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## Understanding entrepreneurship in the local context

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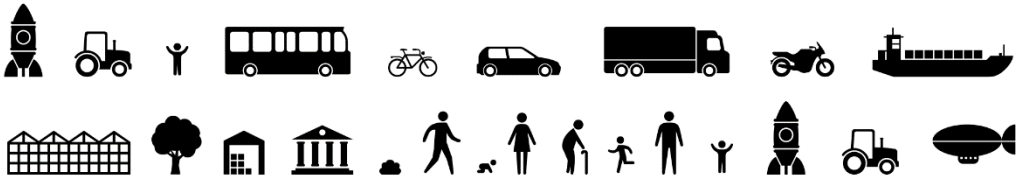
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# Why start a business in a declining rural area with an ageing society?

## A UK-NL case study





### **3. Why start a business in a declining rural area with an ageing society? A UK – NL case study<sup>4</sup>**

Businesses started in disadvantaged or remote regions are commonly assumed to be motivated by necessity, as employment opportunities are limited and people have little to lose in starting their own business. Yet people have various motivations for becoming self-employed. A key step in gaining further insights into new business creation in these areas is developing a better understanding of start-up motivations. Location decisions taken by firms would rationally include an assessment of regional conditions and developments, which raises the question: why do people choose to start their firm in a regional context of rurality and strong ageing and how does this context influence their decision making and ambitions throughout the start-up process? Two case study regions are included: rural Northumberland (UK) and rural Drenthe (NL), both of which face a declining workforce and are strongly ageing. By means of semi-structured face-to-face interviews with small business owners, the aim is to determine how the regional context mediates start-up behaviour. The results indicate that the lifestyle in a rural region is very influential for the small business owners, whereas population ageing is not. Local embeddedness seems to offer the support and desire to establish a business despite the (for profit) irrational location choice, choosing personal happiness over profit maximisation.

KEY WORDS: motivation, ageing, rural, small business owners, in-depth interviews

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### **3.1 Introduction**

Firms are set up by individuals and individuals are influenced by their environments. People start a business in all types of regions, some of which do not make sense in terms of profit maximisation. Regions in transition can provide additional challenges for new businesses, making the start-up decision and process more difficult. In this study we focus on start-up motivation in rural regions with an ageing population. By 2030, the EU workforce will have declined to a level at which two workers are providing for one non-worker (EU, 2012; Kwasniewski, 2005). Clearly, the ageing population increasingly poses a challenge. Possible consequences of the ageing population like the size of the workforce and the impact on national pension systems have already received much attention (Ruis and Scholman, 2012). Less attention has been given to the consequences that the ageing of the population may have for new business creation. A rural, ageing context possibly affects both the number of enterprises as well as their performance; ageing changes both the consumer and the labour markets, possibly making it more difficult to find the right employee, but it also affects the pool of potential new entrepreneurs themselves (Bönte et al., 2009). This specific context seems less inviting for business start-ups but recent research has indicated that, in the case of the Netherlands, there is a positive impact of rural, declining regions on new business creation (Delfmann et al., 2014). Their data however, did not reveal whether these are serial entrepreneurs, self-employed, side activities or innovative entrepreneurs. Neither did the data provide information on why people would choose to start in such a location, when relatively nearby an urban centre can be found. It is argued that many economic benefits are associated with an urban context, and entrepreneurial opportunities are often discussed in the literature as being key urban advantages (Armington and Acs, 2004; Bosma et al., 2008; Frenken and Boschma, 2007; Stam, 2009; Sternberg, 2011). Setting up and running a business in rural locations poses additional challenges regardless of the ageing population, given the distance to larger consumer markets and skilled labour, and also their more scattered professional networks (Bosworth and Farrell, 2011). What is the rationale for people to start their business in a rural, declining or stagnating region? Moreover, in a region that is strongly ageing, with a declining workforce? A key step in gaining further insights into entrepreneurship in these areas is to develop a better understanding of start-up motivations and of how the context influences decision making and ambitions throughout the start-up process.

Entrepreneurship is a broad concept with many definitions used in both theoretical and empirical literature (Audretsch et al., 2011 and Casson et al., 2006). In this study entrepreneurship is defined as the creation of a new business. Thus, the small business owner can be an entrepreneur in the traditional sense or he/she can be self-employed. New business creation can play an important part in maintaining quality of life in a rural, ageing and declining region; the economic impact of entrepreneurship has been

firmly established (e.g. Acs and Armington, 2004; Stam, 2009). It drives competition and innovation, and consequently GDP and employment growth. Entrepreneurship can also contribute to other aspects of quality of life, such as the level of social capital, in that it creates trust, maintains social relations and provides meeting places (Morris and Lewis, 1991; Westlund, 2003). The quality and therewith the potential contribution of new firms, however, will depend on motivation and the regional context.

This study adds to the push-pull literature by including the role of the regional context in start-up motivations and the location decisions of new business owners. To determine how rurality in terms of accessibility influences the nascent entrepreneur, we compare two regions that mainly differ on this particular aspect. Rural Northumberland (UK) and rural Drenthe (NL) are both facing a declining workforce and are strongly ageing (NSP, 2011; CBS, 2009). Rural regions in the Netherlands are always relatively close to an urban centre in geographical terms. The infrastructure covers the peripheral regions well, providing rural regions with a fairly easy link to the urban centres. In England, we find more 'traditional' rural regions, which are more isolated and have weaker links to urbanized areas. By comparing the two regions which are quite similar in many aspects but very different regarding relative accessibility, we assess whether the type of rurality and related accessibility affect the decision making process and start-up motivation. The rest of the Chapter is argued as follows. We first elaborate on the impact of demographic changes on start-up motivations, and then we describe the data and methodology used. Next the key findings are presented and discussed. The final section presents our conclusions.

### **3.2 Theoretical framework**

The entrepreneurial process depends on the available opportunities in the environment and on the individuals identifying and exploiting these opportunities. New business creation is then the result of interaction between an individual's traits and their environment. In addition the environment influences the nature and likelihood of business creation (Stam, 2009). This two-way interaction reflects the type of thinking that underpins Giddens' structuration theory. In this case in terms of entrepreneurship, structuration type of thinking is used as a framework to explore the link between the small business owner (as the agent) and the context (as the structure) in order to consider their role in the emergence of rural enterprises (Giddens, 1984; Steinerowski and Steinerowska-Streb, 2012). An understanding of structuration theory is that there is a link between individual choices and structural contextual social forces. It argues that the agent is not only shaped by the regional context but also that, over time, the other way around is true: the agency (the small business owner) can restructure the context (Giddens, 1984). Changes may occur as a result of this interaction and exchange, both on the part of the small business owner and of the

context (Jack and Anderson, 2002; Steinerowski and Steinerowska-Streb, 2012). Applying a structuration type of thinking to the study of new business creation enables us to recognise how social structure affects and encourages entrepreneurial activity, particularly in terms of resource availability or restraint (Jack and Anderson, 2002).

Following Jack and Anderson (2002), we narrow the concept of structuration to the notion of embeddedness in order to explore how small business owners use their regional context in the creation and operation of their businesses. Embedding is '*the mechanism whereby an entrepreneur becomes part of the local structure*' (Jack and Anderson, 2002, p. 467), providing access to local information and knowledge (Bosworth and Farrell, 2011). The image of the small business owner as an embedded local seems appropriate, with previous research showing that social factors, such as being close to family and friends, are up to four times more important than economic factors in the start-up process (Dahl and Sorenson, 2009). Local embeddedness is relevant to new business creation as it helps the small business owner to identify resources. Being embedded within the social context also means you will have access to more support during the start-up process (Jack and Anderson, 2012). Disruption of social ties is very likely in rural and ageing regions due to high out-migration of particularly young people. Being better at identifying resources and having more support from the community as a result of being embedded is thus even more prudent in the context of a remote and ageing region.

### 3.2.1 *Start-up motivation*

People have various motivations for starting their own business. A leading theoretical division is to classify start-up motivation into categories of push and pull factors (Gilad and Levine, 1986; Kirkwood, 2009; Segal et al., 2005). Push factors are characterised by personal or external factors, and often have negative connotations. The push theory argues that people are pushed into self-employment by negative external forces, such as job loss or job dissatisfaction. Alternatively, pull factors are those that draw people to start a business. Pull theory contends that individuals are attracted to entrepreneurship by seeing a business opportunity, by seeking independence or wealth (Segal et al., 2005).

Based on an extensive literature review, Kirkwood (2009) concludes that there are four key drivers for start-up. The first important motive is a desire for independence and related factors such as autonomy and greater control. A desire for independence is primarily classified as a pull factor. Second, financial motivations are often found to be important, and these are also usually classified as a pull factor. Profit maximisation is, however, rarely a main driver for rural entrepreneurship (Jack and Anderson, 2002; Markantoni et al., 2014; Stathopoulou et al., 2004). The third key driver identified by

Kirkwood consists of motivations related to work. These are usually considered to be push factors, as it includes issues such as unemployment, redundancy, and a lack of career prospects. Within a context of rurality and ageing, it is likely that we will find this third key factor to be particularly prominent given the more difficult job market conditions. However, ageing in itself could also lead to better job opportunities for young people, as more and more workers move into retirement, creating vacancies and easing the job market conditions. Finally, a number of family-related factors have been found to be important, such as combining wage employment and domestic work, family commitments, and a desire for a work-family balance. Interestingly, family-related motivations for becoming a small business owner are often labelled push factors (Kirkwood, 2009), whereas a more positive interpretation could argue that people are pulled towards self-employment in order to find a more flexible work schedule.

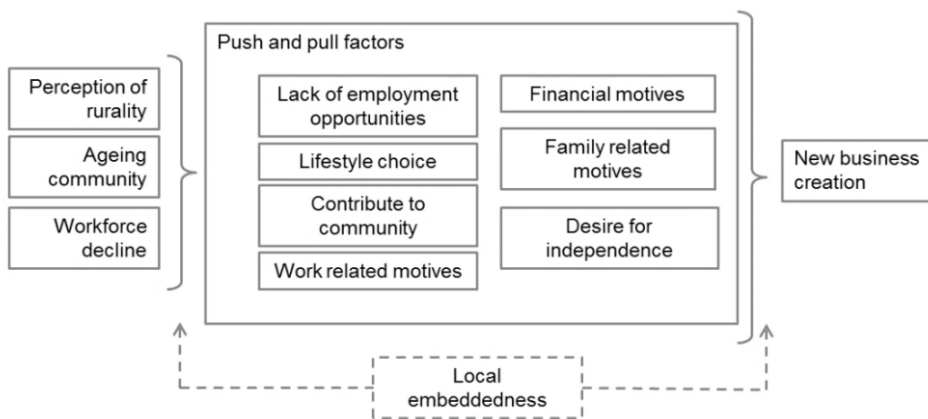


Figure 3.1. Context affects motivation

Figure 3.1 shows the connections between the context and motivations. The focus of this Chapter lies on the first bracket: determining how motivation is shaped by the regional context of perceived rurality, population ageing and workforce decline. The start-up process is then made up by push and pull factors, most likely a combination of several factors, which results in the creation of a new business. Under less favourable conditions the push effects into self-employment are typically greater than under good conditions (Carrasco, 1999). A common assumption is therefore that small business owners in deprived, less developed or remote regions are more likely to be motivated by necessity, as employment opportunities are limited and people have little to lose in starting their own business (Brooksbank et al., 2008; OECD, 2004; Williams and Williams, 2012). Motivation, however, is hardly ever solely out of necessity. Even for those business owners for whom necessity factors play an initial role, Williams and Williams (2012) show that pull factors in nearly all cases also play a part. Embeddedness can affect the start-up process at the beginning, influencing the



motivation to start. But it can also have an influence later in the type of business started, depending on available resources for instance.

### *3.2.2 Location decisions*

Studies dealing with start-up decisions are often concerned with the cost factors related to a particular location (Johnson and Rasker, 1995). Potential success for a new firm is usually influenced by local demand, labour and production costs, and for small and micro firms consumer proximity is particularly relevant (Mazzarol and Choo, 2003; Disdier and Mayer, 2004). Within the context of rural ageing and population decline, many of the characteristics likely to influence this decision making process are relatively negative ones. They include a lack of investment capital, a shrinking labour market and a decreasing market size. Rural locations provide additional challenges for small business owners given their distance to larger consumer markets and qualified labour and also to their more scattered professional networks (Bosworth and Farrell, 2011). The larger distances and low accessibility will lead to higher transaction costs (Steinerowski and Steinerowska-Streb, 2012). On the other hand, rural regions usually offer more affordable land and office space.

Rational consideration of these characteristics from a profit maximisation perspective, would suggest it might be best to find a different site for the new firm. The home region often offers a less constructive economic environment for start-ups than other possible places and the non-material qualities of the rural environment do not always compensate for the material disadvantages of rural life (Dahl and Sorenson, 2012; Shucksmith et al., 2009). But it is important to realise the wide range of entrepreneurial goals, personal goals, which are not captured by economic rationale or profit maximisation, especially in rural regions (Stathopoulou et al., 2004). There are many other factors influencing the decision making process, some of which are much more intangible in nature (Johnson and Rasker, 1995; Karakaya and Canel, 1998). For example, entrepreneurs might choose their home locations so that they can use their social capital. Through embeddedness, the small business owner can turn these limited resources into a rich environment (Jack and Anderson, 2012). Personal networks are crucial and formal and informal networks often help the start-up process (Weber and Schaper, 2004). Most notably, small business owners may locate their business at home or nearby to satisfy social preferences. Finally, of course, it is possible that they do not even actively consider their location choices (Dahl and Sorenson, 2009).

### *3.2.3 Type of entrepreneur*

When discussing types of entrepreneurs, the classic entrepreneur is often the first that comes to mind. The classic entrepreneur is an individual who innovates, takes risks, identifies business opportunities and aims for economic profits, sales growth and

expansion (Norman, 2004; Amit et al., 1993). The classic entrepreneur is expected to be the least prominent here, given the choice of location. It seems likely that another category exists, namely the lifestyle entrepreneur. Especially in green and attractive rural locations business owners actively seek a specific type of lifestyle. Rural inhabitants are typically found to experience higher life satisfaction than city people (Sorenson, 2013). The location choice is above all a residential choice. The priority of these individuals is quality of life, they choose a residence location regardless of the possibilities for employment. It is one of the reasons for starting a business (Saleilles and Gomez-Velasco, 2007). Lifestyle entrepreneurs do not always fit in the traditional models of business activity (Bosworth and Farrell, 2011). The lifestyle entrepreneur can be described as an individual who owns and operates a business closely aligned with their personal values, interests, and passions (Marcketti et al., 2006). Their motivations revolve around establishing or maintaining a certain lifestyle and quality of life (Bosworth and Farrell, 2011) and becoming self-employed is shown to be the best method to achieve such personal goals (Stone and Stubbs, 2007). Their lifestyle choice is often realised by converting a hobby into their career (Markantoni et al., 2011; Freire-Gibb and Nielsen, 2014).

Similar to the lifestyle entrepreneur, peripheral regions could attract a modern-day cottage industry, a small scale, specialized entrepreneur who locates their business in peripheral regions and has border crossing network; in other words, internet-based service firms operating from home (Tordoir, 2010; Stone and Stubbs, 2007). Cottage industry is related to selective migration. The nascent entrepreneur relocates their home to the periphery and starts a business from home. Cottage industries are less dependent on agglomeration benefits and do not depend on close physical proximity to the market as they are mainly internet-based. People in rural regions are often highly embedded and social networks can be very dense resulting in higher levels of trust and active civic participation (Besser, 2009; Steinerowski and Steinerowska-Streb, 2012). These are key components of social capital associated with enterprise development. When areas start to undergo change, such as through ageing, the quality of life might be negatively impacted and people may feel a sense of urgency to contribute to their community by means of starting a new business. Forms of social entrepreneurship may thus be particularly prominent in such regions due to an emotional connection of the inhabitants with the region (Miller et al., 2012).

On the one hand, population ageing and a declining workforce affects the consumer market and it might also make it difficult to find qualified personnel as a result of labour shortages and skills gaps (OECD, 2013). On the other hand, it changes the pool of potential entrepreneurs. People of a certain age group are more likely to start up a business. The probability of a person starting their own firm takes the shape of an inverted U, first increasing with age and later declining (Bönte et al., 2009). The largest

group of new entrepreneurs in the Netherlands is 35-39 years old. Those who are self-employed without personnel are older, with an average age of 45 years, a group that has been growing rapidly in the last decade (KvK, 2013). Ageing could thus impact the number of new entrepreneurs, but more importantly for our research question, it is likely that the average start-up age will rise. The motivation of the older small business owner is different to that of the 'average' nascent entrepreneur (Ruis and Scholman, 2012; Berold, 2013; Lévesque and Minniti, 2006; Lewis and Walker, 2011; Shane, 2010). Singh and De Noble (2003) have suggested three types of older entrepreneur: the constrained entrepreneur, who has long harboured a desire to start a business, but lacked the financial and or family flexibility to follow this through; the rational entrepreneur, who sees self-employment as a progression of his or her career or as a way to increase personal wealth; and the reluctant entrepreneur, who is forced into self-employment due to a lack of acceptable alternatives and insufficient wealth to retire early. Other factors particularly influencing the older owner include a decline in traditional career opportunities and an insufficient pension (Weber and Schaper, 2004). At the same time, other factors might also be at play pulling people into entrepreneurship such as the growing services economy and the increasing acceptance of home-based and part-time business operations (Weber and Schaper, 2004).

#### *3.2.4 Accessibility*

Both England and the Netherlands are special cases regarding the urban-rural dimension. The two countries are the most densely populated countries in Europe with England being slightly more densely populated than the Netherlands since 2008 (ONS - Office for National Statistics, 2012). There is, however, a large difference in terms of urban – rural linkages; the spatial distribution is very different. The relationship between urban and rural regions in the Netherlands is exceptional within Europe. Rural regions in the Netherlands are always relatively close to an urban centre in geographical terms. Also, peripheral regions are connected through a dense infrastructural network, providing inhabitants with a fairly easy link to the urban centres. Rural regions in the Netherlands are therefore more connected to urban areas as reflected, for instance, by increased commuting between these regions (OECD, 2008). However, compared with other European countries the Dutch rural regions are fairly autonomous in terms of locally oriented economies (OECD, 2008). According to the OECD (2013) classification technically there are no rural regions in the Netherlands, as these are classed as intermediate regions.

In England we find more 'traditional' rural regions, which are more isolated and with weaker links to urbanized areas. Their relative geographical locality differs distinctively from the Netherlands. However, according to common perception among the Dutch, rural areas do exist. For example, Drenthe is considered a typically rural area

(Haartsen, 2002; OECD, 2008; 2013). The question arises as to whether these geographical differences in distance and accessibility will have different impacts on start-up behaviour, on motivation and ambitions? Or will the perception of the rurality matter most? Given the importance of perception in other aspects of start-up decisions (Krueger et al., 2000; Sitkin and Weingart, 1995), the expectation is that the perception of accessibility and rurality will be the decisive factor. Comparing the two regions studied, the aim is to unravel how the context affects start-up behaviour.

### 3.3 Method

#### 3.3.1 Case study regions

Two case study regions were selected to research the influence of ageing and rurality on start-up behaviour. The case study regions, Glendale in Northumberland and Westerveld in Drenthe, have many similarities. Both are considered to be rural, have a small market town, and are attractive green areas with national parks within their boundaries. Both regions have military influences, they are border regions and are known for the relatively high numbers of retirement in-migrants. The largest difference between these case study regions is to be found in their links to urban centres. This difference does not manifest itself in the number of kilometres between places, but more in the accessibility. This next section will introduce both regions in more detail, see also the maps of Figure 3.2 and Figure 3.3.

Northumberland is home to 316,000 people and covers an area of 5,013 km<sup>2</sup>, of which 96.7% is classed as rural (Know Northumberland, 2012). The county of

	'grey pressure'	Seahouses & Belford plus Glendale	Westerveld
2001		39.6%	30.0%
2011		44.3%	37.3%
Change		4.7%	7.3%

Northumberland used to be divided into multiple districts. In the former district of Berwick-upon-

Table 3.1. Dependency ratio in Seahouses, Belford including Glendale (ONS, 2013) and Westerveld, Drenthe (CBS, 2013).

Tweed, in the North of Northumberland lies the region of Glendale, the case study region. Glendale has a population of 5,042, it measures 566 km<sup>2</sup>, and has a population density of 9 people per km<sup>2</sup> (Know Northumberland, 2012). Glendale's locality includes the town of Wooler and part of Northumberland National Park. Wooler has hardly seen any population growth: 0.43 percent growth in the last decade. Even though it is small, Wooler functions as a market town for the nearby villages and dwellings. Northumberland has an ageing population, a trend which is set to continue,

with the number of older people in Northumberland predicted to rise dramatically in the next 25 years.

By 2033, 31 percent of the total population in Northumberland will be aged over 65 (County council, 2012). Table 3.1 shows the demographic pressure for Seahouses & Belford, including Glendale. It clearly shows that the dependency ratio, the 'grey pressure', is high and has increased significantly in the last decade. The grey pressure is made up of the number of elderly set against the potential workforce in the region.

In the Netherlands we focus on the province of Drenthe, one of the most rural regions in the country. Within the province of Drenthe the research focuses on the South West, the municipality of Westerveld. Westerveld covers 282 km<sup>2</sup>, with a little over 19,000 inhabitants, resulting in a population density of just over 67 people per square kilometre (CBS, 2013). It is considered an attractive area to live (Bijker et al., 2011), and similar to Glendale, the population of this region is ageing considerably – partly due to retirees moving to the area and partly because young people are migrating out. On a local level, there are many differences between villages; some declining, some growing, with the municipality as a whole showing mild population decline in clear demographic transition. Within Westerveld, there are four slightly bigger villages, namely Havelte, Diever, Vledder and Dwingelo. Havelte is the biggest with approximately 3000 inhabitants, the other 3 villages have about 2000 inhabitants (CBS, 2013).

In terms of accessibility, the nearest towns to Wooler are Alnwick and Berwick-upon-Tweed, with populations of 8,000 and 11,000 respectively. Both are about half an hour's drive away or an hour by bus. Cycling is not a realistic option. Buses only run during the day between 8am and 5pm. Berwick and Alnwick are the first places where services such as dental or hospital care are available. The real urban centres are Newcastle or Edinburgh, Scotland. In contrast, in Westerveld the nearest towns (where such services are also available) are Meppel with over 32,000 inhabitants and Steenwijk with over 17,000 inhabitants. The biggest village, Havelte, is also the nearest to Meppel and Steenwijk, at distances of 12 and 10 kilometres respectively, reasonable cycling distances for most people given the flatness of the countryside, and a less than 15 minute drive or an equal 15 minute bus ride. Buses run between 6.30am and 9.30pm.



Figure 3.2. Research areas: Westerveld (left) and Northumberland (right).



Figure 3.2. Havelte in Westerveld Drenthe, NL (left) and Wooler in North East England (right).

### 3.3.2 Interviews

In-depth interviews allow for the exploration in detail of the start-up motivations of the participant within their context (Gilmore and Carson, 2007; Steyaert, 1997). A qualitative approach was chosen as the objectives of this study are to understand rather

than to measure. Quantification is not considered to be a suitable method of analysis as it is the meaning lying behind the action that is explored.

In order to explore how the motivations of rural small business owners are influenced by their context of ageing and rurality in both Northumberland and in Drenthe, 24 interviews were held with 29 small business owners between April and November 2013. An overview of the respondents is provided in Table 3.2 and Table 3.3, listing several characteristics such as age of firm, location, type of business and market reach. The interviews were recorded, transcribed and coded using the computer-assisted qualitative data analysis software Atlas.ti. Participants in the Netherlands were recruited via a list of new establishments retrieved from the Chamber of Commerce. An e-mail was sent explaining the research and asking for participation, and an appointment for the interview was made in a follow-up telephone call. Additional respondents were recruited using snowballing. In Northumberland the participants were approached through local key persons and continued through snowballing, as no complete overview was available via an umbrella organisation or Chamber of Commerce. Given the research question, the small business owners who were approached were still relatively new, preferably within the first two years of start-up, up to a maximum of 5 years. A semi-structured questionnaire was compiled, using a flexible method to ensure that interviewees were able to tell their stories and that the events they perceived to be important were given full attention (Bosworth and Farrell, 2011). Interviews lasted from an hour and fifteen minutes to over two hours. The focus of this study is on what motivates people to start businesses in a particular location, and thus the unit of analysis is the small business owner. There are some data limitations. Clearly the participants in this study choose to locate their firm in the research area, thus causing a small selection bias in our data. Therefore questions were also asked in the form of a recommendation (would they recommend a nascent entrepreneur to choose their location or would they recommend them to consider a nearby town) and follow-up questions were used to limited the bias as much as possible.

### **3.4 Results section**

Table 3.2 describes the small business owners and their firms from Westerveld, Table 3.3 the participants from Glendale. It shows how long ago the owners started their venture, where they located it and what type of business they chose. It also indicates the employment situation of the new business owner before the firm at hand was founded, whether they employ others and what their approximate market reach is.

#### 3.4.1 *Not just necessity*

Talking to the new business owners confirmed that most people experience a genuine mix of push and pull factors. Becoming unemployed and expressing a feeling of being '*pressed up against the wall*' (Johanna, NL), but at the same time having very specific thoughts about what she wanted to do: '*it is finally going to happen. All the plans I've had for years, all the ideas, I am finally doing it*'. This clearly illustrates the constrained entrepreneur, with a long harboured wish to start a business, but who did not follow it through until a certain moment. Further examples of the constrained entrepreneur, but at the other end of the spectrum regarding the initial trigger, are Anouk and Jan (NL) running a care home for handicapped people. '*We have always talked about doing this together. We are not getting any younger, so we said "it's now or never", and contacted the franchiser, chose a suitable place and registered at the Chamber of Commerce. We both quit our paid jobs and we opened our doors last November*'.



Participants Westerveld	Basic firm information (age; location; sector)	Employment situation before	Employing others	Market reach
Johanna (50)	< 1 year; home-based; location Vledder; day care for handicapped	Unemployment (disablement insurance)	No employees	Local (Vledder)
Ellen (35)	< 1 year; separate shop (plus web shop); location Diever; retail baby clothing	Employed (currently part time employed)	One employee, part time	Mostly regional, some national exceptions
Charlotte (33)	Over 1 year; home-based; location Havelte; publishing	Employed (currently part time employed)	No employees	National, focus on Randstad area due to network
Anna (60)	< 3 years; home-based; location Havelte; day care for children	Unemployment (disablement insurance)	Employing one free-lancer, three interns	Mainly local, exceptions in a slightly larger region
Anouk (57) & Jan (59)	< 1 year; home-based; relocated to meet requirements; location Vledder; lodge care of handicapped	Both were employed before start-up	3 employees, part time. 5 volunteers	Regional
Maike (57)	< 3 years; home-based; location outside Havelte; retail of china service	Initial start with partner, both unemployed at the time.	No employees	Local. Currently mainly personal network
Niels (33)	Over 1 year; home-based; location Wapserveen; construction	Unemployed	No employees, workers via temp agency	Local
Bas (47)	< 3 years; home-based; location Havelte; consultancy	Unemployed (currently part-time employed)	No employees	National
Greetje (50)	< 3 years; home-based; location Havelte; interior designer	Unemployed (stay-at-home-mom)	No employees	Local and regional (business clients)
Dennis (51)	< 5 years; office space; location Havelte and Assen; consultancy	Employed	One partner, 2 employees	Regional
Stefan (53)	< 3 years; home-based; location Dwingelo; accountancy	Employed	No employees, hires other self-employed when needed	Local
Kees (52) & Sjoerd (56)	< 5 years; office space; location outside Havelte; reintegration office (s)	Both employed	One permanent contract, several seasonal workers	Local

Table 3.2. Participants in Westerveld, fictitious names

Participants Glendale	Basic firm information (age; location; sector)	Employment situation before	Employing others	Market reach
Stella (41)	< 1 year; home based (web shop in the making); location Ingram Valley; retail jam making	Came out of unemployment (disablement insurance). Currently part time employed	No employees	Regional
Madison (41) & Jade (60)	< 2 years; separate office; locations in Rothbury and Pegswood; reintegration and consultancy (s)	Jade: self-employed. Madison: employed, kept part time job (current: job ended, 2 <sup>nd</sup> business started).	Free-lancers and volunteers	Northumberland
Daniel (45)	< 5 years; home based selling at markets; location: Etal; retail bread baking	Employed	2 part time employees	Newcastle to Edinburgh
Niek (30) & Christof (32)	< 2 years; farm based (Niek); location: Hetton estate; tourism hunting	Both self-employed (currently still active businesses)	No employees	Newcastle to Edinburgh
Thomas (28)	< 1 year; home based; location: Etal; art	Employed (currently part time employed)	No employees	Newcastle to Edinburgh
David (35)	< 3 years; home-based; location Wooler; web services	Employed (sabbatical)	No employees	Local
Patricia (43)	< 2 years; shared office space; location Wooler; outdoors activities (s)	Employed	3 part time employees	Local
Ina (34)	< 3 years; office space; location Berwick; care – dentist	Employed	3 employees	Regional
Rob (28) & Patrick (27)	< 4 years; home based; location; East Lilburn; art – aerial photography	Employed (stayed employed for the first 2 years of start-up)	No employees, free-lance when needed	Regional and national
Rick (47)	< 5 years; attached to home, relocated for this purpose; location Etal; catering – tea house	Employed	5 part time employees	Northumberland
Lisa (39)	< 2 years; office space; location Wooler; beautician	Self-employed	No employees	Regional
Angus (45)	< 3 years; attached to home; location Duddo; bed and breakfast	Unemployed (redundancy)	No employees, runs with partner	Regional

Table 3.3. Participants in Glendale, fictitious names

To illustrate the mix of both opportunity and necessity within all these cases, and also to show the importance of being embedded in the region, Textbox 1 tells the story of one of the Dutch participants. All the critical incidents that led up to her business start-up: health reasons, a push factor; home-work balance, also usually classified as a push factor; wanting to be her own boss, a pull factor; following her passion, pull factor. Thanks to her local embeddedness she knew there was nothing similar in the region, she was thus able to identify a niche in the local market and more importantly, she was able to approach a local target group that trusts her because they know her – either personally or via her network. This particular story illustrates a very typical process, seen in both case study regions. Not only the combination of push and pull factors, but also the importance of personal connections and knowledge of the region come together to play a role.

Textbox 1. Critical incidents to start a firm: from job loss to passion via embeddedness

Due to physical limitations, *'it's like having run a marathon yesterday, everyday'*, she had to quit her job years ago. Becoming a stay-at-home-mom and doing lots of volunteer work, she realized that she was starting to miss *'the pat on the back, some appreciation and being me and not just 'the mom of.. or the wife of.'* Realizing this, she began to look for opportunities but told herself not to go back to work for someone else, as her physical limits still played their part. *'I've always had a passion for "living", I had already started with friends and acquaintances, giving advice to a small circle . Then I went to a party. The owner of a vineyard told me they were going to transform the barn into a reception area. I told him, "I am looking for a project, you are looking for a designer, we have a deal".'* She did a good job of remaking the barn, quickly made business cards to distribute at the opening, received a lot of positive responses and jump-started her firm. She is highly embedded in the local community: born and raised in the village, did leave briefly but returned after her education elsewhere to start a family. *'I've always been very active, always in this region. People's mentality is still very much that of the "old boys' network", a tight knit, which is very important in this region. Some of the projects I've done so far are thanks to me being located in the village. Also, your likability factor is relevant.'* She did not do any market research, but because of her in-depth knowledge she knows there is nothing similar in the region. People come to her because *'it is a low barrier to come to me because they all know me'* and because she knows how to approach them.

Like many small rural businesses, none of the small business owners in this study were motivated solely by monetary reasons. *'For me it was very much more making a lifestyle change than that we need to still provide, being able to pay the bills and a mortgage. Earn enough, you know. So... yeah. It's not that, "I'm an entrepreneur, I want to take over the world and earn lots."* *It was only really to pay the bills type approach.'* (David, UK). Actually, profitability potential was not mentioned once as part of the reasons for their start-ups. A satisfactory income seems to be more important than profit maximisation, indicating there are different reasons for a start-up. Daniel (UK) explains how he views this aspect of the business: *'I owned a bakery*

*before, with my brother in the South. For some reason that took off and we were quickly making almost a million in turnover. It came to the point of industrializing, expanding; I was becoming a manager instead of a baker. I got out, moved up North and had to start all over again. People don't understand it is about the process, the quality of my bread and our local community. [...] I do need to grow a little bit, but that's because I have four kids that are growing more hungry every day.'*

### 3.4.2 Rurality matters

The importance of the lifestyle for Glendale's small business owners is particularly striking. Nearly all business owners mentioned this aspect explicitly, as shown in Table 3.4. Some participants specifically moved up North to find a particular lifestyle, while locals explicitly express the wish to stay in the region regardless of the limited employment opportunities. *'It sort of started out as a complete life change. We'd had our first child. We both worked at very stressful jobs. [...] And my wife and I for a long time had been thinking about doing some sort of lifestyle change, getting out of the rat race, getting out of a nine to five job by doing freelance stuff in order to allow us to do other things. So, it was a sort of... it's a long term life transition to having a different way of life, and that's part of moving to a more rural environment'* (David, UK). For these small business owners the lifestyle choice is highly connected to the rural nature of the area. *'Why we started our business here? Have you seen the view yet? How can you not want to live and work here?'* as Daniel's wife explains in a cheerful manner.

Main motivation	Ambitions
Lifestyle choice (10)	Continue as is, grow only when needed to stay viable.
Mix of necessity and opportunity and lifestyle choice (2)	Grow towards an independent business
Opportunity and lifestyle choice	Continue as is, find fewer but more profitable contracts to free up time for lifestyle
Independency	Expand service, grow in clients, perhaps employ someone

Table 3.4. Motivation and ambitions of Glendale participants

Main motivation	Ambition
Mix of necessity and opportunity (4)	Remain as it is but grow financially
Opportunity : needed new challenge (3)	Grow financially, grow in number of clients, possibly in employees
Mix of necessity and opportunity and lifestyle choice (2)	Remain as it is, scale down own role over time
Opportunity and lifestyle choice	Continue as it is
Opportunity	Grow financially, employ full time
Necessity	Create some turnover

Table 3.5. Motivation and ambitions of Westerveld participants

The lifestyle motivation is far less explicit in the Dutch case although it clearly played a role for most of them, be it in the background (see Table 3.5). They ‘like living in countryside’ and ‘enjoy combining the business with certain values and beliefs in the community’ (Anna, NL). Charlotte (NL) started her publishing business after moving to Westerveld and explains: *‘If I had stayed in Amsterdam, I would never have started my own business.’* For others the rural area was considered a precondition for the type of business chosen: *‘We chose Vledder specifically because of its location, beautiful surroundings, lots of green, people are friendly and open minded; precisely what we needed for our clients’* (Anouk and Jan, NL, running a lodge care facility). The differences in intensity of the wish for a certain lifestyle can possibly be traced back to the differences in type of rurality. When choosing to live in Glendale, there are clear limitations in career opportunities unless you are prepared to commute to Newcastle or Edinburgh daily. In Westerveld there are more urban centres with job opportunities at a closer distance. Living in a rural region as such might be a somewhat less conscious choice compared to Glendale, resulting in fewer lifestyle entrepreneurs.

As mentioned above, the lifestyle entrepreneur in Glendale chooses the region because of its rurality, despite some obvious drawbacks. These new business owners choose to locate in these areas, not so much to maximize the performance of their firm, but rather to maximize their own overall utility or happiness. Through embeddedness, local small business owners may flourish in their home – or new home – regions, even if those regions are seemingly unattractive (Dahl and Sorenson, 2012; Jack and Anderson, 2012). For most the aim is to remain viable in order to support the current lifestyle or to become viable to get to the lifestyle of their choice. They are successful in terms of the business owner’s personal satisfaction. A firm’s success is, however, often measured using economic indicators such as growth in employees and profitability (Owens et al., 2013). The initial motivation does seem to affect the growth aspirations of the firm. Growth aspirations regarding personnel expansion are low, too. Stefan, an accountant in the Netherlands, mentioned at one point *‘luckily, I haven’t had to employ anyone. I don’t want my own personnel any more. If I do need to work with someone for a*

*project, I'll find another self-employed person to cooperate with.'* Those who can be identified as being opportunity driven initially were also the ones with the highest ambitions in terms of employing others and growing to a bigger firm size, as is also indicated in Tables 3.4 and 3.5.

### 3.4.3 *The barrier of rurality*

Rurality can be both a trigger and a barrier for the new business owners. Whilst being more remote, Glendale's small business owners did not consider this remoteness as a barrier for their customers or consumer market – *'We are not isolated here at all'* – also because they are more accustomed to going to their customers through selling at local markets. Their local embeddedness influences their perception of distance. Patrick and Rob (UK) need a lot of space for their business and *'both really love living in this area. We have grown up here'* but do acknowledge the additional transaction costs of their lower accessibility and more remote location. *'We have got to travel to the location which is mileage and then obviously depending on what time of day and where it is it might include a hotel stay as well. You can easily add on £400 or £500 on to the budget. That's a disadvantage we have [...]. At the end of the day like Edinburgh is an hour away, Newcastle is an hour away. Well Edinburgh is a bit further than that but we've got two pretty major cities which aren't that far away really. So it's not too bad. So we're quite centrally located from that point of view.'*

The accessibility of the work location was characterized as difficult by the Dutch small business owners. *'This is the countryside [...] It is very difficult to get here, we are all completely car dependent. Transportation will be even more difficult in the future I believe. Public transportation is not very good. My current clients are all from Vledder, one comes from a bit further away, but has a scooter. So far it has caused few problems but I did have to turn potential clients down because they live too far away. That will certainly become a problem'* (Johanna, NL). But most agreed that Westerveld enjoys a relatively central location within the Netherlands. How often and how far they travel depends on the type of business, target group and market reach. The business consultants and accountant had no problem covering larger distances, whereas the participants in retail and day care clearly stayed closer to home. All in all, within the decision making process the rural location was perceived rather as a precondition than a drawback.

One negative aspect both regions experienced concerns the quality and quantity of new personnel. It can be challenging for small businesses to find staff with the right skill set in their small and shrinking labour markets. Madison and Jade (UK) tried to find a third person for their business, to complement them. But they have so far not been successful in finding an employee who is able to take on the necessary responsibilities.

Others have also faced challenges with finding qualified personnel. *“There are difficulties in some areas, so when I need something quite specific you have to look further afield,[...]. And there’s nobody that I’ve found in this area, so I’ve got a lady coming up from Newcastle. [...] Yes, because if I was in Newcastle there would have been, you know, five or six people to choose from easily, yes, so...(Patricia, UK).* For most, however, this potential hurdle has proved to be irrelevant as their aspirations and future goals often do not entail the hiring of employees.

#### 3.4.4 The “irrelevance” of ageing

Most Dutch small business owners were aware of the ageing society where they are located, but did not fully consider this during their start-up process. For some it could potentially function as a safety net, but the trend of ageing did not impact their choice to start at a certain moment, at a certain location nor did it influence the choice of type of firm. Ellen is selling baby clothing and had the opportunity to start in a rent free property owned by her parents. *‘See, if you have a choice, you are not going to start-up in this climate. It is the worst time, economically but also personally speaking. And as for our location, can you see us going to a bank? The first thing they’ll say is ‘have you seen the birth-rates in Diever and surroundings?’ Never going to happen! [...] We gambled on the grandparents. I’ve seen it in my personal life, we buy the simple stuff, but my in-laws and my mother buy the special things.[...] We wanted to sell high end baby clothing. The grandparents are our target group, they are always buying something for their grandchildren.’* Or there is the case of Johanna, who did notice the share of the elderly and even contemplated the potential impact of the ageing society in her local region. *“There are a lot of old people in Vledder. [...] My clients are of all ages, but I like having the possibility, like a safety net, to focus specifically on the care of the elderly if needed in the future.’*

The feeling of wanting to contribute to the local community was also mentioned on several occasions as being part of the start-up motivation and particularly on the choice of location, again demonstrating how local embeddedness is part of the decision making process. The intrinsic need to contribute to the quality of life and liveability of a community, was fed by the ageing society and the lack of population growth. *‘I feel that people have to try to keep our village lively, for instance by opening up a shop. To make sure there is not an empty building, that’s what I think. Both communities demonstrate strong regional ties. When possible, these business owners will buy their supplies or services locally, to keep the community vital and lively. If I can buy something in the village, then I won’t get it somewhere else. If people stop shopping in the village, there will be no more shops, meaning you will always have to go elsewhere. Then it will be a very grey, boring place here’* (Ellen, NL).

In Northumberland the signs of the ageing society are even more visible in the streets with many elderly people in the High Street during the day, events specially targeting those who are retired and very limited activities in the evening. This resulted in all participants either mentioning this spontaneously or strongly agreeing with the observation. The outcome, however, was very similar to the Dutch case; the small business owners did not take the ageing of the region's population into account when making their business plans. Some do note that they will have to find new personnel in the near future: *'our team are all but one past 65 but they want to keep working for another 2 years. They are still fit and have so much experience, so we are very happy with that. But eventually, you have to hire new people, which will be fine, but it is a bit exciting what we'll get back'* (Niek and Christof, UK). Others might be able to benefit from the ageing society by having it as their target group, but most seem to be unaffected for the time being.

They are however affected by ageing from a more personal perspective. Even though the changing regional structure of population ageing seems to have a minimal influence on start-up motivation and on the choice of type of firm, the age and stage of life of the small business owners themselves did matter. Particularly on the Dutch side, one of the critical incidents leading to the establishment of their own firm had to do with a realisation of their own age. Some became unemployed at an age that makes it difficult to find new work, others identified a point in their lives to make a 'now or never' type of change. Examples are Anouk and Jan, Bas, Stefan, Anna, Kees and Sjoerd. The UK participants were a bit younger on average than the Dutch participants. Their choices were mainly due to lifestyle choices for a family life, a rural life, whereas the choices in the Dutch case were more *'If I continue with this job, I am heading for a burn out'* (Stefan, NL) or *'If I stay in this job, I will be too old to switch career and this is not what I want to continue doing for the rest of my working life'* (Anouk, NL).

The trend of ageing might be too recent and gradual for these entrepreneurs to incorporate into their decision making. They are after all ageing themselves, changing their own perspective of the elderly in the process. Ageing is also incorporated into the local environment, it may not have a direct impact because it is part of the package. The rural context does affect these aspects. The rural context has a much richer history and has been part of a conscious location choice, which happens to include ageing.

#### 3.4.5 *Type of business*

For the lifestyle entrepreneur the choice of type of firm was a very deliberate one. A hobby – jam making – or a passion for beauty – beautician – drove the decision making process for those who specifically chose to be in their current location. Just as lifestyle choice in Glendale is a stronger factor than in Westerveld, when one compares the types



of firms established it is striking that the type of firm established in Glendale is somewhat more creative and quirky in nature.

These two aspects, the lifestyle choice and type of firm seem to be linked to the degree of rurality and accessibility of the areas. Freire-Gibb and Nielsen (2014) found that rural entrepreneurs were more likely to start a new business by converting a hobby into their career, and so this dissimilarity in the more peculiar nature of the businesses started in the two case studies could reflect the difference between the perceived rurality and the actual remoteness of both regions. It confirms the relative importance of the regional context in the start-up process and in particular the context of rurality.

### **3.5 Conclusions**

The main goal of this Chapter was to determine how people's motives to start their own business are influenced by their context; a rural region undergoing population ageing with a declining workforce. The second aim of the Chapter concerns the differences between Northumberland and Drenthe, referring to the degree of rurality in terms of relative accessibility. In our theoretical framework, we outlined the different motivations, ranging from necessity to opportunity driven entrepreneurship. From our analysis we conclude that necessity driven entrepreneurship is actually a rare phenomenon, different to many assumptions. We have seen different initial motivations for start-up and even when the small business owner was pushed by external factors, opportunity or a long harboured wish also played an important role. This implies that starting a business is not for everyone, regardless of the number of push factors. Recognizing and acknowledging the existence of opportunity-driven entrepreneurship within necessity-driven entrepreneurship offers the opportunity to reconsider the common interpretation of successful entrepreneurship.

The decision making process of the participants was not clearly influenced by the ageing context, although their personal stage of life did matter. The structure was particularly important in terms of rurality. Clearly, the population density in Westerveld is higher with almost 68 people per km<sup>2</sup>, while Glendale only has 9 people per km<sup>2</sup>; however, the perception of being in the countryside was fairly similar in both regions. In both regions people viewed themselves as living and working in the countryside, but they did not feel isolated.

There seem to be two main differences between the two study regions, probably influenced by the type of rurality. First, in Northumberland all small business owners were clearly pursuing a specific lifestyle, more intensely than the participants in Westerveld. A rural and ageing location poses additional challenges and the perceived risk might therefore also be high. Usually, lifestyle entrepreneurs are more risk-averse,

causing them to avoid business growth in order to reduce risk (Bosworth and Farrell, 2011). The results, however, clearly indicate that the remoteness and the ageing demographics of both regions did not influence the perceived risks of starting up their own business, leaving the agents unaffected by the context for now. The distinction between the impact of the rural location versus the lack of impact of the ageing population can be explained by path dependency. The demographic transition is a relatively new development, even though it has been going on for many years. Despite the strong increase in numbers of the elderly and decline of the available workforce, on a day to day basis the changes in society will seem very gradual. The rural context, on the other hand, has always been there and in addition, historically these locations were even more rural and remote than they are today. The image and the perceptions of the inhabitants are more likely to be determined by the latter than by the ageing aspect.

The second difference that appeared is the presence of more unusual types of businesses started in the UK case study compared to the Netherlands. This might be due to sample selection, it might be due to culture or it could be the difference in rurality. Sample selection seems to be the easy answer to this question, as the selection process in the two countries differed. However, there is a rather comprehensive list available of new businesses for the Netherlands and most company names indicate the type of business clearly such as construction, hair dresser, nail studio or care. This type of overview is lacking in the England case, thus sample selection may be at play, but it does seem that the more intense lifestyle choice in Glendale results in more creative new firms.

In conclusion, the context and local embeddedness is important. The local context does indeed influence the agent, that is, rurality greatly influences the motivation, type of firm and with that also growth aspirations. Currently, the small business owner feels unaffected by the declining workforce and the ageing population and does not act upon it, which is in line with previous empirical evidence (Delfmann et al., 2014). If the trend of ageing continues as predicted, future start-ups and local businesses will need to find a way to cope with the transition. Being embedded in the region could offer these local business owners the necessary resources and support. For policy makers it is important to realise that even though these regions are economically speaking not a rational location choice, business formation will continue. This rural, ageing context with a declining workforce can still be a viable place and very suitable for entrepreneurship, but the nature of the business is likely to be different to in cities. A too straightforward policy implication would be to make the region better in economic terms for instance by improving infrastructure in order to reduce transportation costs or by improving Internet access and speed. While these are important preconditions, the results indicate that rurality and local embeddedness are most important. A more tailored policy recommendation would thus be to stimulate local community feeling and

facilitate local embeddedness, which will ensure that people want to stay and want to contribute to their region, despite the economic climate.

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