

Policy Implications

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

1 There is strong evidence of economic diversification amongst rural businesses, and 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. 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, 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. Planning policies should not unduly restrict these activities but make it easier, particularly given the positive impacts in terms of reducing journeys to work and providing a flexible employment option for those with caring responsibilities. Whilst such businesses may not always be seeking to grow, they create new income flows and local supply chains. Further research into home based working is needed in order to inform the design of more tailored support programmes.

5 The survey confirms 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 future business needs and ongoing investment will be required to ensure that all businesses continue to have access to fast and reliable broadband services.

6 Business owners placed considerable importance on good transport and communication links alongside the beauty and quietness of their location. It is likely that these factors will continue to influence the locational decisions made by entrepreneurs and so investment in rural infrastructure and in maintaining 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 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 to expand still contributes to the economic and social vitality of the rural community in which it is located. Business networks and associations may be well placed 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, albeit mostly small-scale. It is important that national policies and programmes do not overlook such incremental changes and that they encourage rural businesses to engage more effectively 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. More effective rural proofing of such programmes could ensure they are as accessible and applicable to businesses in remote rural areas as they are to those in more accessible 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 structural matters such as skills and training.

To read the Rural Business Survey report in full please visit
<http://www.ncl.ac.uk/cre/publish/researchreports/RBSReportFINAL.pdf>

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

Key Findings

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Introduction

In 2009 researchers at the Centre for Rural Economy (CRE) 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.

Surveys like this are critical to improving our understanding of the key changes taking place in the rural economy. While broadly speaking rural and urban economies might be increasingly similar, previous research has revealed important differences including a higher proportion of sole traders and microbusinesses in rural areas, the growing importance of home based working in rural economies, 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.

The survey used the 2004 urban-rural definition in order to identify rural businesses in the North East region. Businesses in the region's market towns were also included. A questionnaire was posted to a random sample of 10,000 of these businesses in late January 2009, with a smaller follow-up reminder mailing in February 2009. The questionnaire was also made available online.

An overall response rate of 9.8% was achieved (representing 957 usable responses).



Key Findings

Key findings from the survey summarised:

- The 2009 survey confirms the importance of sole traders and microbusinesses (88% of respondents) amongst the rural business population. Over 38% of respondents reported that their business was attached to or part of their home (excluding farms). This suggests that business owners are taking 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 across all sectors is clear with 44% reporting a secondary activity and 14% involved in a tertiary activity. Secondary and tertiary activities were not always closely linked to the main activity.
- 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 had some form of postgraduate qualification which is high when compared to the 1999 survey.
- 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 emphasises the important role of in-migrants in starting up new businesses. The evidence suggests that newcomers are more dominant in Accommodation, Information and Communication and Professional activities and locals 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 majority the rural environment exerts either a positive influence, by providing opportunities for new business formation, or a negative influence in offering few alternative sources of employment.

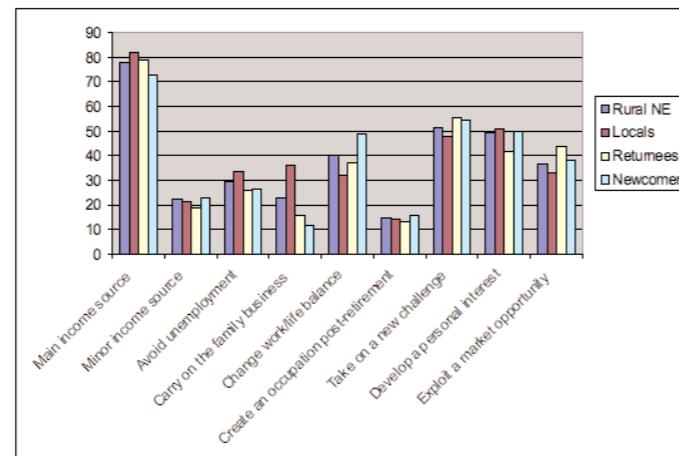


- As was found in the 1999 survey, business owners tended to work long hours with almost 20% indicating more than 61 hours per week. About half reported that their spouse/partner had some form of paid or unpaid involvement in the business.

- Good communications was identified by some as a locational advantage, alongside a beautiful and quiet environment and close proximity to customers and suppliers. However, inadequate public transport and poor communication links were identified by other businesses as a serious disadvantage.
- A high percentage (92%) of employees lived within 30 miles of the business confirming a high degree of integration within their locality. Similarly, just over 55% of respondents' sales were made within 30 miles and just over 48% of supplies were obtained within the same area.

- The main motivation for starting a business was the need to generate a main or secondary income, although work/life balance, taking on a new challenge, developing a personal interest and exploiting a market opportunity were also significant motivations especially for newcomers and returnees (Figure 1).

**Figure 1: Motivations for setting up the business
(locals, returnees, newcomers and rural North East)**



- Just over 75% of respondents reported that they had accessed some form of business advice/support in the last five years. Private sector advisors such as accountants and other industry contacts were used most frequently and were also regarded as most useful. Business Link had been contacted by approximately one third of respondents and their usefulness was more mixed. Some 47% of respondents reported that they were members of a business association.

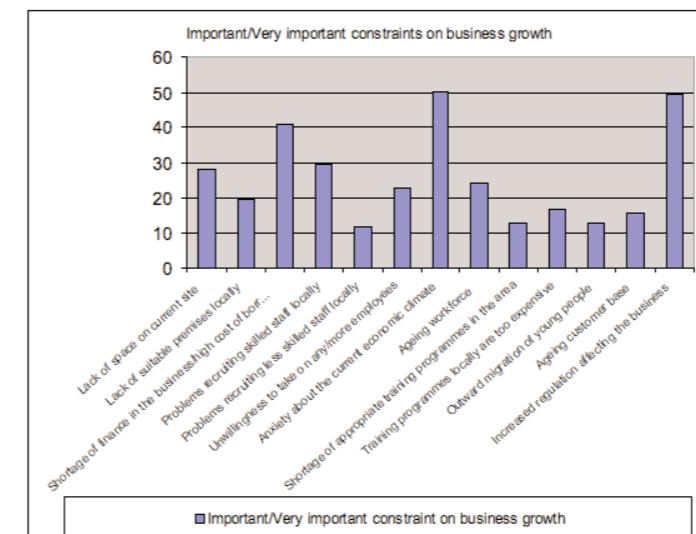
- Almost 83% of businesses reported that they had access to broadband. However, whilst 82% reported that their current provision was adequate only 65% believed that it would satisfy their future business needs.

- Just under 49% of respondents reported that they had introduced some form of innovation in the last five years, including using new 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 an innovation.

- 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.

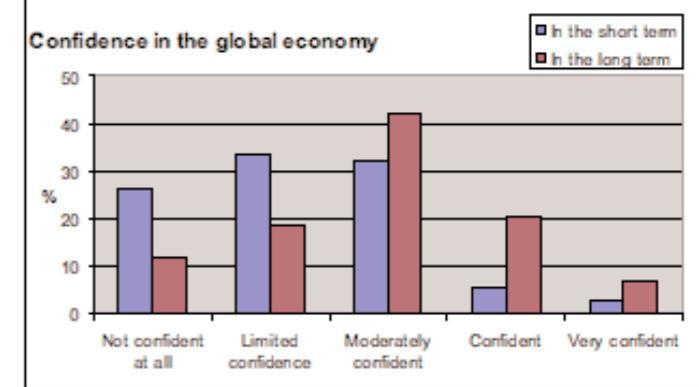
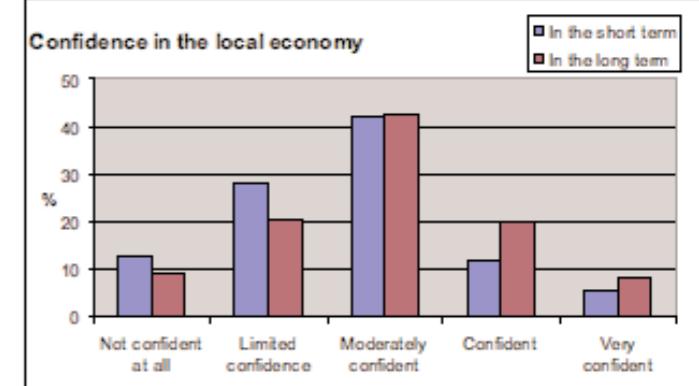
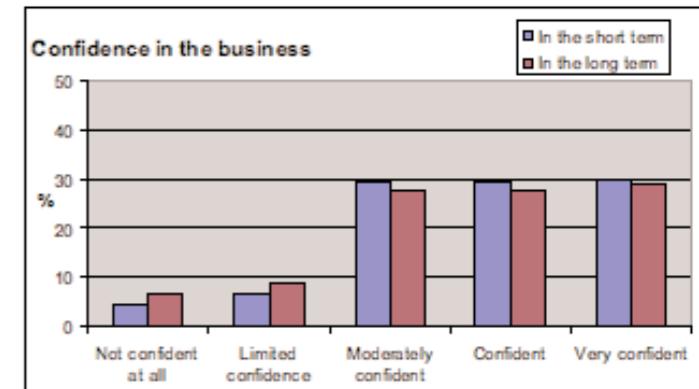
- The most important constraints on business growth were identified as the current economic climate, increased regulation and the shortage of finance/high cost of borrowing. Other important constraints highlight the more long term challenges faced by rural businesses including a lack of workspace and difficulties recruiting skilled staff (Figure 2).

Figure 2: Constraints on business growth



- The confidence of rural business owners remains high in their own enterprise suggesting a high degree of resilience, independence, local embeddedness, a loyal customer base and reliance on internal rather than external finance. 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 (Figure 3).

Figure 3: Business owners' confidence in their business and in the local and global economy



- When asked about business growth, 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 identified better access to IT and private capital.

Although the economic downturn has had an impact on rural business owners the overall picture painted by the survey 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.

