economic development of the rural economy. Further studies into the particular interfaces where relationships develop and knowledge is exchanged can enable us to better understand the specific needs of rural businesses as well as the direct benefits that are realised from both embeddedness and increased contact with extra-local economies. This is only possible, however, with a clear understanding of the new mobilities and processes of embeddedness that now exist in rural areas.

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