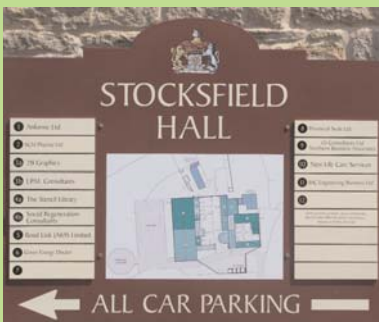


# Rural Businesses in the North East of England: Final Survey Results (2009)

Jane Atterton and Arthur Affleck



**RURAL BUSINESSES IN THE NORTH EAST OF  
ENGLAND:  
FINAL SURVEY RESULTS (2009)**

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## **Preface**

This report presents the final results of a major postal survey of rural businesses carried out in the North East of England in 2009. This is the second such survey carried out by researchers at the Centre for Rural Economy (CRE), Newcastle University, with the first carried out in 1999-2000 (see Raley and Moxey 2000). The 2009 survey is one element of the Northern Rural Network (NRN) project, funded by One NorthEast, the Northern Rock Foundation and Newcastle University from 2008-2011.

This report has been prepared by Jane Atterton and Arthur Affleck from CRE. We are grateful to Terry Carroll, Marian Raley, Jeremy Phillipson, Matt Gorton and Nicola Thompson from CRE who also contributed to the survey and to Linda Carroll for her design work. We would like to thank all our CRE colleagues and the Student Ambassadors at Newcastle University who assisted with 'envelope stuffing' for the postal survey. We are extremely grateful to all the businesses that responded to the survey.

## **Cover photographs**

Small photos from top to bottom:

- Kirkharle Courtyard, Kirkwhelpington, Northumberland
- Sunny Hill Eggs, Detchant Farm, Belford, Northumberland
- Stocksfield Hall (business park), Stocksfield, Northumberland
- Berwick Workspace, Berwick upon Tweed, Northumberland

Large photo:

- Hexham, Northumberland

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## Executive Summary

In 2009 researchers at the Centre for Rural Economy at Newcastle University conducted a survey of rural businesses in the North East region of England. The survey aimed to identify changes in the characteristics of rural businesses since an earlier survey in 1999 and to explore the current issues faced by business owners in running their business and their future plans. It is important to note that the survey took place during a period of economic downturn, although no questions directly asked about the impact of the recession on the operation of the business.

Surveys like this are critical to improving our understanding of the key changes taking place in the rural economy. While broadly speaking, in sectoral terms, rural and urban economies might be increasingly similar, previous research has revealed important differences between the two, including a higher proportion of sole traders and microbusinesses in rural areas, the growing importance of home based working, the value of in-migrants to rural areas in starting up new businesses and the challenges and opportunities of operating from a rural location. This survey updates our knowledge of the rural businesses operating in one region of England and contributes to important debates on how best to support the sustainability and growth of rural businesses in future.

A combination of databases was used to generate a comprehensive list of businesses located in rural areas of the North East region, from which a random sample of 10,000 businesses addresses was generated. A survey was posted to each of these businesses and taking into account undelivered questionnaires, a response rate of 9.8% was achieved (representing 957 usable responses).

The key findings can be summarised as follows:

- The 2009 survey confirms the importance of sole traders and microbusinesses (88% of respondents) amongst the rural business population of the North East. Over 38% of respondents reported that their business was attached to or part of their home (excluding businesses in which farming was classified as the main activity). This suggests that business owners are able to take advantage of improvements in IT and particularly broadband provision to work from home, so reducing the negative environmental impacts associated with journeys to work and generating local economic activity.
- The most heavily represented sectors in the sample were Professional, scientific and technical activities (16.5%), Wholesale and retail activities (14.8%), Agriculture, forestry and fishing (10.1%), Construction (9.1%) and Accommodation and food service activities (9.0%). The extent of 'pluriactivity' and diversification amongst rural business owners is clear with 44% reporting that their business had a secondary activity and 14% reporting that they were also involved in a tertiary activity. The extent of diversification was evident across all of these sectors. In some cases the secondary and tertiary activities were closely linked to the main activity but in others the activities were very different and unrelated.
- Only 8% of businesses in the sample were aged two years or less with 36% being 20 years old or more. Females made up 28% of respondents and tended to operate smaller businesses than males. Returnees and newcomers were also more likely to own microbusinesses than locals (93%, 91% and 84% respectively).

- Respondents demonstrated a relatively mature age profile with 60% over 50 years old. Just under 25% of respondents reported that they had some form of postgraduate qualification which is high when compared to the 1999 microbusiness survey and the results of a 2008 survey in rural Wales.
- Just over 44% of respondents were newcomers to the rural North East, with the majority having moved from outside the region. The proportion of newcomers is slightly higher than that recorded in 1999, and reinforces the importance of in-migrants in starting up new businesses (see Bosworth 2006, 2008; Kalantaridis and Bika 2004; Raley and Moxey 2000). The evidence suggests that newcomers and locals tend to operate in different sectors, with the former more dominant in Accommodation, Information and Communication and Professional activities and the latter more prevalent in the traditional rural sectors such as Agriculture, Construction and Manufacturing. Only 33% of newcomers reported that they intended to start up the business within two years of moving, suggesting that for the remainder the rural environment exerts either a positive influence, by providing opportunities for new business formation, or a negative influence in there being few alternative sources of employment.
- As was found in the 1999 survey, business owners tended to work long hours in their business, with almost 20% reporting that they worked more than 61 hours per week. Males were more likely than females to work longer hours, with more females recording that they worked less than 30 hours per week in the business. Overall, 50% of all respondents reported that their spouse/partner had some form of paid or unpaid involvement in the business (a slight decrease from 57% of respondents in 1999, although this may reflect the focus on microbusinesses in this earlier survey).
- The main advantages of their location cited by respondents were good communication, at or close to home, beautiful or quiet location and proximity to customers and suppliers. However, similar factors also emerged as the main disadvantages including inadequate public transport and poor communication links. Almost 9% of respondents stated that their location had no disadvantages.
- Across the sample as a whole over 92% of employees lived within 30 miles of the business showing the high degree of integration of businesses with their local context in terms of recruiting employees. Similarly, just over 55% of respondents' sales were made within 30 miles of their business and just over 48% of supplies were obtained within the same area, although variations were found between different sectors.
- While most respondents were motivated to start their business by a need to generate either a main or secondary income, other motivations were also important, including changing the work/life balance, taking on a new challenge, developing a personal interest and exploiting a market opportunity. These were particularly important motivations for newcomers and returnees perhaps reflecting their movement to rural areas to downsize and change their employment behaviour (see also QA Research 2008).
- Despite the preponderance of small businesses in the sample, 11.1% of respondents reported that their business turnover was in excess of £1 million per annum. The sectors in which profits represented the highest proportion of

turnover were Professional, technical and scientific, Manufacturing and Construction activities. The sectors most likely to report an increase in profits in the last five years were Manufacturing and Professional, scientific and technical activities.

- Just over 75% of respondents reported that they had accessed some form of business advice/support in the last five years. Reflecting the findings of previous research, the sources accessed most frequently were private sector advisors such as accountants and other industry contacts. Business Link had been contacted by approximately one third of respondents although the advice received was not rated as useful as that received from accountants and other private sector suppliers, industry contacts and family members. Some 47% of respondents reported that they were members of a business association and this was favoured rather more by locals than returnees and newcomers.
- Almost 83% of businesses in the sample reported that they had access to broadband on their premises. However, whilst 82% reported that the provision was adequate for their current business needs, only 65% believed that it was adequate for their future business needs.
- Just under 49% of respondents reported that they had introduced some form of innovation in the last five years, including using new equipment, new software or new telephone or accounting systems. This was more common for businesses in the Finance and insurance activities sector and Manufacturing; for returnees and newcomers rather than locals; and for small and medium sized businesses rather than microbusinesses. Relatively few businesses had worked with external organisations in introducing their innovation, although this was slightly more likely amongst younger businesses than older businesses.
- A majority (53%) of respondents were looking to maintain their business position in the short term with just over 39% looking to expand. Some of this expansion was associated with employment creation. Not surprisingly given the age profile more owners indicated that they wished to hand on or sell the business in the longer term (10 years). The Commission for Rural Communities (2008a) reports that aspirations to grow appear to vary by business size and sector and by degree of rurality. There are also regional variations: the Federation of Small Business survey in early 2009 (see Anderson et al. 2009) found that businesses in the North East (and Scotland) reported a better performance than their counterparts in other regions.
- The most important constraints on the future growth of businesses were identified as anxiety about the current economic climate, increased regulation and the shortage of finance/high cost of borrowing. All of these reflect the economic situation at the time of the survey and have been found to be important in other research including the recession evidence gathering by the CRC (CRC 2009a; see also Anderson et al. 2009; Devon Renaissance 2007; Wales Rural Observatory 2008). Other important constraints highlight the more long term challenges faced by rural businesses including a lack of space on the current site and difficulties recruiting skilled staff.
- The survey suggests that the confidence of rural business owners remains high in their own enterprise. In contrast, there is only a reasonable level of

confidence in the local and regional economies whilst confidence in the national and global economy is much lower. A Country Land and Business Association membership survey in early 2009 similarly found that confidence in the rural economy was high but much lower for the general economy (CLA 2009). A Cumbria Tourism survey (see CRC 2008b) found that the majority of businesses were optimistic about the following six months. This relatively positive picture appears to confirm the findings of previous research about the resilience of rural businesses during times of crisis (see for example Phillipson et al. 2004). Anderson et al. (2009) note that this might be due to the local embeddedness and independence of rural firms which acts as a support in difficult times i.e. through the loyalty of the customer base, the relative lack of competitors, reliance on internal rather than external finance and less dependency on markets outside the area providing insulation.

- Drawing on some of the recommendations of the Rural Advocate's report (2008c), when asked how their businesses could be supported to grow in future, 43% of respondents agreed or strongly agreed that better access and adjustments to national and regional business development programmes and grant funding would be most helpful. Approximately one third of respondents agreed or strongly agreed that better access to IT and to private capital would also help their business to grow.

This survey was clearly undertaken during an economic recession and whilst no questions directly asked about the impacts of the downturn, it is clear that this has had an impact. Some respondents saw opportunities in the recession whilst others were more anxious about some of the more structural and long-term challenges that face rural businesses, such as recruiting skilled staff. In general, however, the picture painted of rural businesses in the North East is reasonably positive with many owners planning growth, being innovative, accessing business support, setting up new home based businesses, taking advantage of IT improvements, exploiting new challenges and markets and changing their work-life balance. The importance of in-migrants to the rural areas of the North East in these positive development processes should not be under-estimated.

There are a number of policy implications which can be drawn from these findings:

- 1) There is strong evidence of extensive diversification amongst respondents to the survey. In part this will have been stimulated by successive EU rural development programmes. Future support programmes for rural businesses will need to recognise the extent to which owners are engaged in multiple activities and that this is a strength rather than a weakness of the rural economy and should not be penalised (for example in the formulation of business output and employment targets). The positive impact of this multi-layered activity on individuals, households, business supply chains and rural communities and the ways in which they are inter-related and mutually supporting must be acknowledged.
- 2) Consistent with demographic trends generally, business owners in the sample displayed a relatively old age profile. This underlines the importance of planning and economic development policies and programmes that encourage and enable young people to live in the countryside and create new businesses. At the same time, however, support is required for those older people who choose to remain in the workforce for longer, recognising that such behaviour may be motivated by a range of different factors and that this



age group have much to contribute to rural economies in terms of skills, knowledge, experience and financial capital.

- 3) The research has demonstrated the vital role of in-migrants in starting new businesses in the rural North East, particularly in those sectors in which locals are less likely to be found. Planning policies that seek to severely limit new house building or to restrict it to meeting the needs of those defined as local may be misplaced. Business support providers must recognise the varying motivations of in-migrant business owners and the different resources and talents that they bring to the economies in which they choose to settle.
- 4) Home based working is becoming increasingly important in rural areas of the North East. Again it is important that planning policies do not unduly restrict these activities and rather set out to make it easier for people to work from home, particularly given the positive impacts in terms of reducing journeys to work and, for example, in providing a flexible employment option for those with caring responsibilities. Whilst such businesses may not always be seeking to grow, they have the potential to generate new income flows, especially since the business owners are likely to source their supplies locally. Further research is needed to explore the activities in which these owners are engaged and their motivation for setting up the business to inform the design of support programmes tailored to their particular circumstances.
- 5) The survey demonstrates the significantly increased reliance of businesses on the internet and broadband since the 1999 survey. Concerns have been raised by respondents over the adequacy of present provision to meet business needs in the future and ongoing investment will be required to ensure that all businesses continue to have access to fast and reliable broadband infrastructure.
- 6) Business owners placed considerable importance on good transport and communication links alongside the beauty and quietness of their location. Even given the increasing role of broadband and home working, it is likely that these factors will continue to be important in the locational decisions made by entrepreneurs in future. Investment in rural infrastructure, but also in maintaining and enhancing the quality of the region's landscape and environment, will be critical if new in-migrant business owners are to continue to be attracted.
- 7) Rural businesses appear to favour the use of private sector sources of advice. Business Link was nevertheless also accessed by a good number of respondents, often for funding to support business start-up, expansion and investment. It is important that all business owners, irrespective of their size and location, are aware of and have access to a range of support, advice and training from different providers. These providers should be aware of the differing motivations and growth plans of business owners. A business that is not planning extensive growth still has a critical role to play in the economic and social vitality of the rural community in which it is located. It may be possible to work with and through existing business networks and associations to improve awareness of the support that is available.
- 8) The survey revealed that many business owners had engaged in some form of innovative activity, most of which could be described as small-scale. It is important that national policies and programmes do not overlook such incremental changes and that they encourage rural businesses to work more

closely with the regional and national 'innovation system' (including business support providers and universities) than is currently the case.

- 9) Finally, survey respondents clearly felt that their access to and awareness of national and regional support programmes and policies could be improved. One response to this would be more effective rural proofing of such programmes to ensure they are as accessible and applicable to businesses in remote rural areas as they are to those in more accessible rural and urban locations. This should apply to short-term measures, such as those put in place to deal with some of the financial impacts of the recession, as well as long-term support programmes.

## 1. Introduction

Rural economies in England have undergone tremendous economic and social transformation in recent years. Whilst employment and income generation in traditional primary sector activities such as agriculture, forestry and fishing has declined, it has increased in sectors such as services, tourism and manufacturing. The shift from primary industries towards secondary and tertiary activities is the result of a range of inter-locking processes operating at different scales from the local to the global. These processes include the liberalisation of world trade, the increasingly footloose nature of economic enterprises and improvements in information and communications technology (ICT) provision in rural areas (Woods 2005: 62).

The increasingly footloose nature of enterprises is one reason for the shift in economic activity away from urban centres and into rural locations. This has happened as urban firms have re-located into rural areas and as new rural firms have been established. Many of these new firms have been established by economically active in-migrants for whom rural areas have become increasingly attractive places to live (Bosworth 2006, 2008; Keeble and Tyler 1995; Stockdale and Findlay 2004). As reported by Taylor (2008: 8), the rural population has increased by 800,000 over the last ten years (in a process usually referred to as counter-urbanisation) and this trend is likely to continue in future.

A thriving small business sector is central to the vision of economic and social regeneration of rural areas presented in Defra's Rural Strategy 2004 (Defra 2004). In rural areas, small businesses provide local jobs and generate local income, and very often provide essential services. Thus, as Anderson et al. (2009) argue, the health of rural small businesses plays a significant part in rural economic and social wellbeing. The most recent State of the Countryside report in 2008 notes that rural areas have long been recognised as nurturing and supporting enterprising spirit, and on some measures rural economies are highly entrepreneurial places (Commission for Rural Communities [CRC] 2008a: 103). For example, between 1998 and 2006 rural districts in England had a growth rate for VAT registered businesses of 2.7% compared to a decline of 0.3% for England as a whole. Rural areas also have more businesses per head than urban areas. However, rural areas have lower gross value added per head, lower wage levels and lower overall levels of investment than urban districts. Moreover, despite broad similarities in terms of the sectors in which rural and urban businesses are operating, important differences remain between the rural and national economies in England, for example, in terms of the numbers of home based businesses and levels of self-employment.

Surveys such as this in the North East of England are vital to understanding the particular challenges and opportunities facing rural businesses and in shaping an appropriate policy framework for supporting the rural economy. The project's broad aims are:

- To identify key changes in the characteristics of rural businesses in the North East region since the first survey in 1999;
- To provide evidence on the current issues facing rural businesses in the North East and;
- To explore the future plans of rural business owners.

This report presents the main results of the survey, focusing on the regional level of analysis<sup>1</sup>. Comparisons are drawn with the results from the 1999 survey where appropriate. The report is divided into six main sections. Section 2 briefly reviews the key literature on rural businesses from the last few decades, whilst Section 3 outlines the survey methodology. Section 4 thematically presents and discusses the key results from the survey, with reference to other recent work on rural businesses. Section 6 concludes the report by summarising the key findings and drawing out the implications for policy.

## **2. Literature review**

### **2.1 Introduction**

A large body of literature exists which discusses all aspects of the characteristics and performance of rural enterprises and their owners, and it is not possible to discuss all of this in detail in this report. This review therefore sets out to give a flavour of the kinds of research work that has been undertaken recently.

### **2.2 The characteristics of rural businesses**

Much previous research work has focused on the differing characteristics of rural and urban businesses. Curran and Storey (1993) and Keeble (1998), for example, both found strong evidence to suggest significant differences in the sectoral and size composition of urban and rural firms, as well as evidence suggesting the heterogeneity of firms within rural areas (see also Keeble et al. 1992; Townroe and Mallalieu 1993). In general, rural firms tend to be smaller than urban firms, with a higher proportion having no employees (see also Lowe and Talbot 2000). As expected, rural firms are also more likely to operate in the primary sector and are also more likely to be partnerships and family owned businesses than those in urban areas. Evidence also suggests that rural firms are more likely to own their premises, thus they are better placed to obtain finance than urban firms which are more likely to lease/rent their premises (Blackburn and Curran 1993; Keeble et al. 1992). Keeble (1993) found in the early 1990s that rural firms tended to be younger than urban firms (consistent with a period of urban-rural shift in economic activity) but by the late 1990s, research revealed no clear-cut differences in firm age between urban and rural locations.

The most recent evidence available for England shows that, broadly speaking, rural firms are found in every sector of economic activity, closely mirroring the industrial sectors found in national and urban economies (Patterson and Anderson 2003: 477). In 2006, taking all workplaces together, the split was 21.5% in rural areas compared to 78.5% in urban areas meaning that there are slightly more businesses per head of population in rural areas (but they are smaller on average). As expected, the proportion of firms in land-based industries is higher in rural areas than for all workplaces in England. Perhaps unexpectedly, rural areas supported more than the national share of workplaces in energy and utilities, construction, transport and communications and manufacturing in 2006 (CRC 2008a: 104).

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<sup>1</sup> The questionnaire covered a wide range of topics not all of which can be discussed in this report. Other results will be presented in further publications arising from the survey.

Between 2003 and 2007, rural areas supported a net increase of just 1,224 businesses. The greatest decreases were experienced in the agriculture, energy and transport sectors, while 79% of the 19,298 additional workplaces were in the banking, financial and insurance sectors. This was particularly the case in the less sparse rural areas whilst retail, wholesale, hotels and catering firms in sparse villages, hamlets and dispersed settlements, witnessed the largest loss of workplaces over this period (CRC 2008a: 106). In urban areas the growth in workplaces over the same period depended heavily on the financial services sectors which accounted for almost seven in ten of the additional places (CRC 2008a: 105). Rural areas also saw a larger growth in the 'Knowledge Intensive Business Services (KIBS)' sectors than urban areas between 1998 and 2007. This is usually taken by government as illustrative of the move towards higher value, higher waged economic activity (although the definition of KIBS sectors does include a wide range of different activities not all of which are high value, high wage).

Several researchers have explored the relative performance of urban and rural firms, but the evidence is conflicting. For example, Smallbone et al. (1999) noted that between 1979 and 1990, there was no significant difference in the growth performance of rural and urban firms, although there were differences in the strategies used to achieve growth. This in turn had implications for employment generation with rural firms increasing their employment more substantially over this period than urban firms (see also Hodge and Monk 1987; Keeble et al. 1992; Keeble and Tyler 1995; Smallbone et al. 1993; Townsend 1993). Such a growth strategy may also be helped by the relatively lower rural wage costs which encourage rural firms to use labour more intensively than urban firms (North and Smallbone 1996).

In terms of innovative behaviour, the evidence comparing urban and rural firms is again conflicting. North and Smallbone (2000) suggested that remote rural businesses are less innovative than urban businesses, whilst Keeble et al. (1992) found that rural firms displayed a markedly higher rate of innovative activity than urban firms between 1988 and 1991, although this difference had largely disappeared in the 1990s. Keeble et al. (1992) also found evidence of more innovative behaviour by accessible rural firms than by remote rural firms.

As a result of their critical role in the rural economy (providing jobs, income and essential goods and services), the health of rural businesses plays a significant part in the broader economic and social wellbeing of rural communities. For some businesses, a rural location can bring advantages, for example, in terms of the marketing of a firm's product or service or contributing to a higher quality of life for employees (or potential employees) or positive psychological effects for both staff and customers (see for example, Johnson and Rasker 1995). However, sometimes a rural location can have a negative impact by undermining the credibility of a firm, which may be portrayed as being peripheral or even backward (Patterson and Anderson 2003).

Some authors have argued that rural businesses face additional challenges to competitiveness beyond those of the innate limitations associated with organisational size (Cooke 1996; Vossen 1999), and thus are more fragile. The rural environment is often portrayed as a constrained or less munificent environment in which to do business with limited local markets, fewer businesses and networking opportunities, restricted access to training and support, a limited supply of larger premises into which to expand (coupled with restrictive planning laws) and with the friction of distance prevailing (Anderson et al. 2009). For example, some studies have revealed evidence of recruitment difficulties for rural businesses, in particular skilled, professional staff made worse by a lack of local training provision in rural areas

(Keeble et al. 1992; Patterson and Anderson 2003). However, it is also true that rural labour markets may have a number of advantages, including labour reliability, commitment and flexibility and a lower level of unionisation, when compared to urban labour markets (North and Smallbone 1996; Smallbone et al. 1993; Green 2006).

Thus, while rural areas are sometimes seen as hostile environments for small firms to start and grow<sup>2</sup>, urban areas are seen as resource-munificent with easy access to factors of production, information networks and markets, creating fertile conditions for new firms to flourish (Anderson et al. 2009). As a result of the low population and business density, rural firms often have to penetrate non-local export markets at an earlier stage of their development than their counterparts in urban locations (Keeble 1998; Smallbone et al. 2003). On the other hand, Smallbone et al. (1999) reported how rural firms had undertaken proactive product and market development to overcome the limited size and scope of local markets. Keeble et al. (1992) and Keeble and Tyler (1995) also found that rural firms have successfully exploited niche markets which differ from those served by urban firms.

More recent work by the Rural Advocate (CRC 2008c) recognised the resilience and relatively high levels of entrepreneurship found in the rural economy. In particular, the Rural Advocate noted the new possibilities that had arisen for rural businesses from new technology, including the growing potential for home working. Recent work based on the 2001 Census revealed that 16% of the economically active residents of rural communities in England worked mostly at or from home (881,000 people) compared to 12% in urban areas (CRC 2005). More recent data from Scotland in 2008 showed that 20% of all people in employment in remote rural areas were homeworkers<sup>3</sup> compared to 17% in accessible rural areas and just 7% in the rest of Scotland (The Scottish Government 2009). The Rural Advocate also noted the healthy rates of new business start ups and of entrepreneurship (with higher levels for women than the national average) and the growth of small firms in new business areas (CRC 2008c: 4). However, the report also found that high aspirations were generally not translated into growth, that entrepreneurship was not being translated into high levels of wealth creation and that there was much unfulfilled potential in England's rural economies.

### 2.3 The networks and embeddedness of rural businesses

Concepts relating to the 'entrepreneur' have increasingly recognised the importance of an individual's relationships and networks in understanding his/her behaviour, rather than simply his/her personal characteristics (Greve and Salaff, 2003; Jack and Anderson, 1999; McQuaid, 1996). More broadly, recent research in economic geography has focused on the strength of networking relationships amongst firms in clusters, industrial districts and innovative milieux (see for example, Pyke et al. 1990) and the mutual support of economic and non-economic bonds within a locality or region, fostering strong inter-firm co-operation and networking. This literature has emphasised the benefits to firms of locating in close proximity to other firms. In rural areas firms are likely to be more dispersed but that is not to say that clusters cannot exist (the jewellery cluster in Orkney is one such example).

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<sup>2</sup> However, there may also be considerable regional variations. Smallbone et al. (1999) note that remoter rural areas in northern England appear relatively unfavourable to SME growth in contrast to rural areas of the South East for example where resources are more readily available and customer demand more sophisticated and competition more intense.

<sup>3</sup> This definition includes those who work mainly in their own home as well as those who work in different places using home as a base.

The evidence is conflicting on the extent to which business owners engage in networking. Some writers have argued that small business owners are avid networkers (see for example, Johannisson 1986; Szarka 1990; Carson et al. 1995; Shaw 1997), whilst others have argued that they operate within very restricted networks based on the functional requirements of the business and are generally detached from their localities (Curran and Blackburn 1994; Curran et al. 2000). Chell and Baines (2000) found evidence of a close association between network activity (particularly the maintenance of weak ties) and business performance, in support of previous work by Aldrich and Zimmer (1986) and Birley et al. (1990). In reality, it is likely that rural owners will rely on a variety of network contacts for support and advice, including both strong ties (such as family and close friends) and weak ties. Weak ties are likely to bring new resources, including information, into a business and thus enable it to develop. As well as a desire for independence that is often strong amongst business owners, many are sceptical of networking interventions by public sector agencies, despite their potential to overcome some of the challenges of small size.

The concept of embeddedness has become particularly important in understanding the ways in which business owners interact with other actors in their locality and beyond. The concept was popularised in the work of Granovetter (1985), and Jack and Anderson (2002: 467) describe embedding as “the mechanism whereby an entrepreneur becomes part of the local structure”. Local embeddedness can bring benefits to business owners, including increased levels of trust and reduced transaction costs and simpler processes of information and knowledge exchange, making assessments of local and external opportunities and threats easier. It can offset limitations of the environment (Chell and Baines 2000) and equip businesses with stronger contextual competitive advantage and sustainability (Jack and Anderson 2002). The recent rural business survey by the Wales Rural Observatory (2008) found that networking was important for business owners, with some suggesting that personal recommendations, word of mouth and embeddedness in the local community were especially important for businesses in a rural area. However, embeddedness may also bring disadvantages to businesses if social obligations and loyalty have too much influence over decision-making such that the business is damaged. This is where weak (or non-embedded) ties become increasingly important in ensuring that businesses have access to new network contacts with their different information and knowledge (Grabher 1993; Uzzi 1996).

While local business owners may find it easier to become embedded as a result of their social networks, in-migrant business owners may need to take conscious actions to become locally embedded and gain the advantages of trust, social capital, legitimacy and reciprocity. However, in-migrant business owners bring important advantages to the rural economies in which they settle, including human and financial capital (Stockdale 2006; Stockdale and Findlay 2004) and also networks that extend beyond the local area providing access to new and different information and knowledge (Atterton 2005, 2007). Business associations may provide a ‘site’ at which local and in-migrant business owners can benefit from the different resources and networking relationships accessible to one another (Atterton et al. forthcoming).

As well as bringing advantages in terms of new capital and network relationships to rural areas, research findings demonstrate that in-migrants are an important source of new business formation in rural areas (see for example, Bosworth, 2006, 2008, 2009; Kalantaridis and Bika 2004; Stockdale and Findlay 2004). Based on data from CRE’s 1999 rural microbusiness survey, Bosworth (2008) found that more than half of rural microbusiness owners were in-migrants who have moved at least 30 miles into their locality. It was estimated that almost 10% of jobs in rural areas of the North

East were in microbusinesses run by in-migrants, with each in-migrant creating on average two additional jobs.

## 2.4 Business support

Much of the previous work done on business support has focused on knowledge-based external resources such as advice and information (Phillipson et al. 2002), although Smallbone and North (1999) define business support more broadly than this as “the external resources that a business draws upon in order to extend or strengthen its internal resource base”. Knowledge-based services are usually seen as the most widely available and most widely used and are often the route through which businesses gain access to other services. They are also the prime means through which the government communicates with small firms about relevant programmes, schemes and regulations (Phillipson et al. 2002: 1-2). Businesses may draw on a huge range of sources of support for their business, including formal and informal sources and public and private sector sources as well as family and friends.

The main public sector support provider is Business Link, set up in 1992 originally as a national chain of one-stop-shops for the local provision of business support services in England. On 1<sup>st</sup> April 2005, Business Links were re-aligned with the RDAs meaning that in the North East region, One NorthEast (ONE) took over the role of contracting and managing Business Link services in the region from the Small Business Service. While Business Link remains a national brand, the aim of the new contract will be to develop services which are tailored to the needs of the customer and to ensure that interventions accord with the Regional Economic Strategy. Further information on the ‘mainstreaming’ of business support in the North East region was gathered by CRE and other researchers in 2006 (see Atterton et al. 2006).

The use of external advice has been linked to successful business growth (see for example, Bryson et al. 1997) but previous research has found variations in the extent and types of support accessed by firms with different characteristics. A key finding is that rural businesses tend to use private sources of advice most often, such as accountants and solicitors (see for example, Agirova and Michaelis 2003; Bennett and Robson 1999; Bennett and Smith 2001; Keeble et al. 1992; Smallbone et al. 1993). Informal networks with family and friends were also used by rural businesses as a means of seeking advice and information (Bennett and Robson 1999; Malecki and Poehling 1999). Phillipson et al. (2002) found a slightly different picture with public sources of advice being the most popular amongst their sample of microbusinesses, although this may reflect the different preferences between businesses of different sizes. There is a widespread perception that rural businesses do not access business support as frequently as urban businesses (Keeble et al. 1992) and there may be a number of reasons for this, including distance from advice sources, a lack of awareness of the support available, too much of a focus on larger and growth businesses, a lack of confidence and a strong desire for independence amongst business owners or inappropriate delivery mechanisms. The difference may also be due to the greater importance of microbusinesses in rural locations which may access external support less frequently than larger firms, or the higher prevalence of sectors in rural areas that show a lower tendency to access support (e.g. agriculture and service sector businesses) (Countryside Agency 1999; SQW 2006).



## 2.5 The impact of the economic downturn

The 2009 survey was conducted at the time of a downturn in the economy and while no questions specifically asked owners about the recession, anxiety about the impact of the downturn was apparent in the responses given by owners to some survey questions. It is important therefore to briefly review existing evidence about how rural businesses have responded to previous downturns.

As Anderson et al. (2009) note, small rural firm survival depends on their ability to respond to the threats and opportunities presented by the external environment and given their small size and the limitations of their external environment, it might be expected that they are more vulnerable to economic downturn. The impact of the recession in the 1990s on the performance of firms was studied by a number of researchers. For example, in a study by Smallbone et al. (1999), 39% of rural business owners said that the recession had a considerable impact, mainly in terms of a reduction in demand. However, the authors found that overall the impact of the recession on the survivability of rural firms was less than might have been expected, which they argue demonstrates the greater resilience of rural firms (compared to urban firms) once they become established. One strategy adopted by firms to survive the 1990s recession was to reduce investment in order to retain short term profitability. Smallbone et al. (1999) also found that remote rural manufacturing firms were more resilient than their urban counterparts, while Irvine and Anderson (2004) found that rural small businesses demonstrated resilience and flexibility in response to crises (see also Duchesneau and Gratner 1990; North and Smallbone 1996; Smallbone et al. 1999).

Related to the research discussed above on the ability of rural firms to overcome the disadvantages of their location, it seems that many rural firms are flexible and innovative enough to actively respond to the unfavourable environments in which they are located or to the external pressures that they face by turning them into competitive advantages and taking actions to overcome the constraints. For example, Duchesneau and Gratner (1990) found that small businesses can effectively operate if they plan, are adaptive and can respond to changes in a participative manner. North and Smallbone (1996) proposed that rural small businesses, although highly dependent on their immediate operational environment, are less reliant on other companies and demonstrate high levels of flexibility. The findings suggest that rural businesses may be well placed to adapt to the challenges posed by the current economic downturn. Moreover, Jack and Anderson (2002) suggest that embeddedness plays an integral role in entrepreneurial processes for rural small businesses as it can help to offset some of the limitations of the business environment (Chell and Baines 2000).

Drawing on the results of the 1999 microbusiness survey (Raley and Moxey 2000) and further follow-up work in northern England, researchers at CRE found that rural firms demonstrated considerable resilience in dealing with the Foot and Mouth disease outbreak. For example, Phillipson et al.'s (2004) research confirms the importance of households to microbusinesses by acting as a buffer, absorbing revenue and employment effects, through adjustments in the wage taken from the business, restrictions in household spend, the deployment of personal savings and the use of household members as a flexible labour reserve (see also Bennett et al. 2001, 2002; Oughton et al. 2003; Wheelock et al. 2003).

A number of more recent surveys have been carried out, focusing on the impact of the current economic downturn on rural businesses. Anderson et al. (2009) in their survey of Federation of Small Business (FSB) members consistently found that rural

firms were doing better than urban firms. Rural firms were found to be less susceptible to external changes, with their embeddedness in the local environment acting as a support in less prosperous times (albeit as a potentially limiting factor in buoyant times, see for example Atterton 2007). The local customer base for rural firms was also found to be more stable and supportive, helped by the relative thinness of the environment (fewer competitors). The authors also argue that smaller firms are less likely to be dependent on external finance, a major source of concern in the current downturn. This is echoed by Cosh et al. (2008) who found the majority of rural firms that they surveyed relied on internal financing rather than banks. In short, smallness may create more independence, coupled with distance from external markets thus insulating rural firms from external factors. Anderson et al. (2009) conclude that independence and self-reliance, albeit manifest in smallness and a lack of external linkages, may actually turn out to be factors influencing the stability of small rural firms including during times of crisis.

## 2.6 Summary

Section 2 of this report has briefly outlined some of the literature from the last few decades which has discussed the characteristics, performance and behaviour of rural businesses. As stated at the outset, it was not designed to be comprehensive but to highlight some of the key issues. Whilst broadly speaking rural and urban economies are becoming more similar in terms of their sectoral profile, important differences remain, for example, in the dominance of microbusinesses and sole traders in rural areas and the growing importance of home based working, and in the challenges and opportunities facing rural businesses. This review of the literature and the key issues to emerge from CRE's 1999 survey, informed the choice of questions used in the 2009 rural business survey. The next section of this report outlines the methodological approach adopted in the survey work.

## 3. Methodology

### 3.1 Defining the target business population

The 2009 rural business survey included rural businesses of all sizes, ages and sectors in the North East of England. This makes the survey population somewhat different to the 1999 survey when only microbusinesses (independently owned businesses employing less than ten full-time equivalents) were targeted and businesses under two years of age were excluded. These differences should be borne in mind when comparing the results of the two surveys, although it should be noted that microbusinesses still made up a substantial proportion (88%) of respondents in the 2009 survey.

A good deal of preparation time was spent on exploring the availability and usefulness of a number of different business address databases from which to generate the sample, including freely available and commercial datasets. A review of previous business surveys was also undertaken to ascertain the pros and cons of different databases as revealed in similar studies (see for example, Keeble and Tyler 1995; Patterson and Anderson 2003; Phelps et al. 2001). In CRE's 1999 survey, a Business Link mailing list and a number of supplementary lists (such as from county councils) were used but it was not possible to use the same approach in 2009.

As a result of financial limitations and concerns about the rural and microbusiness coverage of some of the commercially available databases, the decision was taken to combine the information from two main databases (including one commercially available database). After some data 'cleaning' this resulted in the creation of a usable database of 24,486 rural business addresses in the North East region. Other studies of rural businesses have also adopted a similar approach of combining databases (see for example, Smallbone et al. 1993). The researchers are confident that these databases provided accurate, up-to-date sources of information on the population of rural businesses in the North East region.

### 3.2 Defining rural

The decision was taken to adopt the 2004 rural-urban classification in the 2009 survey<sup>4</sup>. Business postcodes were matched with their urban/rural scores with all urban postcodes discarded. Businesses in the region's market towns were included in the survey but not those market towns close to conurbations. Towns such as Cramlington, Bedlington, Blyth and Ashington in South East Northumberland were excluded as they have somewhat different characteristics to the remainder of rural Northumberland. Around larger regional towns and cities, such as Sunderland, Newcastle, Durham and Darlington, the 2004 definition was used to identify and include rural postcodes. The final database therefore included all rural businesses and businesses located in some of the region's market towns.

This approach is different to that adopted in 1999 when CRE researchers used an Urbanisation Index devised by the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University (see Raley and Moxey 2000 for more information). Again this must be taken into account when comparing the survey results in 1999 and 2009. Further work was undertaken by CURDS in 2009 to update this Index to allow for comparisons between the two surveys and further comparative work will be undertaken using this Index.

### 3.3 The design of the survey instrument

One of the aims of the 2009 survey (see Section 1) was to identify key changes in the characteristics of rural businesses in the North East region since 1999 (albeit with the caveats already noted). Therefore, to allow for some comparisons to be made, the 2009 survey repeated some questions that were included in the 1999 survey. So, for example, the 2009 survey included questions on the involvement of family members in the business and in many instances the wording and options used in the questions in 2009 were the same as those used in 1999.

However, recognising changes in the operating environment of rural businesses since 1999, the 2009 survey also includes questions on a range of new issues, including more detailed questions on businesses' use of the internet, on their adoption of renewable energy technology and on the importance of a range of factors adapted from the 2008 Rural Advocate's report (CRC 2008c) in influencing the potential success of their business in future.

The majority of questions used in the survey instrument were tick box or closed questions to make it easier and quicker for respondents to complete the survey.

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<sup>4</sup> For more information on the 2004 rural-urban definition see <http://www.ruralcommunities.gov.uk/projects/ruralandurbandefinition/overview>.

Some questions used 5-point Likert scales which are also easy to input and analyse. A few questions were open, and respondents were also given an opportunity at the end of the questionnaire to add any further comments that they felt were relevant. The questionnaire was divided into six sections to break up the questions and ensure that issues were covered in a logical order.

### 3.4 Administering the survey

A variety of techniques have been used to gather information in previous studies of businesses in both urban and rural locations, including postal and telephone questionnaires and these were reviewed in the preparatory stages of this project. Newby et al. (2003) note that mail surveys are commonly used for the collection of large amounts of data from small and medium sized enterprises (SMEs), even given the limitations of a potentially reluctant population and the potential for non-response bias. Phelps et al. (2001) also note that in their work firms were asked questions over the phone, but a number requested that questionnaires be sent to them to be returned by mail. A variety of techniques can be used to improve response rates including assurances of anonymity, appropriately and carefully worded cover letters and the use of incentives (see Dillman 1978; Newby et al. 2003).

The pilot survey for this project was undertaken in November 2008. Twenty questionnaires were posted to a random sample of businesses located across the North East region and twenty firms were emailed with a request to complete the questionnaire online using the 'Survey Monkey' software. The response rate to the postal version of the pilot questionnaire was 29%. However, for the electronic version of the questionnaire the response rate was considerably lower at 17%. A small sample of non-responding firms was subsequently telephoned to ask their reasons for non-response. For the majority of firms contacted the reason was that they 'didn't complete surveys' rather than reasons relating to this specific questionnaire.

Given the very different response rates in the pilot the decision was taken to use a postal questionnaire. A cover letter on CRE headed paper was included with the questionnaire which emphasised the importance of the survey to informing future policies and support for rural businesses (but noted that completion was voluntary). The cover letter also assured respondents of their anonymity and that information would be treated in strict confidence. A self-addressed freepost envelope was included for returning completed questionnaires. All respondents were offered the chance to win a £70 voucher for a restaurant of their choice in the North East region (the voucher winners were selected and notified in Spring 2009).

For the initial mailout, 10,000 business addresses were randomly selected from our identified North East rural business population (24,486). The majority of questionnaires were posted in January 2009, with a small number posted in early December 2008 (purely a result of the availability of staff resources to send out the questionnaires). The response rate to this initial mailout was 8.4%. A reminder mailout commenced in February 2009 with 2,000 questionnaires posted to non-responders. However, the response rate to this mailout was low at only 4.9% and the decision was taken to refrain from sending out more reminders. This left the project with 957 useable responses, representing a response rate of 9.8%.

Although some previous surveys of businesses have received response rates of 20-30% (the 1999 CRE survey received an overall response rate of 24.4%), this response rate is comparable to other surveys being conducted at the same time. For example, a large-scale survey of approximately 60,000 (urban and rural) Federation

of Small Business (FSB) members in early 2009 achieved a response rate of 10.5% (Anderson et al. 2009: 4). It is likely that the lower than anticipated response rate was due to a number of factors, not least that other business research was taking place at the same time resulting in survey fatigue coupled with the economic downturn. Indeed one non-responding company when sending back an uncompleted questionnaire noted that “Sorry, I am too busy fighting the recession”.

The cover letter requested that where possible the survey should be completed by, or on behalf of, the owner-manager of the firm. Just over 52% of respondents reported that they were business owners, 25.7% were directors and 8.3% were managers of the business. Various representatives made up the balance, including company secretaries and chairmen.

Information about where the questionnaire could be accessed and completed online (the Survey Monkey website) was also made available in several places, including the CRE website. Through the contacts of CRE staff the survey was also advertised in several places, including in local/regional press (e.g. The Northumberland Gazette), relevant local and regional forums and groups, including business associations and LEADER groups and membership organisations such as the CLA and NFU. The cover letter accompanying the postal survey also gave respondents the option of completing the survey electronically if they wished and signposted them to the Survey Monkey website.

#### 4. Survey findings

##### 4.1 Introduction

This section of the report discusses the key findings from the analysis of business survey responses. The questionnaire covered a wide range of issues and not all of them can be discussed in detail here.

##### 4.2 The characteristics of sample businesses

Business owners were asked to provide a range of information about the characteristics of their business, including their location, the age, type and sector of operation of the business and information about their premises.

*Table 1: 2004 The urban-rural classification of respondents*

Urban / rural classification	% (n = 949)
1. Urban > 10k sparse	4.5
2. Town & fringe sparse	7.9
3. Village sparse	8.1
4. Hamlet & isolated dwelling sparse	10.4
<b>Total - sparse</b>	<b>30.9</b>
5. Urban > 10K less sparse	15.4
6. Town & fringe less sparse	23.7
7. Village less sparse	16.8
8. Hamlet & isolated dwelling less sparse	13.2
<b>Total – less sparse</b>	<b>69.1</b>

Table 1 shows the location of respondents according to the 2004 eight-fold urban-rural classification. As expected the largest proportion (70%) of businesses were located in less sparse locations. The majority of the market towns were in the less sparse categories (5 and 6) accounting for 39% of respondents.

Table 2 shows the spread of respondents across the North East rural postcodes, with almost half of the sample accounted for by the NE postcode. The DL postcode accounts for almost one in four of the respondents. A review of other available business databases for the region suggests that the NE postcode accounts for approximately 45% of the rural businesses in the region, meaning that our sample is slightly over-representative of businesses in this area. In rural areas around the cities of Sunderland and Durham the proportion of respondents is believed to be close to the actual proportion of businesses in this area. The TS postcode was slightly under-represented, although some areas in Teesside (such as Darlington and Barnard Castle) were slightly over-represented in our sample. The research team used the 2,000 reminders to try to address the geographical imbalances noted after the original mailout.

*Table 2: Distribution of respondents by North East postcode sector*

	% of respondents by postcode sector (n = 953)
TD/CA	7.6
NE	49.7
SR	2.1
DH	8.4
DL	23.6
TS	8.6

Table 3 shows the type of respondents' businesses. The data reveals that almost 60% of respondents were limited companies, a further 20% were sole traders and just over 16% were partnerships. The latter were often found in the agricultural sector.

*Table 3: Form of respondents' businesses*

Company structure	Sole Trader	Partner-ship	Limited Company	Co-operative	Social Ent.	Other
2009 % (n = 957)	19.7	16.1	59.5	0.8	1.9	1.9

Just over 62% of respondents reported that their premises were owned (either with or without a mortgage) whilst 31.7% reported that their business premises were rented or part owned/part rented (6%). There were some sectoral variations in the ownership structure of businesses with 40% of manufacturing and wholesale/retail businesses reporting that they were in rented premises. The pattern in the agriculture sector was more mixed with approximately 30% renting, 50% owning and the final 20% part renting/part owning their premises. Over 60% of businesses in the Construction and Accommodation sectors, and over 75% of businesses in the Professional, scientific and technical activities sector owned their premises.

*Table 4: Type of premises of respondents' businesses*

	% (n = 935)
Part of/attached to home	38.2
Separate building	10.3
Purpose built	15.2
Retail unit	10.8
Converted residential	4.5
Farm	14.1
Other	7.0

The importance of home-based businesses in the rural North East is clear from Table 4, with 38.2% of respondents reporting that their business premises were part of or attached to their home. This is especially high when it is noted that this does not include farms which are classified separately. In some sectors, the proportion of home-based businesses increased to nearly 60% (including Information and Communication, Real Estate and Professional, Scientific and technical activities). In the Accommodation and food services sector, 40.0% of businesses were part of a residential home, but in the Manufacturing and Retail/Wholesale sectors the proportion dropped to under 20% and retail and purpose built units were more commonly used. A small number of respondents reported that their premises were converted buildings, including schools, churches and a railway station.

Respondents were asked to indicate the main activity of their business. They were also asked to give details of any secondary activity/activities within the business and then to give details of any other business/es in which they are involved (described as tertiary activities in Table 5). This series of questions was designed to draw out information on the multiple activities in which business owners are involved. This information is coded using the 2007 Standard Industrial Classification (SIC). The final column of the Table shows the SIC for all rural businesses in England in 2007 using data from the Inter-Departmental Business Register for comparative purposes.

Table 5 shows the spread of respondents across the SICs, firstly in terms of their main activities. The largest sector in the sample is the Professional, scientific and technical sector which accounts for 16.5% of all respondents. Just under 15% of respondents are in the Wholesale and retail sector and just over 10% are involved in Agriculture, forestry and fishing. Similar proportions of businesses can be found in the Construction, Accommodation and food service activities and Manufacturing sectors.

When compared to the SICs of businesses across rural England, the sample is slightly under-representative of some sectors (e.g. Agriculture, forestry and fishing, Construction and Information and Communication) whilst it is over-representative of other sectors (e.g. Manufacturing, Accommodation and food services and Professional, scientific and technical activities).

*Table 5: The sectors of activity of respondents' businesses*

Sector of activity (Standard Industrial Classification 2007)	% Main SIC (n = 957)	% Secondary SIC (n = 426)	% Tertiary SIC (n = 138)	% of rural businesses in England 2007
A Agriculture, forestry & fishing	10.1	8.2	18.1	16.2
B Mining & quarrying	0.1	0.2	0.0	0.1
C Manufacturing	8.6	5.9	2.9	6.0
D Electricity, gas, steam & air conditioning	0.0	0.0	0.0	0.0
E Water supply, sewerage, waste management & remediation	0.3	0.5	1.4	0.0
F Construction	9.1	5.4	5.8	13.9
G Wholesale & retail; repair of motor vehicles	14.8	20.9	13.0	14.7
H Transportation & storage	2.7	1.9	3.6	3.5
I Accommodation and food service activities	9.0	13.1	10.9	5.4
J Information & communication	4.9	3.8	2.9	9.4
K Financial & insurance	2.3	0.9	0.7	1.3
L Real Estate	3.6	6.3	10.1	2.8
M Professional, scientific & technical	16.5	12.7	10.9	12.2
N Administration & support services	4.0	6.1	5.1	4.0
O Public admin. & defence	0.1	0.0	0.0	0.2
P Education	2.8	4.2	2.2	1.4
Q Health & social work	4.5	2.6	2.9	2.4
R Arts, entertainment & recreation	4.6	6.1	8.7	2.7
S Other Services	2.0	1.2	0.7	3.8

Note: Data for rural England (2007) taken from Inter-Departmental Business Register (IDBR)

Table 5 also shows the extent of involvement of rural business owners in a number of different activities. Approximately 44% of respondents reported that their business had a secondary activity and approximately 14% also reported involvement in other businesses (tertiary activities). Some of these activities were closely related and complementary to the main activity whilst others were very different. Examples included farms with secondary haulage, retail or accommodation activities.

*Table 6: The size of respondents' businesses*

Size of business	% (n = 935)
Microbusiness (less than 10 employees)	87.8
Small business (11-50 employees)	10.2
Medium/large business (51+ employees)	2.0



Table 6 shows the size of businesses in the 2009 survey sample. As expected, the majority of businesses in the sample were microbusinesses. The proportion of businesses in this category is similar to that reported at a national level, for example, the CRC (2009a) reports that in England, sole traders and microbusinesses account for 86% of active rural enterprises.

Table 7 shows the age of businesses in the sample. Overall, only 8.3% of businesses were two years old or less, with the largest proportions of respondents in the 20-50 year and over 5-10 year age groups. Agriculture and Construction businesses were often the longest-established but sectors such as Accommodation, Real estate and Professional, scientific and technical activities were generally made up of younger businesses.

*Table 7: Age of respondents' businesses*

	% (n = 928)
0 - 2 years	8.3
Over 2 - 5 years	15.6
Over 5 - 10 years	20.0
Over 10 - 20 years	19.6
Over 20 - 50 years	25.3
Over 50 years	11.1

#### 4.3 The characteristics of sample respondents

As well as a range of information about the businesses, respondents were also asked to provide information about themselves. Males made up the majority of respondents in the sample (71.7%), with females making up the remaining 28.3%. These proportions differ slightly from the Wales Rural Observatory business survey (2008) where the proportion of females was lower at 21%, for example, but it is close to the national average, with the Small Business Service reporting that females made up 27% of the self-employed population in the UK in 2003 (Small Business Service 2003). Respondents in the sample had a relatively old age profile (Table 8), with the majority (62.7%) aged 40-59, 25.2% aged 60 or older with only 12.1% aged under 39.

*Table 8: Age of respondents*

	18 to 29	30 to 39	40 to 49	50 to 59	60 to 64	65 to 69	70 or older
% (n = 909)	2.4	9.7	27.4	35.3	16.2	5.5	3.5

Just over 68% of respondents indicated that they started the business, with a further 22.9% reporting that they had taken it over and 9.1% that they managed it on behalf of someone else. Most respondents had been involved in the business for a relatively long period of time, with only 6.1% stating that they had bought/started/taken over the business within the last two years. Just over 27% reported that they had been involved with the business for over 20 years.

Respondents were asked to indicate the highest level of educational qualifications that they had achieved (Table 9). For comparative purposes, data from the 2008 Wales Rural Observatory survey of businesses is included.

Table 9: Educational level of respondents

Educational level	North East Survey % (n = 905)	Wales Rural Observatory Survey 2008 % (n = 1034)*
Post graduate (i.e. MA, PhD)	24.6	17
Degree	27.4	21
A Level	13.5	11
O Level	18.5	22
None	8.8	17
Other	7.2	11

\* Note the Wales data is only available in whole numbers.

The proportions of respondents who reported that they had postgraduate or degree level qualifications in the North East survey is relatively high, and certainly higher than in rural Wales. 'Other' qualifications mentioned by respondents in the North East survey included city and guilds, HND, BTEC, accountancy qualifications and trade qualifications.<sup>5</sup>

The 1999 survey revealed the importance of in-migrants in setting up new businesses and generating new economic activity in the region's rural areas (see for example, Bosworth 2006, 2008). Table 10 below compares the proportions of in-migrants in the 1999 and 2009 surveys. Individuals who have lived locally (within a 30 mile radius) since they were a child are described as 'locals'; individuals who grew up locally, moved away and then have returned in later life are described as 'returnees'; and individuals who are new to the rural North East are described as 'newcomers'.

It is difficult to directly compare the 1999 and 2009 surveys as agricultural businesses were treated differently. In the 2009 survey the majority of farms were owned by locals. Table 10 therefore includes two rows for the 2009 survey – one that includes all business sectors and one that excludes farms (the latter being directly comparable to the row for the 1999 survey).

Table 10: Locals, returnees and newcomers to the area

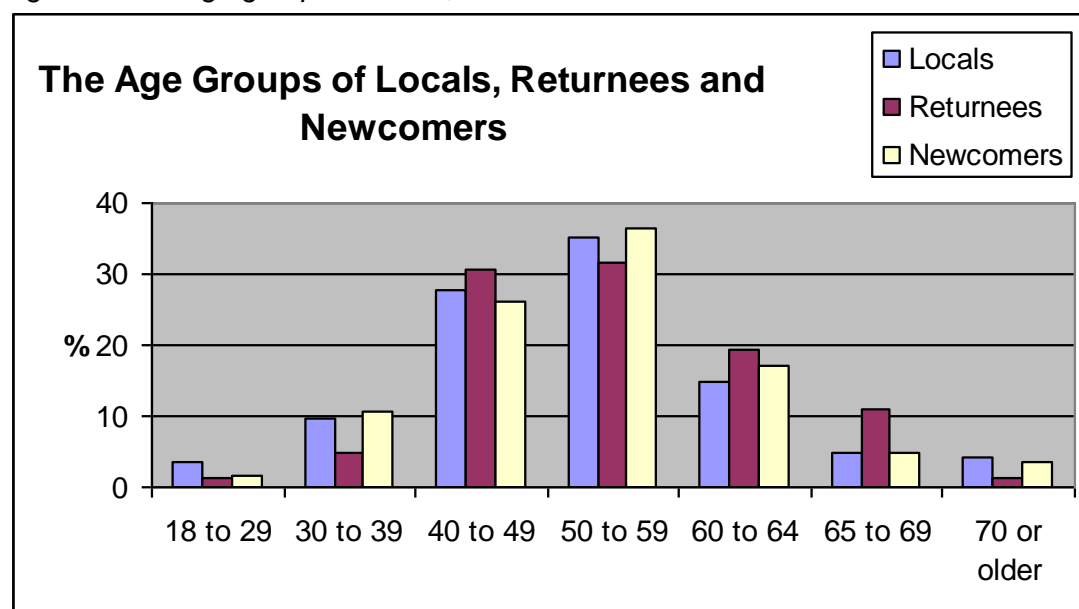
	Locals	Returnees	Newcomers
Rural North East (2009) % (n = 901)	46.3	9.2	44.5
Rural North East (2009) excluding agriculture % (n = 809)	43.1	9.5	47.3
Rural North East (1999) % (n = 1289)	45.7	9.1	45.1

When farms are excluded from the sample, the proportion of locals has decreased and the proportion of newcomers increased between 1999 and 2009. If farms are included in the 2009 sample the proportions of the different groups in the two surveys are very similar.

<sup>5</sup> It is important to note that the high level of educational qualifications amongst respondents may reflect a higher tendency amongst this group to return surveys and therefore the result should be interpreted with caution.

In the 2009 survey, newcomers were asked to specify their previous place of residence or postcode and it was found that over 50% had moved into the rural North East from outside the region but there was also evidence of movement from urban to rural locations within the North East (10.8% of newcomers). A small proportion of the newcomers (approximately 5.0%) reported that they had moved to the rural North East from overseas. The age profiles of locals, returnees and newcomers were relatively similar with no clear patterns discernible (Figure 1).

Figure 1: The age groups of locals, returnees and newcomers



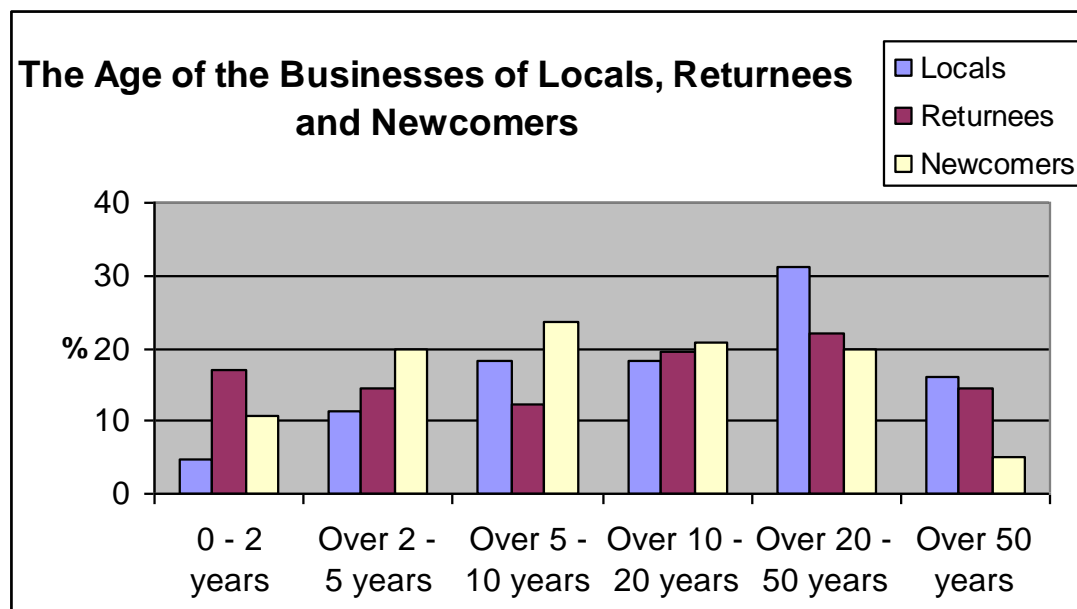
Comparing the business activities of locals, returnees and newcomers revealed that locals were dominant in some sectors including the Agriculture, Manufacturing, Construction, Wholesale and retail and Transport sectors. In contrast, newcomers made up a higher proportion of owners in the Accommodation, Information and Communication and Professional, scientific and technical activities (see Table 11 below which shows the distribution across selected sectors).

Table 11: The distribution of locals, returnees and newcomers across selected SICs

	Locals (%)	Returnees (%)	Newcomers (%)
Agriculture, forestry & fishing (n = 94)	72.3	6.4	21.3
Manufacturing (n = 75)	53.3	8.0	38.7
Construction (n = 83)	67.5	10.8	21.7
Wholesale & retail; repair of motor vehicles (n = 139)	55.1	11.0	33.8
Transportation & storage (n = 24)	58.3	8.3	33.3
Accommodation and food service activities (n = 79)	29.1	12.6	58.2
Information & communication (n = 45)	33.3	2.2	64.4
Financial & insurance (n = 19)	27.8	16.7	55.5
Real Estate (n = 31)	35.5	9.7	54.8
Professional, scientific & technical (n = 152)	27.0	8.5	64.5

Exploring the age of the businesses owned by locals, returnees and newcomers revealed that, as expected, the businesses owned by locals were generally older than those owned by newcomers (see Figure 2). Approximately 65% of the businesses owned by locals were twenty years old or older, whilst over 50% of the businesses established by newcomers had existed for ten years or less.

Figure 2: The age of the businesses owned/managed by locals, returnees and newcomers



Respondents were also asked to indicate their employment status immediately prior to establishing their business. A high proportion of respondents (43.1%) indicated that they had previously been employed either full-time or part-time in the private sector, with a further 17.1% indicating that they had been employed either full- or part-time in the public sector. Just over 10% of the sample were previously involved in education/training and a further 17.9% indicated that they were previously employed as an owner-manager of another business. Analysing the responses to this question from locals, returnees and newcomers showed some interesting differences with locals making up three quarters of the owners who had come from education. In contrast, newcomers were the most likely to report that they had not been actively seeking work (although the number of respondents in this category is small). Slightly higher proportions of respondents who reported that they came to the business from the public and private sectors and from owning another business were newcomers rather than locals.

In order to ascertain when the decision was taken to set up a new business, all returnees and newcomers that had started their business were asked if they intended to start it within two and within ten years of moving to the area. Some misinterpretation of this question occurred with some instances of locals wrongly completing the question for example, but Table 12 presents the results interpreted as accurately as possible.

It is clear that only about one third of in-migrants intended to start the business within two years of moving with a further quarter intending to start the business within 10 years of moving. Interpreting this data suggests that for the majority of in-migrants, the decision to start up a business occurred after moving. This may be for 'positive' reasons such as an ability and willingness to exploit a market opportunity or an

'entrepreneurial atmosphere' in the local area, or for negative reasons such as an absence of alternative employment opportunities.

*Table 12: Timing of respondents' decision to set up the business*

	Start the business within 2 years of moving % (n = 500)	Start the business within 10 years of moving % (n = 471)
Yes	32.8	24.6
No	65.2	67.9
Not applicable	2.0	7.4

#### 4.4 Employment in the business

Section B of the questionnaire focused on gathering information about the employees in respondents' businesses.

*Table 13: The average weekly hours worked in the business by respondents*

	Rural business survey (2009) % (n = 931)	Rural Microbusiness Survey (1999) % (n = 1289)
Less than 15 hours per week	9.7	6.7
Between 15 to 30 hours per week	13.7	9.4
Between 31 to 45 hours per week	25.5	21.9
Between 46 to 60 hours per week	31.6	34.7
More than 61 hours per week	19.5	27.3

Table 13 compares the average hours worked in the business per week for respondents in the 1999 and 2009 business surveys. In general, the data suggests an overall decline in the hours worked by respondents over the period between the surveys, and an increase in the proportion of respondents working part-time. The proportion of respondents working 61 hours or more per week has declined considerably, although just under 20% of respondents still work long hours in the business. It should be noted that these changes may reflect the fact that the 1999 sample was made up only of microbusinesses in which it might be expected that owners work particularly long hours.

Analysis of hours worked by the origin of respondents revealed that a higher proportion of newcomers (26.7%) worked up to 30 hours in the business compared to returnees (23.5%) and locals (19.2%). Analysis of hours worked by SIC revealed some differences between sectors, with part-time working more common in some sectors than others. Real Estate, Other Services (including public administration, education, health and arts, entertainment and recreation), Professional, scientific and technical activities, Administration and support services and Accommodation and food service sectors are sectors in which the proportions of people working less than 15 hours per week are highest. In general, longer hours are worked by respondents in the Agricultural and Wholesale and retail sectors. Gender differences were also apparent in the hours worked by respondents (Table 14). Approximately 69% of female respondents worked 31 or more hours per week compared to approximately 80% of male respondents, with higher proportions of females working 30 hours or less in the business.

*Table 14: Hours worked in the business per week by male and female respondents*

	Less than 15 hours per week (%)	Between 15 to 30 hours per week (%)	Between 31 to 45 hours per week (%)	Between 46 to 60 hours per week (%)	More than 61 hours per week (%)
Male (n = 641)	8.9	11.4	24.3	34.0	21.4
Female (n = 254)	11.4	19.7	28.7	25.2	15.0

The 957 businesses that responded to the survey (of which 87.8% were microbusinesses and 98% had less than 50 employees) employed a total of 5,027 full-time employees, 1,927 part-time employees, 754 temporary staff and 688 volunteers (these numbers include the business owner him/herself). The variations in the size of businesses, composition of females and males and of locals, returnees and newcomers are shown in Table 15 below.

*Table 15: The size of the businesses and gender and origins of owner*

	Micro businesses (0 – 9 employees) (%)	Small businesses (10 – 49 employees) (%)	Medium businesses (50 – 249 employees) (%)
Rural Business Survey (n = 935)	87.8	10.2	2.0
Male (n = 642)	86.3	11.5	2.2
Female (n = 256)	91.8	7.4	0.8
Locals (n = 414)	84.3	13.8	1.9
Returnees (n = 81)	92.6	4.9	2.5
Newcomers (n = 393)	90.8	7.9	1.3

A higher proportion of females, returnees and newcomers were involved in microbusinesses than males and locals respectively. Males and locals were more likely to be owners/managers of larger businesses. Further analysis revealed that businesses owned by locals on average employ 5.8 full time employees, compared to 4.6 for returnees and 4.2 for newcomers. In terms of part-time employees, it was newcomer businesses that had the highest number of employees on average with 2.2, compared to 2.0 and 1.6 for locals and returnees respectively.

Further analysis within the microbusiness category revealed that the majority of microbusinesses employed less than three people, with Information and Communication and Real Estate businesses having average figures closest to one person per business. Microbusinesses were particularly dominant in the Agriculture, forestry and fishing sectors and service sector activities including Information and Communication and Professional, scientific and technical activities. The highest proportions of larger businesses were found in the Manufacturing, Real Estate, Transportation and Storage and Construction sectors. The Manufacturing sector had the largest number of employees on average at 11.8 full time employees per business. Construction businesses reported an average of 9.0 full time employees per business.

In total in the 2009 survey, 50% of all the surveyed businesses reported that their spouse/partner had some form of paid or unpaid involvement in the business (a slight decrease from 57% in 1999), with 35.1% of respondents reporting that their

spouse/partner worked full time in the business (Table 16). This is lower than the 45.7% recorded in the 1999 survey but this again reflects the focus on microbusinesses in the earlier survey.

*Table 16: Involvement of respondent's spouse/partner in the business*

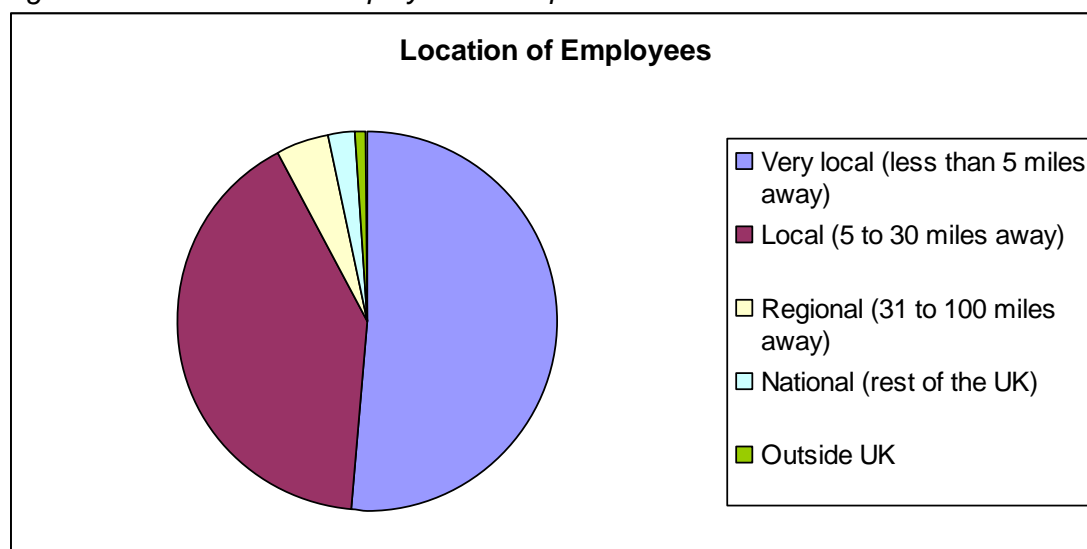
	2009 % (n = 467)	1999 % (n = 720)
Full time	35.1	45.7
Part time	41.7	14.6
Occasionally	23.2	39.7

There has also been a decline in occasional working by a spouse/partner in the business over the period between the surveys but a substantial increase in the proportion of spouses/partners working part time. Differences were apparent between sectors with spouses/partners more likely to be involved in businesses in Agriculture, forestry and fishing, Accommodation and food service and Transportation and Storage activities where over 60% of respondents reported the involvement of their spouse/partner.

In total, 24.9% of the sample in the 2009 survey reported that family members were involved in the business, with the highest levels of involvement in the Agriculture, Manufacturing and Construction sectors. Businesses in these sectors were also more likely to have local owners, many of whom were motivated by a desire to 'carry on the family business'.

As a means of exploring the integration of businesses with their local area in terms of recruitment, respondents were asked to indicate the locations in which employees lived. Figure 3 shows that 92.3% of employees lived either very locally (within 5 miles) or locally (5-30 miles away) with only small proportions of employees travelling from further afield. These results are comparable with those obtained in the Wales Rural Observatory (2008) survey.

*Figure 3: The location of employees of respondents' businesses*



Analysis of the results by sector revealed that the proportions of very local employees were highest (55-60%) in the Accommodation and food service, Agriculture, forestry and fishing and Wholesale and retail sectors (although as this data includes the owner/manager of the business these high proportions will, at least

to some degree, reflect the importance of home based businesses in these sectors). Lower proportions of employees were recruited very locally in the Manufacturing and Construction sectors - although the proportions were still relatively high at 37-40% respectively – which may reflect difficulties in recruiting staff with relevant skills locally.<sup>6</sup>

Just over 34% of respondents indicated that they had made use of training provision within 30 miles of their business, often accessing courses of specific relevance to the business. Examples included Education businesses reporting the need for staff to undertake formal training to work with children or Accommodation and food service businesses reporting that staff had accessed local training in food hygiene, catering and guest house management. This level is similar to that in rural business surveys conducted by South Bedfordshire Council (2007) and by the Wales Rural Observatory (2008), both of which noted that these levels are low. Female respondents were slightly more likely to report usage of local training provision than males (37.5% and 32.7% respectively); respondents aged 40 or older were less likely to report usage of local training provision than respondents younger than 40 (38.7% and 33.3% respectively). Levels of usage amongst returnees, locals and newcomers were relatively similar (37.5%, 36.0% and 31.2% respectively).

#### 4.5 The location of the business

Section C of the questionnaire explored a number of issues connected to the location of the business, including advantages and disadvantages and the geography of respondents' customer and supplier relationships.

##### 4.5.1 *Locational advantages and disadvantages*

Respondents were asked to list up to three advantages and disadvantages of their business location. Not all respondents gave three answers in this question and responses ranged from specific answers such as 'parking space', to more general answers such as 'low cost'. Table 17 records the most oft-cited factors and the cumulative total for each.

The most frequently cited advantage (both overall and given as the first advantage) was good communication links. Interestingly this is often assumed to be a disadvantage of operating from a rural location in relation to inadequate transport or IT communications links, but it may reflect the dominance of businesses in less sparse locations in the sample. Other frequently quoted advantages were 'in home or close by' and close to customers/suppliers. Links were found between those respondents who reported that working from home was a major advantage and those who reported that they also had the advantage of low costs, low travel requirements and being secure from crime. 'Beautiful or quiet' was another important advantage and comparisons across sectors revealed this was particularly important for Accommodation businesses.

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<sup>6</sup> There may have been some mis-reporting in this question as some respondents may have answered 'outside the UK' reflecting respondents' place of origin rather than their current home location. For example, migrant workers in the Agriculture sector may have been listed as living outside the UK if they worked only on a seasonal basis in the UK.



Table 17: Advantages of business location

	First Advantage % (n = 877)	Second Advantage % (n = 471)	Third Advantage % (n = 239)	Cumulative Total % (n = 1587)
Good communication	20.9	28.2	21.3	23.1
Beautiful or quiet	9.8	11.4	8.4	10.1
Low cost	4.3	5.9	8.8	5.5
In home or close by	16.8	5.9	5.4	11.8
Parking space	1.9	5.7	5.9	3.6
Close to customers, supplies.	13.2	12.1	4.2	11.5
Location	14.6	7.8	10.0	11.9
Tourist area	2.6	3.2	6.7	3.4
Size of premises	0.6	1.7	2.5	1.2
None	3.5	0.0	0.0	1.9
Quality of life	2.5	0.4	2.5	1.9
Farm	1.6	0.0	0.0	0.9
Place does not matter	1.5	1.3	0.4	1.3
Local staff	0.5	2.3	2.1	1.3
Other	3.5	5.9	11.7	5.5
Secure from crime	0.7	3.0	1.3	1.4
Use of technology	0.3	0.6	0.4	0.4
Established company	0.8	2.8	4.2	1.9
Less / no competition	0.3	1.5	4.2	1.7

Table 18 records the main locational disadvantages cited by respondents. Despite the positive picture painted by respondents about good communication links and proximity to customers, the disadvantage identified by the highest proportion of respondents (13.1%) was poor transport. This included comments on the inadequacy of public transport and on poor communication links. Other important disadvantages included a general comment relating to 'location' and distance from customers which in turn increased the costs to the business (both financially and in terms of time spent travelling). Almost 9% of respondents stated no disadvantages to their current location (compared to 1.9% of respondents who stated that there were no advantages to their current location).

Table 18: Disadvantages of business location

	1 <sup>st</sup> Disadvantage % (n = 767)	2 <sup>nd</sup> Disadvantage % (n = 276)	3 <sup>rd</sup> Disadvantage % (n = 113)	Cumulative Total % (n = 1156)
Poor transport	11.5	16.3	16.8	13.1
Location	10.0	10.1	5.3	9.6
Away from customers	12.3	5.8	0.9	9.6
Security, crime	1.4	1.8	5.3	1.9
Poor parking	6.4	6.9	6.2	6.5
No passing trade	3.9	0.0	0.0	2.6
Less tourists	0.5	0.0	0.0	0.3
Weather	2.9	2.2	0.9	2.5
Technology	3.1	1.8	3.5	2.8
None	13.3	0.0	0.0	8.8
Too small, lack of space to expand	3.9	4.0	6.2	4.1
Seasonal trade	1.6	0.7	1.8	1.4
At home	2.3	2.2	0.9	2.2
Lack of facilities	3.0	6.2	4.4	3.9
Other	8.3	13.8	16.8	10.4
Travel time & cost	6.4	5.8	6.2	6.2
Staffing issues	1.0	6.2	3.5	2.5
Less clients	3.9	8.7	7.1	5.4
Expensive	2.5	2.9	6.2	2.9
No recognition, because of being rural	0.9	3.3	5.3	1.9
Signage	0.5	1.4	2.7	0.9
Location has no effect	0.4	0.0	0.0	0.2

Matthew Taylor MP's recent review of the rural economy and affordable housing argued that the planning system is too restrictive and discourages people from setting up new small (including home based) businesses in rural areas (Taylor 2008). Survey respondents were asked specifically about whether or not they had applied for planning consent to change the use of their business premises or to construct/alter buildings. Given that almost 37% of businesses in the sample indicated they were planning to expand the business and some businesses indicated that the lack of space to expand on their premises was a disadvantage, the planning system has a critical role to play in enabling rural businesses to reach their full potential.

Approximately three quarters (74.6%) of sample businesses had not needed or considered applying for planning permission. Approximately 18% of the sample had received planning permission with the development proceeding successfully. A small number (3.4%) had received planning permission but for a variety of reasons (including conditions attached to the consent) the development did not proceed. Only 2.5% of the sample had been refused planning consent.

The survey also asked businesses about the importance of increased fuel, energy and waste disposal costs for their business. Approximately 70%, 61% and 41% of respondents found increasing fuel, energy and waste disposal costs important or very important to their businesses respectively. Respondents were also asked to indicate if they had introduced any energy and environment-related measures in the business. The most popular change made was to source local materials and food with approximately 45% of respondents saying that they had introduced such measures. 43.4% of respondents had introduced a measure to improve energy efficiency whilst approximately 33% had introduced a recycling scheme beyond local authority collections.

For comparative purposes, in the 2008 Wales Rural Observatory survey, 61% of businesses reported that they recycled waste products, with the cost of recycling cited as a mitigating factor by many of the businesses that did not recycle. 53% of businesses in this survey reported that they were taking part in an environmental initiative such as carbon-offsetting, converting company vehicles to biofuel or generating energy on-site. The most common reasons given for not participating in such initiatives related to costs, cynicism and a lack of information regarding how to take up such schemes.

#### 4.5.2 Relationships with customers and suppliers

Respondents were asked to indicate the proportions of their sales that were made to different customer types. These figures were totalled for the sample as a whole to give a mean percentage of sales for each type (Table 19).

*Table 19: Mean percentage of sales to different customer types*

	Rural Business Survey (2009) % (n = 888)
Private customers and households	43.4
Independent shops	2.7
Multiple / chain shops	1.9
Small businesses (with less than 50 employees, excluding shops)	13.3
Large businesses (with 50 or more employees, excluding shops)	16.2
Public sector (e.g. NHS, local authority)	10.2
Wholesale / distributor	4.4
Voluntary / charity sector	1.6
Events (e.g. rural shows, Christmas markets)	0.8
Other sales	5.4

Just over 43% of sales by respondents' firms are made to private customers and households, the most important customer type for the sample as a whole. Just over 16% of respondents sales were to large businesses (excluding shops) and 13.5% to small businesses (again excluding shops). The mean proportion of sales sold to the public sector by respondents' firms was just over 10%.

Businesses were also asked to indicate the proportions of their sales made to customers and suppliers located at different distances from the business. This was a means of exploring how far respondents work with other businesses in the local area or how far they are tied into regional, national and international supply chains.

*Table 20: Mean percentage of sales by geographical location*

	Mean % of sales (n = 888)
Very local (less than 5 miles away)	21.6
Local (5 to 30 miles away)	33.6
Regional (31 to 100 miles away)	18.1
National (rest of the UK)	22.4
Outside the UK	4.3

Across the sample as a whole, only 26.7% of sales were made to customers outside the North East region, with only 4.3% of those outside the UK. In contrast, 21.6% of sales were to customers within the very local area and just over one third of sales to customers locally.

Table 21 compares the mean percentages of sales in different geographical areas for businesses operating in selected sectors.

*Table 21: Mean percentage of sales by geographical location for selected SICs*

	Agric., forestry & fishing % (n = 86)	Manuf. % (n = 78)	Cons. % (n = 85)	Whol. & retail % (n = 140)	Accom. & food service activities % (n = 77)	Prof., scient. & tech. % (n = 151)
Very local (< 5 miles away)	4.5	14.1	24.8	37.4	26.0	6.8
Local (5-30 miles away)	40.2	33.5	53.4	27.4	17.9	24.3
Regional (31-100 miles away)	25.8	16.0	16.4	11.0	20.2	23.3
National (rest of the UK)	24.3	30.0	3.7	18.7	30.5	35.1
Outside the UK	1.2	5.2	0.1	2.6	4.8	10.4
Unspec.	4.0	1.2	1.6	2.9	0.6	0.1

The very local area is important for businesses operating in the Wholesale and retail, Construction and Accommodation and food service sectors. Construction businesses are also very reliant on the local area for their sales accounting for over 53% of this sector's sales. Agriculture and Professional activities were more reliant on the regional market for their sales with the latter also having the highest proportion of sales nationally and outside the UK (35.1% and 10.4% respectively).

Respondents were asked to indicate the proportion of their goods/services that were sold using email/the internet. The average for the sample as a whole was 11.5%. Again there were sectoral variations, however, with the importance of online accommodation and restaurant bookings evident (the mean for the Accommodation sector was 27.2% of goods/services sold online/using email). The Professional sector reported selling 15.5% of its goods/services online. Respondents were also asked to

indicate the proportion of their total supplies (by value) obtained from the same geographical areas (Table 22).

*Table 22: Mean percentage of supplies by geographical location*

	Mean % of supplies % (n = 860)
Very local (less than 5 miles away)	13.5
Local (5 to 30 miles away)	34.7
Regional (31 to 100 miles away)	19.9
National (rest of the UK)	27.0
Outside the UK	4.8

As was the case with sales (Table 20), the most important geographical areas in terms of supplies for respondents were the local and national, with the local being the most important in terms of the value of supplies. Respondents are less reliant on the very local area for supplies than they are for sales, perhaps reflecting the relatively low business density in some rural parts of the North East and thus the absence of suppliers. Respondents are slightly more reliant on the national scale for supplies than for sales (27.0% and 22.4% respectively). Again comparing the geography of supplies shows variations across different sectors (Table 23).

*Table 23: Mean percentage of supplies by location for selected SICs*

	Agric., forestry & fishing % (n = 88)	Manuf. % (n = 78)	Construc. % (n = 85)	Whol. & retail % (n = 140)	Accom. and food service activities % (n = 75)	Prof., scient. & technical % (n = 133)
Very local (< 5 miles away)	8.1	9.6	24.4	6.5	21.7	10.2
Local (5-30 miles away)	45.0	27.6	53.5	21.9	46.2	23.9
Regional (31-100 miles away)	25.7	24.5	10.4	17.6	25.3	18.8
National (rest of the UK)	15.8	31.5	7.3	43.0	6.2	32.9
Outside the UK	3.4	4.8	2.0	9.4	0.5	6.4
Unspec.	2.0	2.0	2.4	1.6	0.1	7.8

While the Wholesale and retail sector was highly dependent on the very local area for its sales (see Table 21), it is much less reliant on this geographical area for its supplies (Table 23), with 43.0% of supplies in this sector sourced nationally. It is Construction and Accommodation businesses that are more reliant on the very local and local areas for their supplies with respondents in both sectors reporting that over 20% of their supplies are sourced within 5 miles of the business and over 46% were sourced between 5 and 30 miles from the business. Agriculture and Accommodation

businesses had the highest proportions of their supplies sourced regionally whilst Wholesale and retail and Professional activities had the highest proportions of their supplies sourced nationally and outside the UK.

#### 4.6 Running the business

Section D of the questionnaire explored a number of aspects of running the business, including the original motivations for starting/taking over the business, its financial performance, its external relations with support agencies, business associations and other organisations, and use of the internet, technology and adoption of innovations and marketing issues.

##### 4.6.1 Motivations for establishing the business

Respondents were asked to indicate the importance of a range of statements relating to their decision to set up their business (Table 24).

*Table 24: Respondents' motivation for setting up the business*

Motivation	Not important at all (%)	Slightly important (%)	Moderately important (%)	Important (%)	Very Important (%)
To provide my main income source ( <i>n</i> = 864)	11.7	4.2	6.4	9.4	68.4
To produce a minor source of income ( <i>n</i> = 765)	58.3	7.1	12.5	8.0	14.1
To avoid unemployment ( <i>n</i> = 779)	55.1	5.5	9.9	6.9	22.6
To carry on the family business ( <i>n</i> = 768)	70.8	2.5	3.9	3.8	19.0
To change work/life balance ( <i>n</i> = 780)	38.5	6.2	15.4	15.8	24.2
To create an occupation after retirement ( <i>n</i> = 750)	77.1	3.3	5.1	4.7	9.9
To take on a new challenge ( <i>n</i> = 786)	30.8	4.6	13.4	21.9	29.4
I had a personal interest to develop ( <i>n</i> = 777)	31.5	6.6	12.5	18.3	31.1
To exploit a market opportunity ( <i>n</i> = 767)	35.2	8.5	19.6	18.9	17.9

'To provide my main income source' was the most important factor (68% of respondents) and avoiding unemployment was a very important factor for 22.6% of respondents, a particularly interesting finding in the context of debates around necessity entrepreneurship in rural areas (i.e. the lack of choice of employment

opportunities meaning that individuals are forced into entering self-employment). Changing their work/life balance (40%) and taking on a new challenge or developing a personal interest (50%) were also important or very important motivational factors in setting up the business.

*Table 25: Respondents' motivations for setting up the business (mean scores out of 5)*

Motivation	Mean value 1 – 5
Provide a main income	4.2
To establish an additional or minor income source	2.1
To avoid or escape unemployment	2.4
To carry on the family business	2.0
To change my work / life balance	2.8
An occupation following retirement	1.7
To take on a new challenge	3.1
I had a personal interest that I wanted to develop	3.1
To exploit a market opportunity	2.8

Table 25 shows the mean scores for each factor, with 1 representing a 'not important at all' response and 5 representing a 'very important' response. This underlines the importance of providing a main income source, taking on a new challenge and developing a personal interest as the principal motivations in setting up the business. The lowest mean score was for creating an occupation after retirement. This was perhaps surprising given the older age profile of the respondents.

*Table 26: Motivations for locals, returnees and newcomers for setting up the business*

	Rural North East (%)	Locals (%)	Returnees (%)	Newcomers (%)
To provide my main income source ( <i>n</i> = 864, 388, 79, 373)	77.8	81.9	78.5	72.9
To produce a minor source of income ( <i>n</i> = 765, 331, 69, 344)	22.1	21.4	18.8	22.7
To avoid unemployment ( <i>n</i> = 779, 340, 69, 349)	29.5	33.5	26.1	26.4
To carry on the family business ( <i>n</i> = 768, 343, 71, 336)	22.8	35.9	15.5	11.6
To change work / life balance ( <i>n</i> = 780, 338, 70, 352)	40.0	31.9	37.1	48.6
To create an occupation after retirement ( <i>n</i> = 750, 323, 68, 341)	14.6	13.9	13.2	15.5
To take on a new challenge ( <i>n</i> = 786, 340, 72, 355)	51.3	47.9	55.5	54.6
I had a personal interest to develop ( <i>n</i> = 777, 339, 69, 350)	49.4	50.7	42.0	50.0
To exploit a market opportunity ( <i>n</i> = 767, 329, 71, 347)	36.8	33.4	43.7	38.0

Table 26 reveals some interesting differences in the motivations of locals, returnees and newcomers (the table shows the proportions of each group that reported the factor as being very important in setting up their business). Creating a main income source was the most important motivation for all three groups of respondents, although newcomers were the least likely to report this as an important/very important motivation. For all three groups, taking on a new challenge was an important/very important motivation to around 50% of respondents, although the proportion was lowest amongst locals (47.9%). Over 50% of local and newcomer respondents rated 'developing a personal interest' as an important/very important motivation, whilst exploiting a market opportunity was more important amongst returnees than the other two groups, perhaps reflecting the ability of the latter group to recognise such opportunities given their local knowledge but wider experience. Changing work/life balance, creating an occupation after retirement and taking on a new challenge were most often cited as important/very important motivations by newcomers, perhaps reflecting the movement of in-migrants into rural areas to downsize and change their employment behaviour.

#### *4.6.2 The financial characteristics of businesses*

In this sample, 71.1% of respondents were VAT registered meaning that the business had to have taxable supplies of over £67,000 in twelve months (September 2008). This compares to 62% in the 2008 Wales Rural Observatory study, for example. A higher proportion of businesses owned by locals (80.4%) reported that they were VAT registered than for returnees (65.8%) and newcomers (62.4%). This no doubt reflects the importance of local business owners in sectors such as Agriculture, Manufacturing, Construction and Wholesale/retail where VAT registration rates were over 80%. In contrast, sectors such as Professional, scientific and technical activities, Real estate, Financial and insurance and Accommodation and food services had lower levels of VAT registration, higher proportions of newcomers and in general businesses employed fewer people.

Respondents were also asked to indicate the average annual turnover of their business. Despite the small size of most businesses, 11.1% of respondents reported that their average annual turnover was £1 million or more (compared to 19% in the Wales Rural Observatory study), and it was locals who were most likely to report that their businesses had a turnover at this level (14.2% compared to 11.5% of returnees and 6.7% of newcomers). Further analysis of the turnover levels in different SICs confirmed this, with Manufacturing, Construction and Transportation and Storage businesses most likely to report annual turnover of £1 million or more. Just over 10% of returnees reported an average annual turnover of £9,999 or less (3.6% of locals and 6.7% of newcomers), whilst 22.7% of newcomers reported an average annual turnover of £10,000-£39,999 (12.9% of locals and 15.4% of returnees).

The questionnaire asked businesses to indicate the annual profit of the business as a proportion of turnover, which could be seen as a 'measure' of operational efficiency. Table 27 shows the profitability for all the businesses in the sample and for businesses in selected SICs. A significant number of respondents in the sample (over 17%) reported that their profits were less than or equal to 0% of the turnover of their business. This proportion rose to one third of businesses within the Accommodation and food services sector, which also had the lowest proportion of businesses reporting that their profits were more than 10% of turnover. Over 58% of businesses in the Professional, scientific and technical activities sector reported that their profits were more than 10% of turnover. Many of these businesses were consultancies and were home-based with low overheads, increasing their potential to



generate larger profits. The proportions of businesses in the other sectors that reported profits as being above 10% of turnover were reasonably similar.

*Table 27: The profitability of respondents' businesses in selected sectors*

	Less than or equal to 0% of turnover (%)	Above 0% up to 1% of turnover (%)	Above 1% up to 5% of turnover (%)	Above 5% up to 10% of turnover (%)	Above 10% of turnover (%)
Rural North East (n = 809)	17.4	9.4	17.2	21.0	35.0
Agriculture, forestry & fishing (n = 86)	14.0	12.8	24.4	26.7	22.1
Manufacturing (n = 67)	16.4	3.0	26.9	22.4	31.3
Construction (n = 75)	8.0	14.7	21.3	25.3	30.7
Wholesale & retail; repair of motor vehicles (n = 122)	13.9	12.3	22.1	23.0	28.7
Accommodation and food service activities (n = 70)	32.8	12.8	8.6	21.4	24.3
Professional, scientific & technical (n = 135)	8.9	4.4	10.4	17.8	58.5

Table 28 shows the change in profits over the last five years for the same selected SICs.

*Table 28: Profit levels in the last five years for businesses in selected sectors*

	Profit has increased in the last five years (%)	Profit has decreased in the last five years (%)	Profit has stayed the same in the last five years (%)
Rural North East % (n = 843)	37.8	32.8	29.3
Agriculture, forestry & fishing % (n = 91)	25.3	46.1	28.6
Manufacturing % (n = 71)	49.3	22.5	28.2
Construction % (n = 79)	31.6	39.2	29.1
Wholesale & retail; repair of motor vehicles % (n = 133)	31.6	45.1	23.3
Accommodation and food service activities % (n = 69)	37.7	36.2	26.1
Professional, scientific & technical % (n = 138)	46.4	21.7	31.9

Overall, almost 38% of businesses reported that their profits had increased in the last five years. Businesses in Manufacturing and Professional, scientific and technical activities were more likely to report increased profits (almost half) whilst in contrast, businesses in the Agriculture, forestry and fishing, Construction, Wholesale and retail and Accommodation and food service sectors were more likely to report decreased profits.

#### 4.6.3 Business advice and support

An issue that has been widely researched is the extent to which rural businesses access business support provision (see for example, Atterton et al. 2006). Respondents were asked to indicate from a list of business support providers (both public and private sector) which organisations they had received support from and the usefulness of that support on a scale from 1-5 (where 5 was very useful). In the sample as a whole ( $n = 692$ ), 75.4% of respondents had accessed business support in the last five years (Table 29).

*Table 29: Usage and usefulness of business support and advice*

Usage of business advice and support during the last five years			
Support provider	Frequency ( <i>n</i> )	%	Mean score 1 - 5
Local Enterprise Agency	139	15.2	3.1
Business Link (pre-April 2007)	310	33.8	3.1
Business Link (post-April 2007)	245	26.7	3.1
Chamber of Commerce	90	9.8	2.7
Local Business Association	55	6.0	2.8
Trade or Professional Association	143	15.6	3.7
District Council	133	14.5	2.8
County Council	82	8.9	2.6
Trade Union	11	1.2	2.4
Defra	70	7.6	2.6
University	51	5.6	3.6
National Farmers Union (NFU)	54	5.9	3.5
Area Tourism Partnership	47	5.1	2.9
LEADER Local Action Group	22	2.4	2.7
Accountant	470	51.3	4.1
Other private sector advisor (e.g. solicitor, architect)	255	27.8	3.8
Family members	137	15.0	3.9
Contacts in your industry locally (within 30 miles of your business).	169	18.5	3.9
Contacts in your industry non-locally	172	18.8	3.9
Other	55	6.0	4.3

Accountants were the most frequently used source of business advice/support with over 51% of the sample reporting that they had sought advice from this source in the last five years. Accountants also had the highest average levels of satisfaction at 4.1

(excluding the Other category). Usage of Business Link (pre-2007 and post-2007<sup>7</sup>) and other private sector advisors was also high, although the average usefulness scores for private sector advisors were higher than for Business Link. Industry contacts, family members and trade or professional associations were also rated highly in terms of the usefulness of advice received although they were used by lower proportions of respondents.

Further analysis of the types of support/advice sought by respondents revealed a large variation. Over 30% of respondents reported that they had sought general information and advice, with approximately 20% reporting that they had sought 'business knowledge', financial advice, grant information and legal advice. Comparing these types of support with different support providers confirmed that not surprisingly, financial advice was particularly sought from accountants, banks and family members.

Comparing the advice sought by businesses with different characteristics revealed some variations:

- those businesses seeking to expand were more likely to seek advice on grants, marketing, training, networking and business development/expansion than businesses seeking to maintain their current position;
- of those businesses that had sought business support/advice in the last five years, 40.4% reported increased profits in the same time period, 31.7% reported decreased profits and 27.9% reported that their profits were unchanged;
- the proportions of locals and newcomers seeking advice were similar (75.6% and 73.7% respectively), whilst the proportion of returnees was higher (86.4%);
- approximately 80% of younger businesses in their first two years of operation reported accessing business support/advice compared to approximately 70% of businesses aged 20 years and older;
- 74.8% of microbusinesses had accessed business support in the last five years, compared to 81.3% of businesses with 10-49 employees and 88.2% of businesses with 50 or more employees;
- businesses in the sparse hamlets and isolated dwellings (i.e. the smallest settlements) were the most likely to report that they had accessed business support/advice (and on average across the classifications, businesses in sparse areas were more likely to have accessed business support than those in less sparse locations) which is perhaps surprising given that these are the businesses which are likely to have the poorest access to support.

#### *4.6.4 Business association membership*

Across the sample as a whole, 46.6% of respondents reported that they were members of a business association, club or forum (local, regional, national or sectoral). This level is very similar to that reported in the Wales Rural Observatory study (2008) at 45%.

For some sectors membership levels were high, with 68.4% of Financial and insurance sector businesses, 55.9% of Agriculture, forestry and fishing businesses and 55.7% of Accommodation and food service activities businesses reporting that

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<sup>7</sup> The inclusion of Business Link pre-2007 and post-2007 was designed to reflect the organisational changes in Business Link in April 2007.

they were members of an association. Lower levels were recorded for Construction (47%), Manufacturing (43%) and Real estate (28%) businesses. In the Agriculture sector, the NFU and CLA were mentioned by many businesses. Some businesses were members of other national organisations such as Women in Rural Enterprise (WIRE), the FSB and the Road Haulage Association. Other businesses reported that they were members of local associations, such as Morpeth Chamber of Trade or the Bridge Street Traders Association (Berwick). No easily discernible patterns could be found between the location of a business and membership of business associations, although perhaps surprisingly the data suggests that a slightly higher proportion of businesses in sparse locations were members of business associations than in less sparse locations (52.3% compared to 44.8% respectively). Reflecting the location of many associations in market towns, the highest proportion of membership was in sparse urban areas (market towns) at almost 60%.

It is apparent that business association membership levels increase with the size of a business: 43.4% of microbusinesses were association members, 66.3% of small businesses (10-49 employees) and 82.3% of medium sized businesses (50 or more employees). A similar pattern was found in relation to turnover, with businesses with higher turnover being more likely to be members of business associations. There was little difference in the levels of membership amongst in-migrants, returnees and newcomers: approximately 50% of locals, 44% of returnees and 43% of newcomers were members of a business association.

#### 4.6.5 Internet access and usage

Businesses were asked a range of questions about their internet usage. Overall the proportion of businesses not using the internet was low at 11.9%, and considerably lower than the 43.4% of businesses that reported that they did not have access to the world wide web in the first microbusiness survey in 1999 (Table 30). The proportion of businesses using the internet was higher than in the 2008 Wales Rural Observatory study, where only 67% of respondents had internet access.

Table 30: Usage of the internet by businesses

	Types of usage (%)
Gather information ( <i>n</i> = 910)	77.0
Market products ( <i>n</i> = 910)	43.3
Sell products ( <i>n</i> = 910)	34.0
Make contacts ( <i>n</i> = 910)	52.1
Purchase supplies ( <i>n</i> = 910)	56.3
Do not use the Internet ( <i>n</i> = 907)	11.9

The most popular use of the internet was for gathering information with 77.0% of businesses reporting that they used the internet in this way. Over half of businesses used the internet for purchasing supplies and making contacts. Only 34% of businesses used the internet for selling their service/product. When compared across different sectors, the sectors in which the proportion of businesses not using the internet was highest were Transportation and storage and Financial and insurance. Professional, scientific and technical activities, Accommodation and food service activities and Information and communication were the sectors in which businesses were most likely to use the internet.

Analysis revealed that there was a higher proportion of businesses not using the internet in sparse than in less sparse locations, as might be expected. Similarly businesses in larger settlements were more likely to use the internet than businesses in smaller settlements. As expected, older business owners were less likely to use the internet than younger owners: only 2.3% of owners aged 30-39 did not use the internet compared to 16.3% of owners aged 60-64. In terms of future internet plans, a variety of uses were mentioned by respondents including making better use of their website (including expanding its content), and using the internet more for sales and marketing.

Across the sample as a whole, 82.9% of respondents had access to broadband in their business premises. Amongst these respondents 81.6% reported that the broadband speed was adequate for their current business needs. However, only 64.8% of these same businesses anticipated that the speed would be adequate for their future business needs. There was a decrease in the proportions of respondents who felt speed was adequate for their future needs from the largest to the smallest settlements. The lowest proportion of respondents who felt broadband speed was adequate for their future business needs was in sparse hamlets and isolated dwellings (50.6%). It is evident that inadequate broadband speed may be a factor that constrains the growth potential of rural businesses in future. Similar complaints about broadband unreliability or non-existent access were made in the Wales Rural Observatory survey in 2008, with many businesses in that survey seeing the internet as a business necessity in the modern age, for accounting, as an advertising medium, for communicating with customers and suppliers and as a research tool.

#### 4.6.6 Innovation

Businesses were asked to indicate whether or not their business had introduced any form of innovation in the last five years. A number of examples were offered in this question as a means of encouraging respondents to provide information on small-scale innovations such as improving IT systems or engaging in co-operation with other businesses as well as large-scale introductions of new products. Almost 49% of respondents indicated that they had introduced some form of innovation in the last five years, for example, new software, new computer or telephone systems or new administrative or accounting systems<sup>8</sup>. In some sectors, the proportion of businesses that had introduced a new innovation was considerably higher than this, such as Financial and insurance activities (66.7%) and Manufacturing (63.6%). In other sectors, the proportions were lower, such as Construction (29.8%), Real Estate (29.0%) and Administration and support services (27.8%). In a similar set of questions asked in the Rural Wales Observatory survey in 2008, 64% of respondents did not do R&D, principally due to a lack of resources, financial constraints and no apparent need. The 15% of respondents in this survey whose R&D had increased over the past five years, were looking for innovation and newness in products, services and markets and trying to stay ahead of the competition.

Geographically there were some variations. On average, the proportion of businesses in sparse locations that reported introducing an innovation in the last five years (52.0%) was slightly higher than for less sparse locations (47.5%). This may reflect the greater challenges relating to distance that need to be overcome when a business is operating in a sparse location. Businesses in town and fringe sparse

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<sup>8</sup> It is likely that this question still under-reports innovative activity by respondents as some will not have regarded the activities listed here as 'innovative' as they do not conform to traditional understandings of innovation as large-scale changes.

areas (58.9%) and in hamlet and isolated dwellings in sparse areas (55.2%) were most likely to report introducing an innovation in the last five years. Only 18.2% of businesses had worked with an external organisation or partner to introduce an innovation. These external organisations ranged from local businesses, consultants, support agencies, universities and centres for excellence to a few international companies.

When exploring the pattern of innovative behaviour between locals, returnees and newcomers, some interesting differences emerged (Table 31).

*Table 31: Innovative behaviour and the origin of respondents*

	Local % (n = 406, 369)	Returnee % (n = 81, 72)	Newcomer % (n = 398, 355)
Introduction of innovation	44.1	59.2	52.5
Working with external organisations	13.3	29.2	21.7

Mirroring the higher proportions of returnees accessing business support (Section 4.6.3), higher proportions of returnees reported that they had introduced an innovation in the last five years and almost 30% reported that they had worked with external organisations in introducing this innovation. Table 31 shows that locals were the least likely to have introduced innovations and to have worked with an external organisation. Table 32 shows the relationship between business size and innovative behaviour.

*Table 32: Innovative behaviour by businesses of different sizes*

	Micro (0 – 9 employees) % (n = 785, 705)	Small (10 – 49 employees) % (n = 90, 79)	Medium (50 – 249 employees) % (n = 16, 16)
Introduction of innovation	45.7	67.8	87.5
Working with external organisations	15.9	31.6	50.0

Table 32 suggests that a clear relationship exists between the size of a business, the introduction of an innovation and the likelihood of working with an external organisation (although care must be taken with this analysis as the numbers of medium sized businesses is considerably smaller than in the other two categories).

*Table 33: Innovative behaviour by businesses of different ages*

Age of business	Introduced innovation (%)	Working with external organisations (%)
0 – 2 years (n = 73, 60)	34.2	20.0
Over 2 – 5 years (n = 135, 122)	42.2	15.6
Over 5 – 10 years (n = 180, 159)	55.5	22.0
Over 10 – 20 years (n = 171, 148)	52.6	18.2
Over 20 – 50 years (n = 224, 213)	51.8	17.4
Over 50 years (n = 97, 88)	44.3	12.5

It might be expected that younger business owners would be more likely to be innovative than older business owners, but analysis of the age of business owners and innovative actions revealed no differences. More interesting patterns emerged when comparing the age of the business and innovative behaviour (Table 33). It is apparent that the potential for innovation increases with the age of the business (with the exception of the oldest businesses). However, younger businesses were more likely to be working with external organisations in introducing innovations. Table 34 presents further analysis of the data by showing the profit levels of businesses that had and had not introduced an innovation in the last five years.

*Table 34: Profit levels and introduction of an innovation in the last five years*

	Profit has increased in the last five years (%)	Profit has decreased in the last five years (%)	Profit has stayed the same in the last five years (%)
No innovation introduced in the last five years ( <i>n</i> = 407)	31.2	36.4	32.4
Innovation introduced in the last five years ( <i>n</i> = 421)	43.5	29.7	26.8

Over 43% of businesses that had introduced an innovation in the last five years also reported that their profits had increased in the last five years, compared to 31.2% of businesses that had not introduced an innovation. However, a significant proportion (30%) of businesses that had introduced an innovation also reported decreased profits, suggesting that a positive relationship with business profitability is not automatic.

#### 4.6.7 Marketing

Respondents were asked to indicate up to five ways in which they marketed their products and services. Over 40 different responses were received to this question ranging from direct sales to association with a celebrity and these were recoded and grouped into eleven methods (Table 35).

*Table 35: Methods of marketing products and services*

	% ( <i>n</i> = 2137)
Word of mouth	16.1
Press, radio, TV advertisements	16.2
Website (the business and agents) & emails	17.6
Publicity materials (cards, leaflets, brochures etc.)	7.7
Events, presentations	5.5
Established business, recognised quality	2.4
Signage (external signs)	4.3
Do not advertise	2.5
Other 'one-off' offers (e.g. sponsorship, gift offers, celebrity association)	7.8
Directories (Yell, local businesses, trade etc.)	7.1
Direct selling	12.6

The web, local media, word of mouth and direct selling (by telephone 'cold calling' or one to one sales) were the most popular marketing methods adopted by businesses

in the sample. Further analysis of marketing behaviour was undertaken, for example, exploring the relationship between the size of the business and origins of business owners with the types of marketing adopted. However, no substantial differences in behaviour emerged. When analysing the responses across different SICs, it emerged that Construction and Professional, scientific and technical activities businesses relied particularly on word of mouth, whilst businesses in the Wholesale and retail sector relied more heavily on advertising in the local media. Accommodation and food service sector businesses relied heavily on websites, with many being formally linked to other websites such as *Visit Northumberland*. These businesses also relied on producing leaflets and brochures to advertise their business and on signage. Not being permitted to erect signage and not having a presence on a main road were mentioned by respondents in other parts of the questionnaire as being constraints on the future growth of their business or as disadvantages of their current location. Auction marts were important for the marketing of Agricultural businesses whilst Manufacturing businesses placed emphasis on marketing through trade shows.

Businesses were asked to indicate how important it was (on a scale of 1 to 5) that their product/service can be identified with the place, locality or region in which it is produced (Table 36).

*Table 36: The importance of identifying a product/service with its place of origin*

It is important that my products/services can be identified with:	Strongly disagree (1)	Disagree (2)	Neither agree nor disagree (3)	Agree (4)	Strongly agree (5)	Average score (1 – 5)
The place in which it/they are produced (e.g. Lanchester) (n = 826)	41.2	9.7	16.8	10.0	22.3	2.6
The local area in which it/they are produced (e.g. Northumberland) (n = 833)	36.0	9.0	16.1	13.3	25.6	2.8
The region in which it/they are produced (e.g. North East) (n = 826)	35.7	9.2	19.2	12.2	23.6	2.8

Identifying a product/service with the place, locality or region was important for about one in four firms. Further analysis by sector revealed that identification with place and locality was more important for Agricultural and food-related, Manufacturing and Accommodation businesses. When compared across respondents of different origins, place and locality identification were more important for locals than returnees or newcomers probably reflecting the sectors in which locals were more numerous i.e. Agriculture, Construction and Manufacturing.

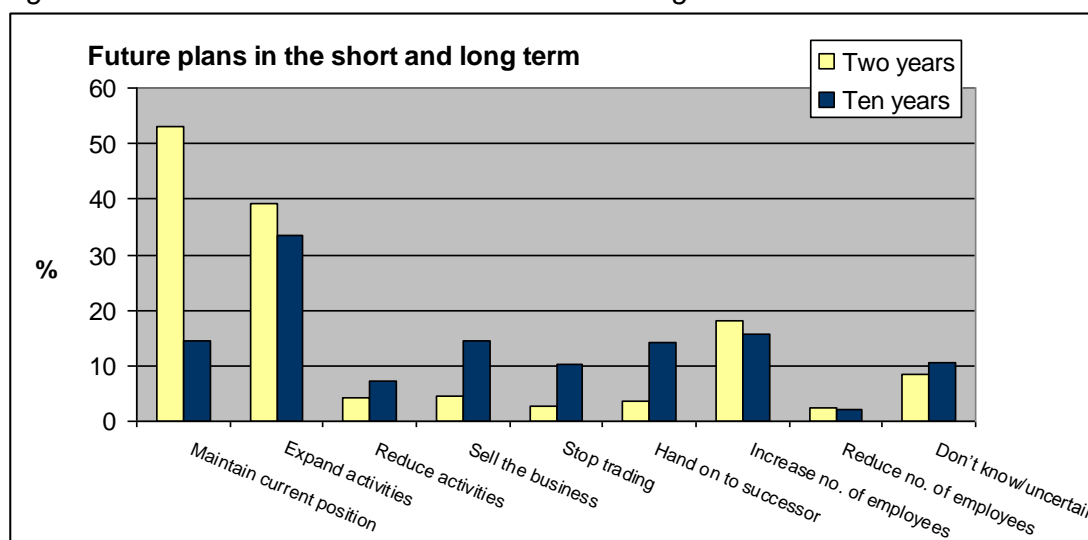


#### 4.7 Future business plans and constraints on growth

A number of questions in the survey focused on the future plans of business owners in the short term (2 years) and long term (10 years) and the constraints and barriers that might prevent businesses from achieving their plans.

Respondents were asked to indicate the future plans for their business from a series of possible answers. It should be noted that although respondents were asked to tick only one possible answer in this question, several respondents ticked more than one answer so the data here should be interpreted with some caution.

Figure 4: Plans for the business in the short and long term



Over 53% of respondents were looking to maintain their current position in the short term and just over 39% were looking to expand their business activities. As noted above, the 18% of businesses who reported that they were planning to increase the number of employees should be interpreted with caution as while some businesses only chose this option, others ticked this response in addition to reporting that they wanted to expand their business activities. At a time of economic downturn, this is a rather positive message about the plans of rural business owners in the North East.

In the long term, responses were more evenly distributed across the categories, with 33.5% of businesses wishing to expand their activities and higher proportions of respondents indicating that they wished to sell the business, stop trading and hand onto a successor. Further analysis of responses to this question by age group revealed that 20% of 60-64 year olds and 17% of 50-59 year olds planned to sell, stop trading or hand on the business over the long term.

Further analysis was carried out to explore the future plans of businesses across the main SICs. This revealed that in the short term, the Manufacturing sector had the highest proportion of firms that were planning expansion in their scale of activity (48.7%), with 44.2% of Accommodation and food service businesses and 41.3% of Professional, scientific and technical businesses also planning such expansion. In the long term, businesses in the Manufacturing and Wholesale and retail sectors were the most likely to be planning expansion. Agriculture, forestry and fishing businesses were the most likely to be planning a reduction in the scale of their activities in the short term, whilst Professional, scientific and technical services

activities were the most likely to be planning reduction in the long term (reflecting the varying plans of owners in this sector).

Respondents were also asked to indicate the importance of a number of possible constraints on the business, using a scale of 1 to 5 where 1 is not important at all and 5 is very important (see Table 37). The factors that most often received an important or very important rating were 'anxiety about the current economic climate' and 'increased regulation affecting the business'. A shortage of finance and the high cost of borrowing was an important/very important constraint for over 40% of respondents. Some 30% of respondents recognised a problem of recruiting skilled labour locally as an important/very important constraint. Problems recruiting less skilled staff locally, a shortage of local training programmes, the out-migration of young people, an ageing customer base and the expense of local training programmes appeared to be less important constraints for businesses. While no questions directly asked respondents about the impact of the recession it is clear from responses to this question that the economic downturn was causing concern for business owners and issues such as the shortage of finance were having direct impacts. However, the responses revealed that other constraints were also important which could be regarded as more long-term structural challenges in rural economies, such as youth out-migration.

*Table 37: Constraints on the growth of respondents' businesses*

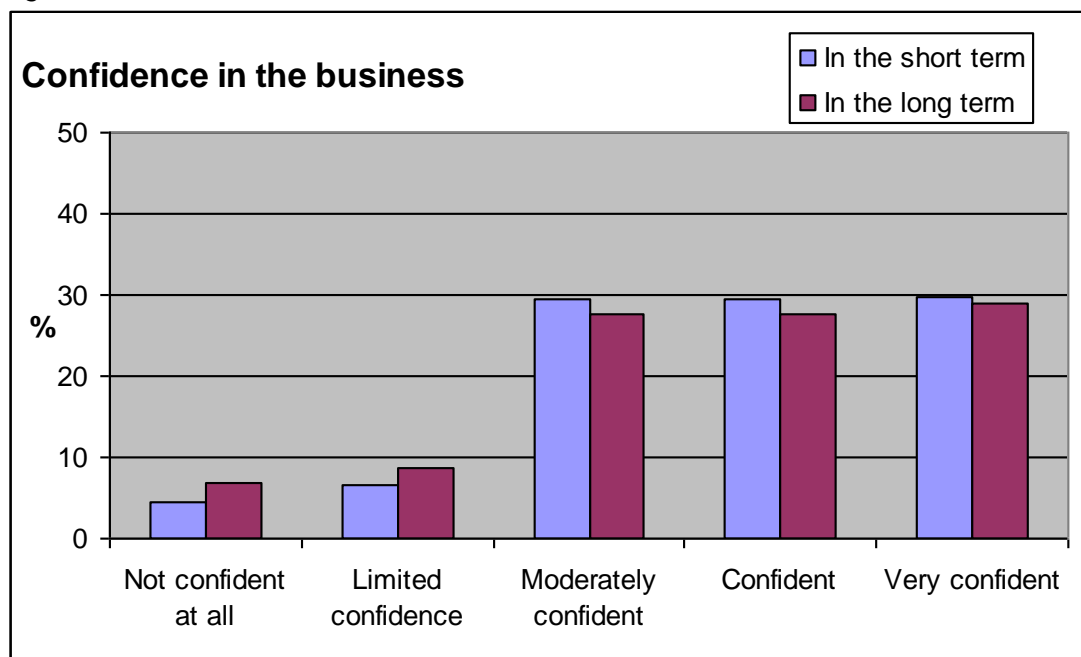
Factors that might constrain the growth of a business	Not important to slightly important (%)	Moderately important (%)	Important to very important (%)	Mean score
Lack of space on current site % (n = 827)	57.8	14.3	27.9	2.4
Lack of suitable premises in the locality % (n = 805)	68.4	12.3	19.3	2.0
Shortage of finance in the business/high cost of borrowing % (n = 831)	41.2	17.9	40.9	2.9
Problems recruiting skilled staff locally % (n = 822)	54.3	16.3	29.4	2.5
Problems recruiting less skilled staff locally % (n = 805)	74.8	13.4	11.8	1.8
Unwillingness to take on any / more employees % (n = 794)	58.2	19.4	22.4	2.3
Anxiety about the current economic climate % (n = 844)	27.8	21.9	50.2	3.3
Ageing workforce % (n = 812)	61.2	14.8	24.0	2.2
Shortage of appropriate training programmes in the area % (n = 799)	73.3	14.0	12.7	1.9
Training programmes locally are too expensive % (n = 798)	68.3	15.0	16.7	2.0
Outward migration of young people % (n = 784)	73.7	13.5	12.8	1.8
Ageing customer base % (n = 797)	70.9	13.4	15.7	1.9
Increased regulation affecting the business % (n = 816)	32.9	17.5	49.6	3.2

Further analysis of the responses across different sectors revealed some interesting variations. For example, a lack of space and a lack of suitable premises in the locality were most commonly cited as important/very important constraints for Manufacturing businesses but were not important for Professional businesses. A shortage of finance/the high cost of borrowing and anxiety about the current economic climate were important/very important constraints faced by a high proportion of Construction businesses, whilst Professional businesses seemed less concerned by these challenges. The outward migration of young people and concerns about an ageing workforce were important/very important to a high proportion of Agricultural businesses no doubt reflecting the general ageing of the Agricultural workforce and concerns about business succession. Wholesale/retail businesses also recognised the challenges posed by an ageing customer base.

#### 4.8 Business confidence

Businesses were asked to indicate their level of confidence in their own business and the local, regional, national and global economies. Overall, the data reveals that respondents were relatively confident in their own business (again despite the economic downturn) but less confident in the other geographical scales with a general pattern of declining confidence from the local to the global economy.

Figure 5: Confidence in their own business



Approximately 60% of owners/managers were either confident or very confident in their own business projecting forward for two and ten years with very few businesses having no or limited confidence.

The following figures illustrate that fewer business owners were confident or very confident in the local and regional economies, although this does improve slightly for the long term. Between 40% and 50% of business owners in each case showed moderate confidence in the short and long terms.

Figure 6: Confidence in the local economy

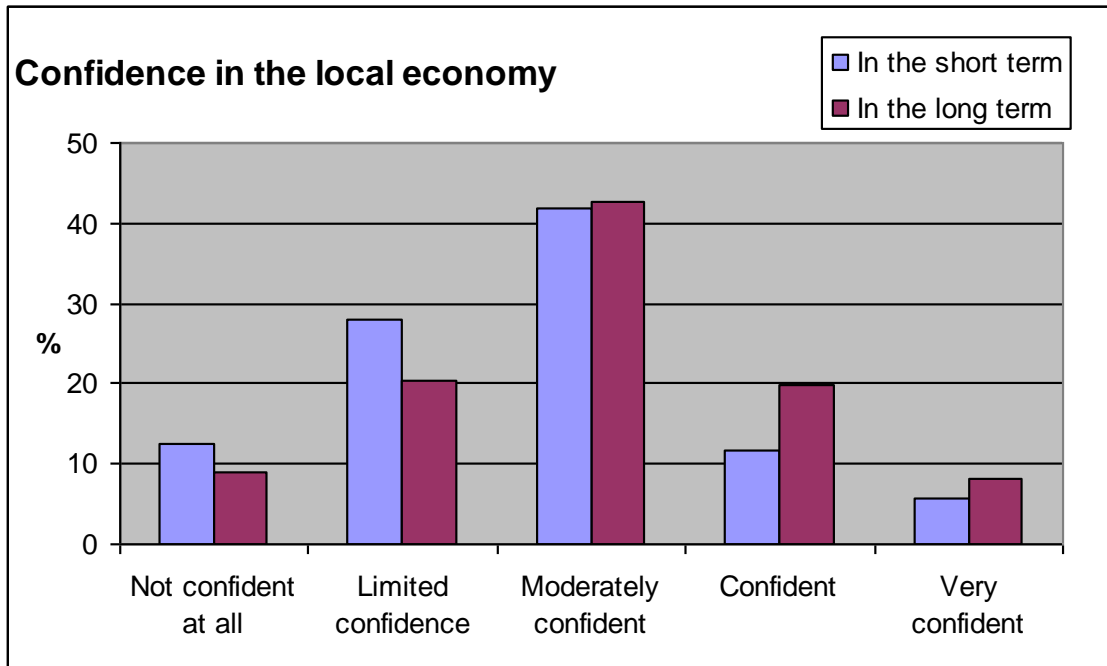
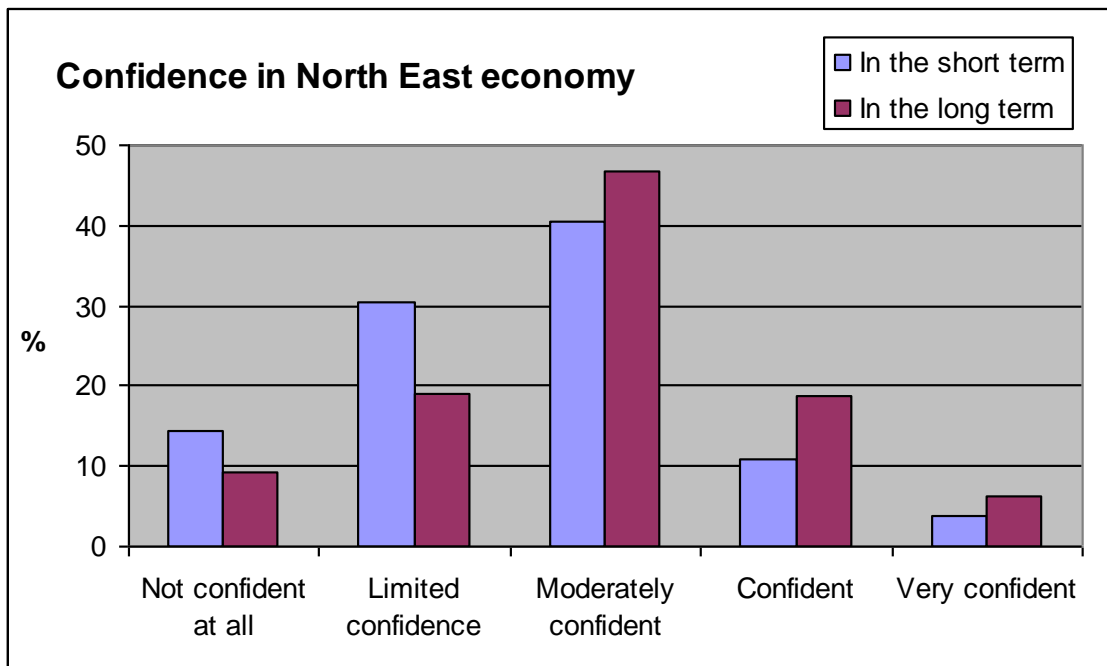


Figure 7: Confidence in the regional economy



Figures 8 and 9 present the same data in respect of the UK and global economies. Levels of confidence amongst business owners in the UK and global economies are even lower, with high proportions of respondents reporting no or limited confidence in the short term in particular. Less than 10% of respondents in each case reported that they were very confident in the national and global economy in the short and long terms.

Figure 8: Confidence in the UK economy

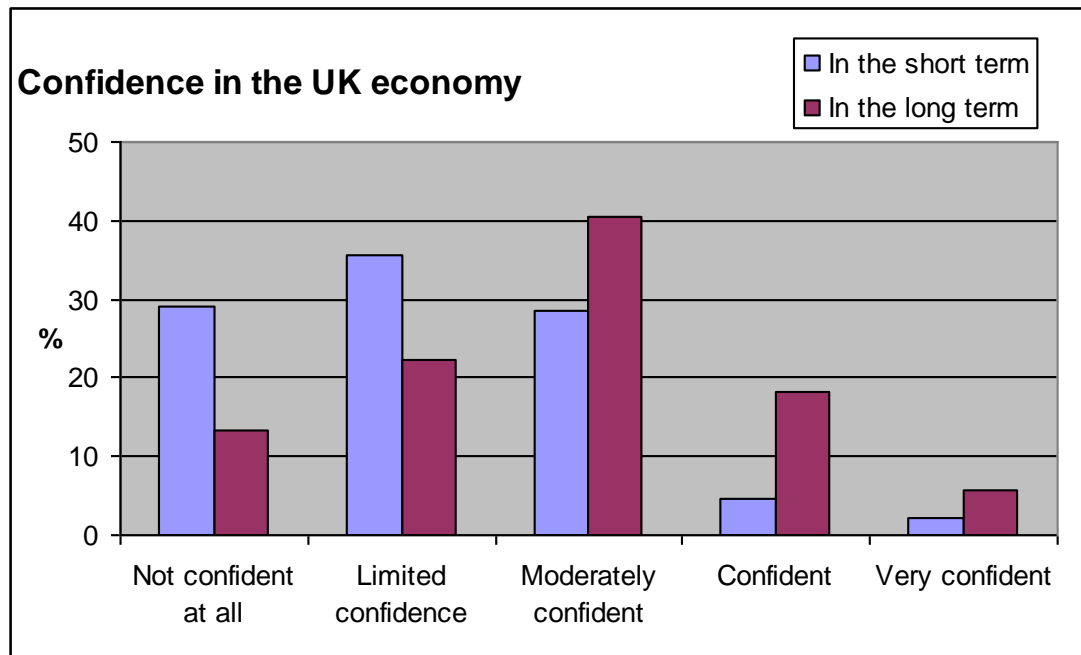
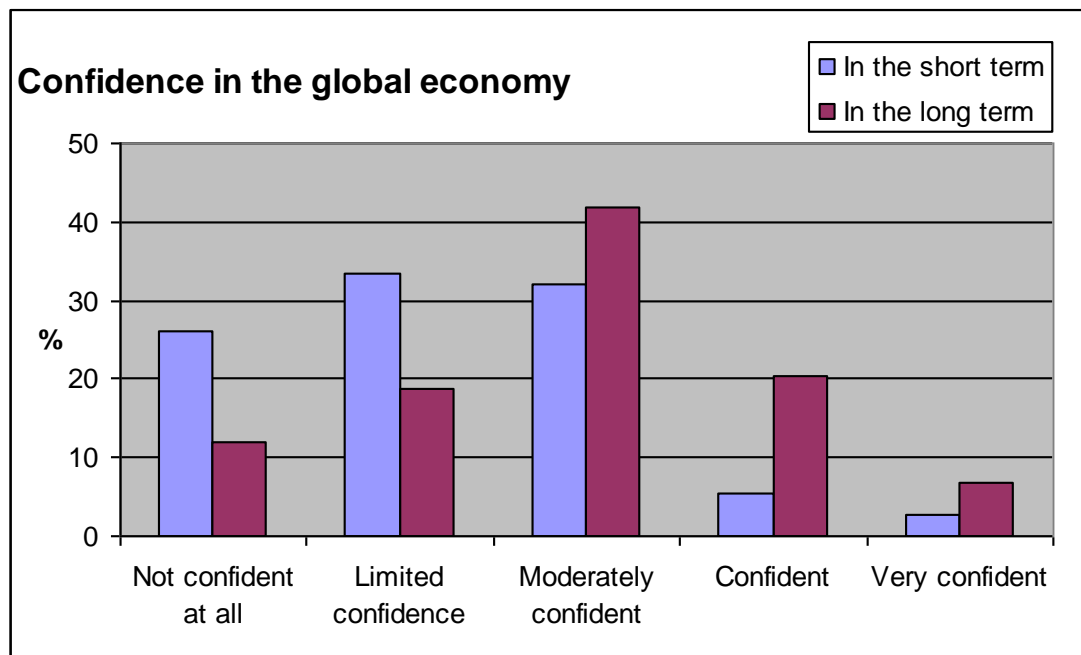


Figure 9: Confidence in the global economy



An analysis of responses across different key sectors was also carried out (Figure 10).

Figure 10: Confidence in own business by key sectors in the short term

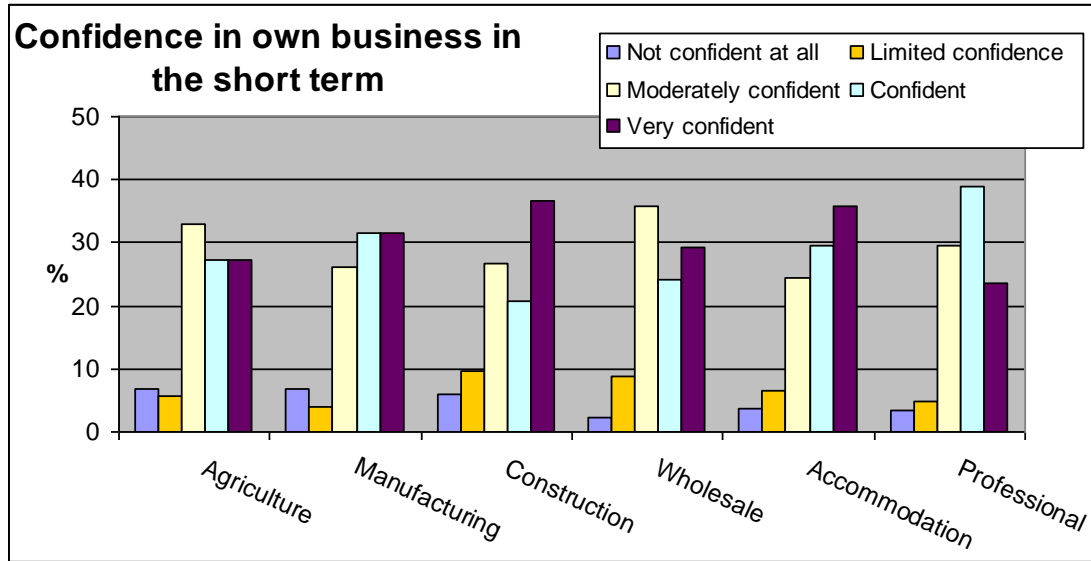
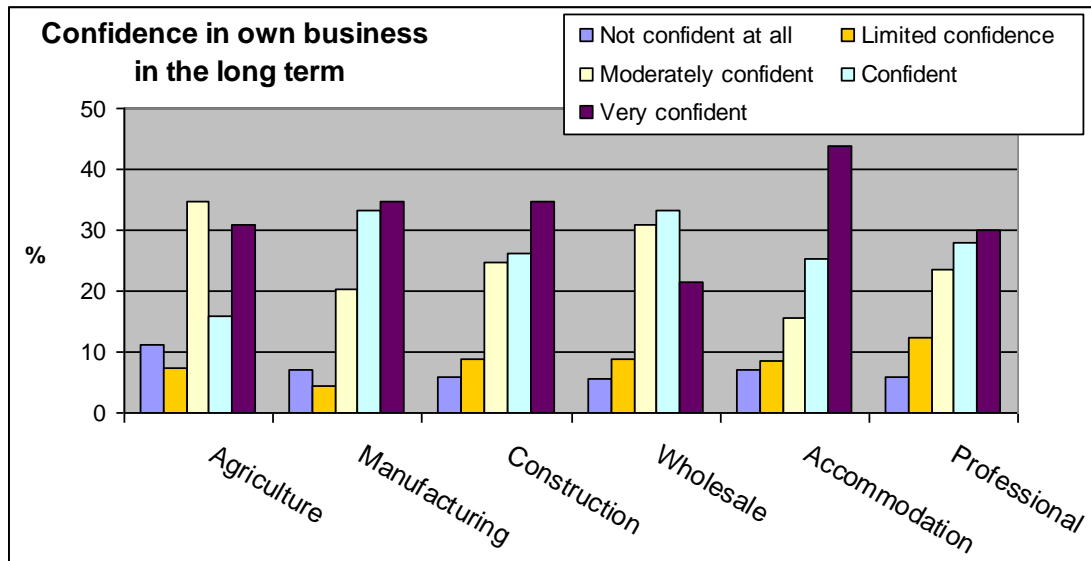


Figure 10 shows that levels of confidence vary between and within sectors with Construction, Accommodation and Manufacturing businesses having the most confidence in their own business in the short term. Agricultural, and Wholesale businesses appeared to be the most pessimistic about their own enterprise. Figure 11 shows the levels of confidence in the long term across the six most important sectors in the sample.

Figure 11: Confidence in own business by key sectors in the long term



For the long term, the Manufacturing, Accommodation and Construction sectors appeared to have the most confidence, whilst again the Wholesale/retail and Agriculture sectors had the lowest confidence levels. It is likely that business' confidence is affected by a wide range of different factors, some of which are unique to specific sectors or even individual businesses, hence the wide variation within sectors. Overall the data presents a relatively positive picture of business confidence, despite the timing of the survey early in 2009 during the period of economic downturn.

#### 4.9 Threats and opportunities facing the business

Respondents were asked to list up to three threats and opportunities facing the business. Table 38 shows the most important threats identified (given that this was an open question the data has been summarised and grouped).

*Table 38: Threats to respondents' businesses*

	1 <sup>st</sup> threat	2 <sup>nd</sup> threat	3 <sup>rd</sup> threat	Cumulative total
Competition (local & foreign) % (n = 255)	15.0	13.6	9.7	13.2
Rising costs & falling prices % (n = 248)	7.5	16.6	16.6	12.8
Economic climate (recession) % (n = 239)	18.7	7.5	8.2	12.3
Reduced demand % (n = 207)	13.0	9.1	9.0	10.7
Legislation (red tape) % (n = 196)	8.8	10.0	12.5	10.1
'Credit crunch' a lack of finance % (n = 98)	4.9	6.6	3.3	5.1

The main threat identified by respondents was the economic climate/recession followed by increased competition and reduced demand. Cumulatively, competition was rated as the principal threat.

Again, exploring the responses across sectors revealed some different patterns. Increased costs (particularly for inputs such as fertiliser), falling prices and legislation were particularly important threats for Agricultural businesses, with increased competition particularly important for Manufacturing and Wholesale/retail businesses. Construction and Professional, scientific and technical businesses most commonly cited the recession and reduced demand as threats, while Accommodation and food sector businesses were most likely to identify rising costs and the recession.

Businesses were asked about potential opportunities for their business, and a large range of responses were given. With a cumulative total of 11.7%, increased demand was the most frequently mentioned opportunity followed by Developing new business ideas and products (9.4%), gaining new customers (8%) and increased public spending (4%). Responses were also found to vary between sectors, with some tourism, farming and manufacturing businesses citing the weak £ as representing an opportunity for them. Some professional and retail businesses stated they had a niche market or specialist knowledge which they could better exploit. Since many businesses were home based, low overheads were mentioned as an opportunity and similarly the flexible nature of microbusinesses was seen as an opportunity. Almost 7% thought that their opportunity would come from less competition as the weaker businesses left the market.

Drawing on the Rural Advocate's report to the Prime Minister (CRC 2008c), which argued that rural businesses are not reaching their full potential, the survey asked respondents to indicate their level of agreement with a series of statements relating to business growth (Table 39). A 'mean agreement score' was calculated to indicate the statements that received the highest level of agreement amongst respondents.

Table 39: Measures to encourage business growth

	Strongly disagree & disagree (1 and 2)	Neither agree nor disagree (3)	Agree & strongly agree (4 and 5)	Mean score
Better access to new IT will help my business to grow % (n = 840)	36.3	32.6	31.1	2.9
Working in collaboration with other local businesses will help my business to grow % (n = 837)	44.6	30.1	25.4	2.6
Better access & adjustments to national and regional business development programmes & grant funding will help my business to grow % (n = 835)	32.1	24.7	43.2	3.1
Better access to private capital will help my business to grow % (n = 833)	42.2	28.0	29.8	2.7
Better access to skills/training programmes will help my business to grow % (n = 825)	45.6	28.5	25.9	2.6
Closer relationship with business support agencies will help my business to grow % (n = 827)	46.4	30.4	23.3	2.6

The statement that received the highest level of agreement concerned national and regional business development programmes and grant funding with an overall mean agreement score of 3.1. Better access to new IT and to private capital also received relatively high levels of agreement, although for all of the statements, the mean level of agreement does not differ markedly from 3 (neither agree nor disagree) indicating a relatively even spread of responses across the different categories.

Again analysis of responses across different sectors revealed distinct patterns. For example, Accommodation businesses indicated a relatively high level of support for better IT, better access to finance and for working in collaboration with other businesses (at least in part probably reflecting the importance of tourism websites and tourism associations in rural parts of the North East region). Access to private capital and to development programmes and grant funding were given less importance by Professional businesses, perhaps reflecting the relatively high proportions of respondents in this sector who were working from home. Professional businesses also gave less emphasis to skills/training programmes although these were rated as more important by Construction and Accommodation businesses, no doubt reflecting the importance of specific trade qualifications, such as health and safety and hygiene.

## 5. Key Findings

The analysis presented here reports the results of a large-scale survey of rural businesses undertaken by researchers at CRE in 2009. It should be seen as a snapshot of the characteristics and key issues affecting businesses in the rural areas of North East England. This report contains only the key messages, and much more detailed analysis (for example of different sectors, geographies and issues) will be



undertaken in future. This section of the report discusses some of the key findings in the context of previous research, including the 1999 rural microbusiness survey also undertaken by CRE.

- The 2009 survey confirms the importance of sole traders and microbusinesses (88% of respondents) amongst the rural business population of the North East. Over 38% of respondents reported that their business was attached to or part of their home (excluding businesses in which farming was classified as the main activity). This suggests that business owners are able to take advantage of improvements in IT and particularly broadband provision to work from home, so reducing the negative environmental impacts associated with journeys to work and generating local economic activity.
- The most important sectors amongst sample respondents were Professional, scientific and technical activities (16.5%), Wholesale and retail activities (14.8%), Agriculture, forestry and fishing (10.1%), Construction (9.1%) and Accommodation and food service activities (9.0%). The extent of 'pluriactivity' and diversification amongst rural business owners is clear with 44% of the sample reporting that their business had a secondary activity and 14% of respondents reporting that they were also involved in a tertiary activity. The extent of diversification was evident across all of these sectors. In some cases the secondary and tertiary activities were closely linked to the main activity but in others the activities were very different and unrelated.
- Only 8% of businesses in the sample were aged 2 years or less with 36% being 20 years old or older. Females made up 28% of respondents and tended to operate smaller businesses than males. Returnees and newcomers were also more likely to own microbusinesses than locals (93%, 91% and 84% respectively).
- Respondents demonstrated a relatively mature age profile with 60% over 50 years old. Just under 25% of respondents reported that they had some form of postgraduate qualification. This proportion reflects that found in other surveys (see for example, SQW 2006) but it is high when compared to the 1999 microbusiness survey and the results of the 2008 survey in rural Wales and may represent a higher likelihood of response from those with higher qualifications.
- Just over 44% of respondents were newcomers to the rural North East, with the majority having moved from outside the region. Locals represented 46.3% of the sample and returnees, 9.2%. The proportion of newcomers is slightly higher than that recorded in 1999, and reinforces the importance of in-migrants in starting up new businesses in rural parts of the North East (see Bosworth 2006, 2008; Kalantaridis and Bika 2004; Raley and Moxey 2000). The evidence suggests that newcomers and locals tend to operate in different sectors, with the former more dominant in Accommodation, Information and Communication and Professional activities and the latter prevalent in the more traditional rural sectors such as Agriculture, Construction and Manufacturing. Only 33% of newcomers reported that they intended to start up the business within two years of moving, suggesting that for the remaining 65% the rural environment to which they move may have an influence on their decision to start up a business either in a positive sense by providing opportunities for new business formation or in a negative sense in there being few alternative employment opportunities).

- As was found in the 1999 survey, business owners tend to work long hours in their business, with almost 20% reporting that they worked more than 61 hours per week in the business. Males were more likely than females to work longer hours, with females more likely to report that they worked less than 30 hours per week in the business. Overall, 50% of all respondents reported that their spouse/partner had some form of paid or unpaid involvement in the business (a slight decrease from 57% of respondents in 1999, although this may reflect the focus on microbusinesses in 1999).
- The main advantages of their location cited by respondents were good communication, at or close to home, beautiful or quiet location and proximity to customers and suppliers. However, similar factors also emerged as the main disadvantages cited by respondents, including poor transport (including inadequate public transport) and poor communication links. Almost 9% of respondents stated that their location had no disadvantages.
- Across the sample as a whole, 92% of employees lived within 30 miles of the business showing the high degree of integration of businesses with their local context in terms of employment. Just over 55% of respondents' sales were made within 30 miles of their business and just over 48% of supplies were obtained within the same area, although variations were found between different sectors.
- While most respondents were motivated to start their business by a need to generate either a main or secondary income, other motivations were also important, including changing work/life balance, taking on a new challenge, developing a personal interest and exploiting a market opportunity. These were particularly important motivations for newcomers and returnees perhaps reflecting their movement to rural areas to downsize and change their employment behaviour (see also QA Research 2008).
- Despite the preponderance of small businesses in the sample, 11% of respondents reported that their business turnover was in excess of £1 million per annum. The sectors in which profits represented the highest proportion of turnover were Professional, technical and scientific, Manufacturing and Construction activities. The sectors most likely to report an increase in profits in the last five years were Manufacturing and Professional, scientific and technical activities.
- Just over 75% of respondents reported that they had accessed some form of business advice/support in the last five years. Reflecting the findings of previous research (see for example, Atterton et al. 2006), the sources accessed most frequently were private sector advisors such as accountants and other industry contacts. Business Link had been accessed by approximately one third of respondents although the advice received was not rated as useful as that received from accountants and other private sector suppliers, industry contacts and family members. In the sample as a whole, 47% of respondents reported that they were members of a business association and this was favoured slightly more by locals than returnees or newcomers.
- Almost 83% of businesses in the sample reported that they had access to broadband on their premises. However, whilst 82% reported that the provision

was adequate for their current business needs, only 65% reported that it was adequate for their future business needs.

- Just under 49% of respondents reported that they had introduced some form of innovation in the last five years, including using new equipment, new software or new telephone or accounting systems. This was more common for businesses in the Finance and insurance activities sector and in Manufacturing; for returnees and newcomers rather than locals; and for small and medium sized businesses rather than microbusinesses. Relatively few businesses had worked with external organisations in introducing their innovation, although this was slightly more likely amongst younger businesses than older businesses.
- Over 53% of respondents were looking to maintain their business position in the short term with just over 39% looking to expand. Some of this expansion was associated with employment creation. In the longer term (10 years) the varied plans of owners were apparent with some owners wishing to hand on or sell the business, a finding that is not surprising given the older age profile of respondents. The CRC (2008a) reports that aspirations to grow appear to vary by business size and sector and by degree of rurality. There are also regional variations: the FSB survey in early 2009 (see Anderson et al. 2009) found that businesses in the North East (and Scotland) reported a better performance than their counterparts in other regions.
- The most important constraints on the future growth of businesses were identified as anxiety about the current economic climate, increased regulation and the shortage of finance/high cost of borrowing. All of these reflect the economic situation at the time of the survey and have been found to be important in other research, including the recession evidence gathering by the CRC (CRC 2009; see also Anderson et al. 2009; Devon Renaissance 2007; Wales Rural Observatory 2008). Other important constraints reflected the more long term challenges faced by rural businesses including a lack of space on the current site and difficulties recruiting skilled staff.
- The survey suggested that the confidence of rural business owners in their own enterprise remains high. In contrast, there were only reasonable levels of confidence in the local and regional economies, and levels of confidence in the national and global economy were much lower. A CLA membership survey in early 2009 similarly found that confidence in the rural economy was high but much lower for the general economy (CLA 2009). A Cumbria Tourism survey (see CRC 2008b) found that the majority of businesses were optimistic about the following six months. This relatively positive picture appears to confirm the findings of previous research about the resilience of rural businesses during times of crisis (see for example Phillipson et al. 2004). Anderson et al. (2009) note that this might be due to the local embeddedness of rural firms which acts as a support in difficult times (although it might be a constraint during buoyant times) and the loyalty of the customer base. Other factors too may play a role, including the relative lack of competitors, a lack of dependency on markets outside the area providing insulation, or because smallness works to the advantage of the business by creating independence and flexibility (i.e. reliance on internal rather than external finance),
- Drawing on some of the recommendations of the Rural Advocate's report (CRC 2008c), when asked how their businesses could be supported to grow

in future, 43% of respondents agreed or strongly agreed that better access and adjustments to national and regional business development programmes and grant funding would help their business to grow. Approximately one third of respondents agreed or strongly agreed that better access to IT and better access to private capital would help their business to grow.

Surveys such as this are vitally important in improving our understanding of the characteristics of rural businesses and the key issues facing rural business owners. This survey was undertaken in an economic recession and whilst no questions directly asked about the impacts of the downturn, it is clear that this has had an impact on respondents. Some respondents saw opportunities in the recession whilst others were more anxious about some of the more structural and long-term challenges that face rural businesses, such as recruiting skilled staff. In general, however, the picture painted of rural businesses in the North East is reasonably positive with many owners planning growth, undertaking innovation, accessing business support, setting up new home based businesses and taking advantage of IT improvements and of opportunities to exploit new challenges and markets and change their work-life balance. The importance of in-migrants to the rural areas of the North East in these positive development processes should not be under-estimated.

## **6. Implications**

There are a number of policy implications which can be drawn from these findings and these are outlined in this section.

- 1) There is strong evidence of extensive diversification amongst respondents to the survey. In part this will have been stimulated by successive EU rural development programmes. Future support programmes for rural businesses will need to recognise the extent to which owners are engaged in multiple activities and that this is a strength rather than a weakness of the rural economy and should not be penalised (for example in the formulation of business output and employment targets). The positive impact of this multi-layered activity on individuals, households, business supply chains and rural communities and the ways in which they are inter-related and mutually supporting must be acknowledged.
- 2) Consistent with demographic trends generally, business owners in the sample displayed a relatively old age profile. This underlines the importance of planning and economic development policies and programmes that encourage and enable young people to live in the countryside and create new businesses. At the same time, however, support is required for those older people who choose to remain in the workforce for longer, recognising that such behaviour may be motivated by a range of different factors and that this age group have much to contribute to rural economies in terms of skills, knowledge, experience and financial capital.
- 3) The research has demonstrated the vital role of in-migrants in starting new businesses in the rural North East, particularly in those sectors in which locals are less likely to be found. Planning policies that seek to severely limit new house building or to restrict it to meeting the needs of those defined as local may be misplaced. Business support providers must recognise the varying motivations of in-migrant business owners and the different resources and talents that they bring to the economies in which they choose to settle.

- 4) Home based working is becoming increasingly important in rural areas of the North East. Again it is important that planning policies do not unduly restrict these activities and rather set out to make it easier for people to work from home, particularly given the positive impacts in terms of reducing journeys to work and, for example, in providing a flexible employment option for those with caring responsibilities. Whilst such businesses may not always be seeking to grow, they have the potential to generate new income flows, especially since the business owners are likely to source their supplies locally. Further research is needed to explore the activities in which these owners are engaged and their motivation for setting up the business to inform the design of support programmes tailored to their particular circumstances.
- 5) The survey demonstrates the significantly increased reliance of businesses on the internet and broadband since the 1999 survey. Concerns have been raised by respondents over the adequacy of present provision to meet business needs in the future and ongoing investment will be required to ensure that all businesses continue to have access to fast and reliable broadband infrastructure.
- 6) Business owners placed considerable importance on good transport and communication links alongside the beauty and quietness of their location. Even given the increasing role of broadband and home working, it is likely that these factors will continue to be important in the locational decisions made by entrepreneurs in future. Investment in rural infrastructure, but also in maintaining and enhancing the quality of the region's landscape and environment, will be critical if new in-migrant business owners are to continue to be attracted.
- 7) Rural businesses appear to favour the use of private sector sources of advice. Business Link was nevertheless also accessed by a good number of respondents, often for funding to support business start-up, expansion and investment. It is important that all business owners, irrespective of their size and location, are aware of and have access to a range of support, advice and training from different providers. These providers should be aware of the differing motivations and growth plans of business owners. A business that is not planning extensive growth still has a critical role to play in the economic and social vitality of the rural community in which it is located. It may be possible to work with and through existing business networks and associations to improve awareness of the support that is available.
- 8) The survey revealed that many business owners had engaged in some form of innovative activity, most of which could be described as small-scale. It is important that national policies and programmes do not overlook such incremental changes and that they encourage rural businesses to work more closely with the regional and national 'innovation system' (including business support providers and universities) than is currently the case.
- 9) Finally, survey respondents clearly felt that their access to and awareness of national and regional support programmes and policies could be improved. One response to this would be more effective rural proofing of such programmes to ensure they are as accessible and applicable to businesses in remote rural areas as they are to those in more accessible rural and urban locations. This should apply to short-term measures, such as those put in place to deal with some of the financial impacts of the recession, as well as long-term support programmes.

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**Appendix One: Rural Business Survey Questionnaire**



**SECTION A: GENERAL INFORMATION ABOUT YOUR BUSINESS**

**A1 Name of the business (i.e. the business to which this survey was sent)**  
.....

**A2 Postcode of the business** .....

**A3 What is your role in the business (e.g. owner, manager, etc)?**.....

**A4 In which year was the business established?** .....

**A5 How did you come to be involved in the business? Please tick one box**

- 1. I started it  → Go to A6
- 2. I manage the business on behalf of the owner  → Go to A6
- 3. I took over / bought the business:  → In which  
year? .....

**A6 Please describe the activity/activities of the business (e.g. manufacture and retail of furniture; graphic design; butcher; holiday accommodation; farm etc.)**

The main activity of the business is:

Please give details of any secondary activity/activities within the business (if applicable):

Please give details of any other business/es in which you are involved and please state how you are involved in it/them (if applicable):

**A7 What form does the business currently have? Please tick one box**

- 1. Sole trader (with or without employees)
- 2. Partnership
- 3. Limited company
- 4. Co-operative
- 5. Social enterprise
- 6. Other  → Please specify.....

**A8 Are your business premises**

1. Rented  2. Owned by you (with or without a mortgage)
3. Part rented / part owned

**A9 Are your business premises:**

1. Part of or attached to your home (e.g. a room in your home or an extension to your home)
2. A separate building on your residential property (e.g. conversion of an adjacent agricultural building)
3. A purpose built industrial unit
4. Retail unit
5. A converted residential property
6. Other - please specify.....

**SECTION B: EMPLOYEES IN THE BUSINESS**

**B1 Please estimate the average number of hours you work per week in the business. Please tick one box**

1. Less than 15 hours per week
2. 15 to 30 hours per week
3. 31 to 45 hours per week
4. 46 to 60 hours per week
5. More than 61 hours per week

**B2 How many people including yourself work in the business?**

	<i>Number</i>
Full-time	.....
Part-time	.....
Temporary/seasonal employees	.....
Voluntary/unpaid	.....

**B3 Please indicate the number of people working in the business including yourself that live in the following areas**

1. Very local (less than 5 miles away)
2. Local (5 to 30 miles away)
3. Regional (31 to 100 miles away)
4. National (rest of UK)
5. Outside UK

**B4 Does your spouse/partner work in the business?**

Yes  No  Not applicable

**If yes, is he/she employed in the business:**

Full time  Part Time  Occasionally

Is he/she? Paid  Unpaid

**B5 Please indicate the number of other family members who work in the business (please do not include your spouse/partner in this question)**

If none  → Go to B6

	Number of full time family members	Number of part time family members	Number of family members working occasionally
Paid workers			
Unpaid workers			

**B6 Please state how many (if any) of your employees are registered on the Worker Registration Scheme (WRS)?**

**B7 Have you made use of any training provision in the local area (i.e. within 30 miles of your business)?**

Yes  No

If yes, please give details of the last three courses/schemes you/your employees have used and rank your satisfaction with them on a scale of 1 to 5 where 1 is very dissatisfied, 3 is neither dissatisfied nor satisfied, and 5 is very satisfied.

Name of course/scheme	Name of the provider	Satisfaction				
		1	2	3	4	5

**SECTION C: THE LOCATION OF THE BUSINESS**

**C1 Would you describe your business location as being (Please tick one box):**

- 1. Urban fringe
- 2. In a market town
- 3. In a large village
- 4. In a small village/hamlet
- 5. In open countryside (accessible)
- 6. In open countryside (remote)

**C2 Please summarise the main advantages of your business location**

- .....
- .....
- .....

**C3 Please summarise the main disadvantages of your business location**

- .....
- .....
- .....

**C4 Would you consider moving your business if the disadvantages started to outweigh the advantages?      Yes       No**

Please briefly explain your answer.....

.....

**C5a Please indicate approximately what percentage of sales (by value) you make to each of the following types of customers**

Customer Type	%
Private customers and households	
Independent shops	
Multiple/chain shops	
Small businesses (with less than 50 employees, <u>excluding shops</u> )	
Larger businesses (with 50 or more employees, <u>excluding shops</u> )	
Public sector (e.g. NHS, local authority)	
Wholesaler/distributor	
Voluntary/charity sector	
Events (e.g. rural shows, Christmas markets)	
Other - please specify.....	
<b>Total</b>	<b>100%</b>

**C5b If you indicated in the previous question that you make sales to private customers and households, please state whether or not this direct selling takes place through your own retail outlet (e.g. farm shop)**

Yes       No       Partly

**C6 Where are your customers located?**

Please indicate approximately what percentage of your total sales (by value) is made in each of the following five areas.

- 1. Very local (less than 5 miles away) .....%
- 2. Local (5 to 30 miles away) .....%
- 3. Regional (31 to 100 miles away) .....%
- 4. National (rest of UK) .....%
- 5. Outside UK .....%

**C7 Please indicate the percentage of your goods/services that are sold using email/the internet**

%

**C8 Where are your suppliers located?**

Please indicate approximately what percentage of your total supplies (by value) is obtained from each of the following five areas.

- 1. Very local (less than 5 miles away) .....%
- 2. Local (5 to 30 miles away) .....%
- 3. Regional (31 to 100 miles away) .....%
- 4. National (rest of UK) .....%
- 5. Outside UK .....%

**C9 Have you applied for planning consent to change the use of your business premises or to construct/alter buildings? Please tick one box**

No, I have not needed or considered applying for planning permission	
No, I have not applied for planning permission because I do not believe that this would be successful	
Yes, but I was refused planning consent	
Yes, I received planning consent and the development proceeded satisfactorily	
Yes, I received planning consent, but the conditions attached to the consent meant the development has not proceeded	
Yes, I received planning consent, but the development has not proceeded for other reasons	

**C10 Do you have any further comments on the planning system and how it affects your business?**

.....

.....

.....



**C11 Please state how important the following issues are to the current operation of your business. Please rank each issue on a scale of 1 to 5 where 1 is not important at all, 3 is moderately important and 5 is very important.**

a. Higher fuel costs	1	2	3	4	5
b. Higher energy costs	1	2	3	4	5
c. Higher waste disposal costs	1	2	3	4	5

**C12 Have you introduced any of the following in the business? Please tick all that apply**

- |   |     |                          |    |                          |
|---|-----|--------------------------|----|--------------------------|
| 1. Improved energy efficiency (e.g. improving insulation)                                   | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 2. 'Green' marketing of your products/services  | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 3. Installing renewable energy technology for on-site energy generation (e.g. solar panels) | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 4. Carbon offsetting  | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 5. Buying green power   | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 6. Using material/food from local sources   | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 7. Conversion of company vehicle/s to biofuel   | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 8. A recycling scheme (in addition to local authority collections)                          | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |

If you answered yes to any of the above, please specify the reason (e.g. cost reduction, environmental concerns) .....

.....

.....

**C13 Has your business been affected by severe weather conditions in the last five years?**

Yes  No

If yes please give brief details.....

.....

**SECTION D: RUNNING THE BUSINESS**

**D1 How would you rate the following in your decision to set up your business?**

Please rank each decision on a scale of 1 to 5 where 1 is not important at all, 3 is moderately important and 5 is very important.

1. To provide my main income source	1	2	3	4	5
2. To establish an additional or minor income source	1	2	3	4	5
3. To avoid or escape unemployment	1	2	3	4	5
4. To carry on the family business	1	2	3	4	5
5. To change my work/life balance (i.e. a lifestyle change)	1	2	3	4	5
6. Occupation following retirement	1	2	3	4	5
7. To take on a new challenge	1	2	3	4	5
8. I had a personal interest that I wanted to develop	1	2	3	4	5
9. To exploit a market opportunity	1	2	3	4	5
10. Other – please specify .....	1	2	3	4	5

**D2a Is your business registered for VAT?** Yes  No

**D2b What is the average annual turnover of the business? Please tick one box only**

- |                       |                          |                         |                          |
|-----------------------|--------------------------|-------------------------|--------------------------|
| 1. Below £9,999       | <input type="checkbox"/> | 5. £100,000 to £249,999 | <input type="checkbox"/> |
| 2. £10,000 to £39,999 | <input type="checkbox"/> | 6. £250,000 to £499,999 | <input type="checkbox"/> |
| 3. £40,000 to £66,999 | <input type="checkbox"/> | 7. £500,000 to £999,999 | <input type="checkbox"/> |
| 4. £67,000 to £99,999 | <input type="checkbox"/> | 8. £1m or more          | <input type="checkbox"/> |

**D3 If you are a farm business please indicate what percentage of this turnover comes from subsidies and other funding schemes (e.g. Single Farm Payment, Environmental Stewardship schemes, etc.)** .....%

**D4 Please indicate the annual profits of the business by ticking one of the ranges below**

- |   |                          |
|---|--------------------------|
| 1. Less than or equal to 0% of turnover (i.e. a loss or break even) | <input type="checkbox"/> |
| 2. Above 0% and up to 1% of turnover                                | <input type="checkbox"/> |
| 3. Above 1% and up to 5% of turnover                                | <input type="checkbox"/> |
| 4. Above 5% and up to 10% of turnover                               | <input type="checkbox"/> |
| 5. Above 10% of turnover  | <input type="checkbox"/> |

If over 10% please specify the percentage .....

**D5 Over the last five years have your profits:**

1. Increased                       2. Decreased                       3. Stayed the same

**D6 In the last five years have you received a grant or loan to improve/expand the business?**

Yes  No

Please give brief details of the reason you applied for the grant/loan(s).....  
 .....

**D7 Have you ever sought business advice?**

Yes  No

**D8 Below is a list of organisations/individuals from which you may obtain business advice or support. For all of those that you have approached for advice/support in the last five years, please indicate the main issue on which you sought advice and how useful that support was to your business on a scale of 1 to 5.**

	Main issue on which you sought advice/support	How useful was the support? Please indicate on a scale of 1 (not useful at all) to 5 (very useful)				
Local Enterprise Agency		1	2	3	4	5
Business Link (pre-April 2007)		1	2	3	4	5
Business Link (post-April 2007)		1	2	3	4	5
Chamber of Commerce		1	2	3	4	5
Local Business Association		1	2	3	4	5
Trade or Professional Association		1	2	3	4	5
District Council		1	2	3	4	5
County Council		1	2	3	4	5
Trade Union		1	2	3	4	5
Defra		1	2	3	4	5
University		1	2	3	4	5
National Farmers Union (NFU)		1	2	3	4	5
Area Tourism Partnership		1	2	3	4	5
LEADER Local Action Group		1	2	3	4	5

		1	2	3	4	5
Accountant		1	2	3	4	5
Other private sector advisor (e.g. solicitor, architect, bank)		1	2	3	4	5
Family members		1	2	3	4	5
Contacts in your industry locally (within 30 miles).		1	2	3	4	5
Contacts in your industry non- locally (beyond 30 miles)		1	2	3	4	5
Other – please specify.....		1	2	3	4	5
Other – please specify.....		1	2	3	4	5

**D9 Are you a member of any business association, club or forum (these may be local, regional, national or sectoral)?**

Yes  No

**If yes, please give the name(s) of up to three associations of which you are a member, and state:**

**a. The primary benefit you sought when joining (e.g. profit, networking, local knowledge etc.)**

**b. Your overall level of satisfaction with the association.** *Please indicate your overall satisfaction on a scale of 1 to 5 where 1 is very dissatisfied, 3 is neither dissatisfied nor satisfied, and 5 is very satisfied.*

Full name of association	What was the primary benefit you sought when joining?	Satisfaction				
		1	2	3	4	5
		1	2	3	4	5
		1	2	3	4	5
		1	2	3	4	5

**D10 Please indicate how the internet is used in your business. Please tick all the boxes that apply.**

- |                                  |                          |                                |                          |
|----------------------------------|--------------------------|--------------------------------|--------------------------|
| 1. To gather information         | <input type="checkbox"/> | 2. To market products/services | <input type="checkbox"/> |
| 3. To sell products/services     | <input type="checkbox"/> | 4. To make contacts            | <input type="checkbox"/> |
| 5. To purchase supplies/products | <input type="checkbox"/> | 6. I do not use the internet   | <input type="checkbox"/> |

**D11 Please state any ways in which you plan to use the internet in future in your business.....**

.....  
 .....

**D12 Do you have access to broadband in your business premises?**

Yes  No

If yes, is the speed of the connection adequate for:

Your current business needs? Yes  No   
Your future business needs? Yes  No

**D13 Has your business introduced any innovations in the last five years?** This

may include product, process or service innovations (e.g. introducing a new work routine, improving IT systems, introducing a new product, business co-operation etc.)

Yes  No

If yes, please give details.....  
.....

**D14 Did your business work with any external organisations or partners in introducing this innovation (e.g. another business, university staff, innovation centre, etc.)?**

Yes  No

If yes, please give details  
.....  
.....

**D15 We would like to know more about the ways in which you market (i.e. advertise) your products/services. Please list the main marketing methods you use in the box below in order of importance.**

1.
2.
3.
4.
5.

**D16 Please indicate your agreement with the following three statements, where 1 is strongly disagree and 5 is strongly agree.**

1. It is important that my products/services can be identified with the place in which they are produced (e.g. Lanchester)	1	2	3	4	5
2. It is important that my products/services can be identified with the local area in which they are produced (e.g. Northumberland)	1	2	3	4	5
3. It is important that my products/services can be identified with the region in which they are produced (e.g. the North East)	1	2	3	4	5

## **SECTION E: FUTURE BUSINESS PLANS**

**E1 We would like to know about your plans for the business for the next two years and the next 10 years. In the next two years and ten years do you plan to:**  
(please tick only one box for each time period)

	<b>2 Years</b>	<b>10 Years</b>
1. Maintain current position		
2. Expand the scale of activities		
3. Reduce the scale of activities		
4. Sell the business		
5. Stop trading		
6. Hand on to a successor		
7. Increase the number of employees		
8. Reduce the number of employees		
9. Don't know/uncertain		

**E2 Below is a list of factors that may constrain the growth of a business. Please indicate the importance of each factor in constraining the growth of your business.**

	On a scale of 1 (not important at all) to 5 (very important), how important is each factor?				
1. Lack of space on current site	1	2	3	4	5
2. Lack of suitable premises in the locality	1	2	3	4	5
3. Shortage of finance in the business / high cost of borrowing	1	2	3	4	5
4. Problems recruiting skilled staff locally	1	2	3	4	5
5. Problems recruiting less skilled staff locally	1	2	3	4	5
6. Unwillingness to take on any / more employees	1	2	3	4	5
7. Anxiety about the current economic climate	1	2	3	4	5

8. Ageing of workforce	1	2	3	4	5
9. Shortage of appropriate training programmes in the area	1	2	3	4	5
10. Training programmes locally are too expensive	1	2	3	4	5
11. Outward migration of young people	1	2	3	4	5
12. Ageing customer base	1	2	3	4	5
13. Increased regulation affecting the business	1	2	3	4	5
14. Other, please specify.....	1	2	3	4	5
15. Other, please specify.....	1	2	3	4	5

**E3 Please rank your confidence in each of the following in the next two years and the next 10 years, using a 1-5 scale, where 1 is not at all confident, 3 is moderately confident and 5 is very confident.**

	Within the next two years (short-term)	Within the next ten years (long-term)
1. Confidence in your own business	1 2 3 4 5	1 2 3 4 5
2. Confidence in your local economy (within 30 miles of your business)	1 2 3 4 5	1 2 3 4 5
3. Confidence in the North East economy	1 2 3 4 5	1 2 3 4 5
4. Confidence in the UK economy	1 2 3 4 5	1 2 3 4 5
5. Confidence in the global economy	1 2 3 4 5	1 2 3 4 5
6. Confidence in your sector	1 2 3 4 5	1 2 3 4 5

**E4 Please list the three most important threats and opportunities facing your business in the box below.**

Threats	Opportunities
1.	1.
2.	2.
3.	3.

**E5 A recent report has argued that rural businesses are not reaching their full potential for growth<sup>9</sup>. Below is a series of statements relating to business growth. Please rank your agreement with these statements on a scale of 1 to 5 where 1 is strongly disagree, 3 is neither agree nor disagree and 5 is strongly agree.**

1. Better access to new IT technology will help my business to grow	1	2	3	4	5
2. Working in collaboration with other local businesses (e.g. to adopt new technology) will help my business to grow	1	2	3	4	5
3. Better access and adjustments to national and regional business development programmes and grant funding will help my business to grow	1	2	3	4	5
4. Better access to private capital will help my business to grow	1	2	3	4	5
5. Better access to skills/training programmes will help my business to grow	1	2	3	4	5
6. Closer relationships with business support agencies will help my business to grow	1	2	3	4	5
7. Other – please specify.....	1	2	3	4	5

**SECTION F: PERSONAL INFORMATION**

**F1 Please indicate your gender**

Male  Female

**F2 Please indicate your age group**

1. 17 or younger  2. 18 to 29  3. 30 to 39  4. 40 to 49   
 5. 50 to 59  6. 60 to 64  7. 65 to 69  8. 70 or older

**F3 Please indicate the highest level of formal education you have achieved**

1. Higher (postgraduate) degree/NVQ Level 5  4. O Level/GCSE/NVQ Level 1/2   
 2. Degree/NVQ Level 4  5. None   
 3. A level/NVQ Level 3  6. Other – please specify   
 .....

**F4 When did you start living in this local area (within a 30 mile radius)?**

1. Lived here since a child  → Go to F7  
 2. Grew up here and returned later in life  → Go to F5  
 3. Moved here as an adult  → Go to F5

<sup>9</sup> Commission for Rural Communities (2008) *England's rural areas: steps to release their economic potential. Advice from the Rural Advocate to the Prime Minister.* Commission for Rural Communities: Cheltenham.



**F5 What was the postcode of your previous residential location (or the name of the village/town/city if postcode not known)?.....**

**F6 If you started the business, did you have the intention of starting a business when you moved here?**

In the short term (within two years)	<b>Yes</b>	<input type="checkbox"/>	<b>No</b>	<input type="checkbox"/>
In the long term (2-10 years)	<b>Yes</b>	<input type="checkbox"/>	<b>No</b>	<input type="checkbox"/>

**F7 Please state your employment status immediately prior to establishing this business. Please tick the option that best applies to you.**

1. In education/training	<input type="checkbox"/>
2. Unemployed	<input type="checkbox"/>
3. Not actively seeking work	<input type="checkbox"/>
4. Employed full/part time in the public sector	<input type="checkbox"/>
5. Employed full/part time in the private sector	<input type="checkbox"/>
6. Owner-manager of another business	<input type="checkbox"/>
7. Other – please specify .....	<input type="checkbox"/>

**If you have any further comments about the issues raised in this survey please enter them here**

**If you are interested in hearing about the results of the survey, please tick this box**

**Thank you for completing the survey**

**Please return the survey to the Centre for Rural Economy, Newcastle University in the prepaid envelope provided.**