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Rural Entrepreneurship: Challenges and Opportunities

Bachelor thesis within Business Administration

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Abstract

Background: According to World Bank Report published in 2012, the rural population in Sweden is 15.3 %. Rural population is calculated as difference between total populations minus urban population. 15.3 % clearly shows how important rural areas are for Sweden's future development. Entrepreneurship plays the integral role in rural area development. However, earlier research has shown only economic perspective of rural development. On the other hand, the new ways to discover the challenges and opportunities for entrepreneurs in small firms were needed.

Purpose: The purpose of this paper is to discover what are the challenges and opportunities in rural areas that entrepreneurs might face. The aim of the paper is to help entrepreneurs analyze attractiveness of rural areas. In order to recognize opportunities and challenges, Entrepreneurship Process Model will be used with revised and modified elements.

Method: In order to meet the purpose of the study, the authors chose to use secondary data and conduct semi-structured interviews with three different types of rural companies. This helped authors to identify the major challenges and opportunities faced by rural entrepreneurs.

Conclusions: In conclusion, the main opportunities and challenges were identified regarding the Entrepreneurship Process Model. Similarities and differences of the existing framework and actual empirical findings were summarized.

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I Introduction

Rural entrepreneurship is becoming increasingly important since it entails numerous benefits in area development. The first chapter will introduce the background of the field of rural entrepreneurship, which will be proceeded by the problem statement, previous studies, problem discussion and empirical findings from three different companies.

I.1 Background

The views about personal capability to start a business differ from one person to another. The foundation of new businesses is a complex procedure. However, there is no doubt that new businesses are important for national and regional economic development (Stathopoulou, Psaltopoulos & Skuras, 2004). In regional development entrepreneurship is the most fundamental feature. Various government programmes are created to develop the entrepreneurship in rural areas in order to create economic and employment growth (Bergmann, 2002).

Entrepreneurship is a broad subject, which can be seen from different angles. Even though a great deal of literature is relating to this subject, rather small research has been done on the role of rural entrepreneurship, challenges, and opportunities encountered by entrepreneurs. There is the general agreement between researchers Frazier, Niehm and Stoel (2012), and Fuller-Love, Midmore, Thomas and Henley (2006), that one of the most crucial components of local economic development strategy is rural entrepreneurship. However, there is a lack of information in the literature on rural entrepreneurs: who they are, what type of businesses they have, what problems they have faced (Salleh & Sidek, 2011).

While discussing rural locations and entrepreneurship in these areas it is important to identify the heterogeneity both internationally and within the same country. This difference reflects location individualities of rural regions. There are less developed areas that strongly need economic diversification and integrated development. On the other hand, some opportunities emerge in these areas such as new capital, entrepreneurial talents and investments from the migration of new residents, retired people and businessmen who are attracted by local amenities, better standard of living or personal choices (Stathopoulou et al., 2004). According to Bergmann (2002), there are also a number of regional entrepreneurship cultures since the challenges and opportunities differ in terms of diverse regions.

At the same time, some typical characteristics of rural environment exist, such as availability of business premises, transport infrastructure, small size local markets, features

of rural labor markets, and access to information and finance (Smallbone & Welter, 2006).

Dabson (2001) states that rural communities are disadvantaged for entrepreneurs in terms of geographic locations. The rural area typical characteristics, mentioned above, in turn add trouble in attracting entrepreneurs and skilled workers.

In recent years substantial changes have been observed in rural areas, including the process of globalization, localization and technological changes (Government Offices of Sweden, 2008).

2 Problem

During past decades European countries faced a shift of business activity from urban to rural areas (EUROSTAT, 2013). There is an increase of new businesses emerging outside cities, as well as already existing companies opening branches there. Governments throughout Europe have recognized that more than 30% of population live in rural areas, so rural development is a vital part of their policy (EC, 2008).

In the work of Stathopoulou et al. (2004) it is clearly stated that entrepreneurship and business creation are central to economic development of any region. Therefore boosting entrepreneurial activity is one of the major goals of the European Rural Development policy. In view of the numerous economic-social problems and opportunities facing rural areas, rural research is gaining importance and popularity.

As a country, which by European classification is "rural" (Government Offices of Sweden, 2008), Sweden regards rural development as essential for the future of the entire country.

Rural destinations offer significant attractions to businesses. Among reasons for doing business in rural areas are: cost saving (cheaper building, insurance, workforce), lower competition, as well as a relaxing climate and therefore a less stressful work environment. Moreover, in Sweden government aid supports companies in the countryside, and programmes are developed to simplify the start-ups of businesses (Government Offices of Sweden, 2008). Besides, many regions that want to attract business activity assist entrepreneurship by offering education courses specific to the needs of local business. Last, but not least, as Tennsen (1994) claims, rural workers are found to be more loyal and committed.

Many Swedish rural regions tend to be integrated with urban agglomerations since many people prefer natural landscape and the relaxing lifestyle of the countryside.

Moreover, rural Sweden possesses rich natural resources and skilled workforce. Nevertheless, many rural regions face problems of poor accessibility, unemployment, ageing population and brain drain (Smallbone, 2009). Attracting business activity and entrepreneurship is recognized as one of the main factors of rural development by Swedish rural development strategy.

There is a number of studies which evaluate the economic situation in rural Sweden and propose improvements to policy actions (Ceccato & Persson, 2002; Falcone & Wilson, 2006; Smallbone, 2009; Nuur & Laestadius, 2010). However, little research has been done in order to understand the opportunities and challenges of Swedish rural areas from an entrepreneurial perspective.

3 Purpose

The objective of this paper is to discover opportunities and challenges from entrepreneurship perspective in case of small firms in rural areas of Småland region in Sweden.

Indeed, the entrepreneurial perspective on rural business in Sweden contains research gaps, which are worth filling. Knowledge of what entrepreneurs actually encounter in rural areas is helpful for both research and practical implementation in various ways.

What is more, according to the Government Offices of Sweden (2008), Sweden appears to be an excellent location for studying rural entrepreneurship due to its vast and business-facilitative rural areas. Besides, this study will focus on Småland region, more precisely Jönköping county, which is known to be one of the most entrepreneurial in Sweden (OECD, 2012). The fact that the authors are currently residing in this region provides access to local rural entrepreneurs, which is essential to producing a worthy research. Since most firms in rural Sweden are small, as Curran and Storey (1993) state in their work, it is more advantageous to focus on them. Furthermore, the small firm structure in Småland region is strong.

3.1 Research questions

1. What are the main challenges and opportunities that small firm entrepreneurs encounter in Småland's rural areas?
2. How do these rural areas affect different small firms?
3. How beneficial is rural location for entrepreneurship (if it is)?

3.2 Contributions

This work contributes to multiple spheres of research and practical use. First of all, it makes an input to existing rural research by introducing a view on rural opportunities and challenges from the perspective of entrepreneurs, in contrast to the common economics and policy perspective. Secondly, this research would be of value for entrepreneurs who are considering doing business in rural areas, because it will let them know in advance what difficulties to expect, as well as where to look for opportunities and how to possibly exploit them. Thirdly, the paper will shed light on what rural businesses are actually concerned about, therefore assisting policy-makers with how to boost business activity in country locations.

Lastly, even though the paper investigates empirical findings from specific Swedish rural areas, it generally contributes to the international rural entrepreneurship study, which is increasingly often claimed to be central to understanding of how to revive potentially lucrative but currently abandoned country locations.

3.3 Delimitation

This study investigates rural areas of the Småland region, and specifically Jönköping county. It is known that even within one country rural locations differ in many respects. Consequently, research findings cannot be generalized to broader rural locations in Sweden or abroad.

4 Frame of Reference

In this chapter the selected frameworks will be presented in order to give an overview of the field and draw major challenges and opportunities faced by rural entrepreneurs. Subsequently, the Entrepreneurship Process Model will be introduced and presented.

4.1 Entrepreneurship

The field of entrepreneurship has been thoroughly studied for decades. Since it was determined that entrepreneurship is a major factor of economic growth, it has been attracting researchers who have produced an ample amount of literature.

4.1.1 Definition

Generally, entrepreneurship is a term describing individuals that recognize the opportunities in order to satisfy needs and who gather resources to meet them (Jones, 1999). Entrepreneurs are regarded as innovative individuals who are responsible for the change and growth.

The paper relies on the definition of entrepreneurship proposed by Wennekers and Thurik (1999, p. 46): *"Entrepreneurship is the manifest ability and willingness of individuals, on their own, in teams, within and outside existing organizations, to: (1) perceive and create new economic opportunities (new products, new production methods, new organizational schemes and new product-market combinations) and to (2) introduce their ideas in the market, in the face of uncertainty and other obstacles, by making decisions on location, form and the use of resources and institutions"*.

This definition is comprehensive enough to outline such a multidimensional concept, since it demonstrates that entrepreneurship involves particular creative human behaviour in context of specific external factors.

Indeed, despite definition discrepancies researchers agree that entrepreneurship is performed by individuals and that it is a dynamic phenomenon (Hebert & Link, 1989).

4.1.2 Entrepreneurs

Wennekers and Thurik (1999) discuss that an entrepreneur in a company is one (or sometimes a few) person whose influence shapes the entire business. Due to the fact that such centralized management is usually a feature of small firms, the tight link between entrepreneurs and small business is established.

In their study of entrepreneurs, Blanchflower and Oswald (1998) identify that entrepreneurs in general face financial and liquidity constraints. However, they are more satisfied with their job than employees and have much higher autonomy (Benz & Frey, 2008).

It is well known that entrepreneurs are associated with particular personality and mindset. Among "entrepreneurial" traits are creativity, innovativeness, achievement-orientation, risk-tolerance, openness and self-confidence (Obschonka, Silbereisen & Schmitt-Rodermund, 2010). Moreover, entrepreneurs are shaped by family, environment and society in which they mature.

4.1.3 Entrepreneurship as a process

Paper argues that entrepreneurship is a process with entrepreneur and her environment being inputs, and a variety of outputs among which are self-actualization, making profit and economic growth.

At the input side, an entrepreneur has to exercise particular personal, capital and social resources so as to reach her goals. At the same time the process is influenced by economic, social and physical factors of environment (Stathopoulou et al., 2004).

At the output side, an entrepreneur has several gains among which is an opportunity of increasing her autonomy, influence and impact. According to the research, the self-employed are more satisfied with their work because of the autonomy and flexibility of work schedules (Hundley, 2001; Kawaguchi, 2008).

As for more economy-wide outputs, research by Audretsch and Keilbach (2004) suggests strong positive influence of entrepreneurship on economic development of a region. It is argued that fostering entrepreneurship contributes to growth more than investing in traditional factors, such as R&D and education. This finding goes in line with the economics model of entrepreneurship, according to which entrepreneurship is an integral part of economic growth; and economic situation, in turn, creates incentives/obstacles for entrepreneurship to flourish. Besides, Freytag and Thurik (2007) discovered that cultures that favour entrepreneurship are usually those of high-growth economies.

In this study writers share a view that the process of entrepreneurship is influenced by specific opportunities and challenges imposed on it by factors of environment. Therefore business location is a major force of fostering/inhibiting entrepreneurship.

Obviously, rural areas form a specific milieu with its own opportunities and challenges to entrepreneurship, which authors would like to discover in case of small firms in Småland region of Sweden. As some authors highlighted in their works, in many disadvantaged and rural areas, *“small businesses of all types are needed - those with high growth potential and also those formed for life style purposes, or self sufficiency that primarily serves local needs”* (Dabson, 2001, p. 36).

4.2 Rural entrepreneurship

4.2.1 General facts

Entrepreneurs play a crucial role in the rural development of the region. Saxena (2012) implies that the rural development is linked to entrepreneurship more than ever before. Rural development promoters see entrepreneurship as a development strategy.

Rural entrepreneurship means the same as a rural industrialization. Rural entrepreneurship can be regarded as an attempt to create the management for risk-taking appropriate to opportunity, as well as to mobilize human, material and financial resources in order to fulfill the project in rural areas (Saxena, 2012).

Rural areas are disadvantaged in some ways compared to the urban areas; there is a huge difference in the economic performance between these regions (Smallbone, 2009). In Sweden, urban areas in the South tend to be much more prosperous than rural areas in the North (Ceccato & Persson, 2002).

4.2.2 Entrepreneurship process in rural areas: pros and cons

As previously stated the view of entrepreneurship as a process has been developed. Stathopoulou et al. (2004) argue that the process of entrepreneurship in country locations is the same as in urban centers (Figure 2). Nevertheless, the rural milieu imposes specific challenges and opportunities that finally change the outcome of entrepreneurial efforts. The success of the entrepreneur in the rural area is determined by specific environmental circumstances as well as characteristics of the entrepreneur. The following factors distinguish circumstances for entrepreneurs in rural areas:

1. Physical environment

- **Location:**

Distance from denser populated centers is a drawback, since it means smaller market size, poor accessibility to customers, suppliers and institutions (Stathopoulou et al., 2004). On the other hand, accessible rural areas are rather advantageous for businesses (Keeble & Tyler, 1995).

- **Natural resources and landscape:**

Rich natural resources may present new business opportunities for both manufacturing and recreation. Pleasant surroundings lead to greater work satisfaction, healthier lifestyles and a more ethical office environment, considered attractive to many people (Tennesen, 1994). It is known that rural areas, which possess remarkable amenities, may cause entrepreneurs to start businesses there, even though it may not be a rational option from an economical point of view (Johnson & Rasker, 1995).

2. Social environment

- **Social capital:**

Relationships and trust among people created by developed social capital facilitate regional business cooperation and networking that can benefit entrepreneurs (Kjeldsen & Svensen, 2011). Since Sweden is a state of high social welfare and stability, rural entrepreneurs here gain advantages of social capital.

- **Rural governance:**

Policies introduced by local governance structures are often directed towards promoting entrepreneurship. In Sweden, rural entrepreneurship is encouraged through many financial-related incentives (Government Offices of Sweden, 2008).

- **Local culture:**

Rural entrepreneurs can benefit from using unique local characteristics to differentiate and market their products/services. These can be represented as distinct specialty products, or healthy organic ones, for instance. Kneafsey, Ilbery and Jenkins (2001) believe that “culture economy” is a profitable force of development for rural regions.

3. Economic environment

- Infrastructure:

Remoteness and high transportation costs make country businesses less competitive and attractive to customers, suppliers and employees. Adequate infrastructure is highly desirable and helpful to rural entrepreneurs (Stathopoulou et al., 2004).

- Business networks:

Due to tighter relationships among residents of rural location, scholars argue that business networking becomes easier and more efficient. Businesses cooperate based on trust. Young (2010) concludes that local networks are crucial to development of rural firms. These networks can together reach larger markets, increase resilience, and give ability for every member to take more risks. Even internationally oriented rural businesses rely heavily on their local networks. In addition, friendship and family relations provide supportive atmosphere inside rural firms.

- Information and communication technologies (ICT):

It is generally acknowledged that ICT opens unprecedented opportunities for SMEs in rural locations. Information is easily collectable, market boundaries are broadened, co-operation is assisted, resources are much easier reachable with the help of ICT. All these combat disadvantages imposed on rural areas by distance and small market size (Stathopoulou et al., 2004).

In this work the view that opportunities and challenges to entrepreneurs in rural areas are distinct due to the latter mentioned factors, is shared. Therefore analysis will be based on the latter model. However, there are some important challenges and opportunities to rural entrepreneurship that have not been mentioned in the framework. Some of those may be more specific to the location, which are selected for the research, Småland region in Sweden (described later in this section). Since a variety of existing studies are reviewed, the framework will be complimented with additional opportunities and challenges derived from other sources. Finally modified framework will be presented that will be most suitable for selected cases. Wide range of theories and concepts have been found, which may be of supplementary use to the existing framework.

The concept of culture economy emphasizes the effects of location-specific factors on entrepreneurship, and then on economic development in a given rural area. Ray (1998) suggested that a sense of cultural identity and belonging in rural regions could provide local entrepreneurs with benefits and opportunities. Not only does it raise the region's popularity for tourism and recreation, but it also facilitates establishment of specialty brands and niche markets. As a consequence, local products reach wider markets and attract external resources.

Therefore, depending on the strengths of regional identity, companies in rural areas can benefit from their location. What is more, identity is believed to translate into robust community ties, and in this way contribute to social capital. Social relationships, interactions and trust that comprise social capital in turn assist in formation of business networks, which benefit rural companies to a great extent (Lee, Árnason, Nightingale & Shucksmith, 2005).

Concepts of social capital and rural business networking are integrated with the notion of embeddedness. The authors believe that embeddedness of a rural entrepreneur is another distinctive feature of entrepreneurship in rural location, which carries both opportunities and challenges for entrepreneurs.

According to Granovetter (1985) embeddedness is defined as a tie between an entrepreneur and her/his location. Embeddedness embraces trust resulted from social relationships of entrepreneurs as well as connections with regional network of businesses. Trust within such networks indicates embeddedness (Leeuwen & Nijkamp, 2006).

In order to understand more clearly the role of the rural entrepreneur embeddedness, Figure 1 will be analyzed (Figures).

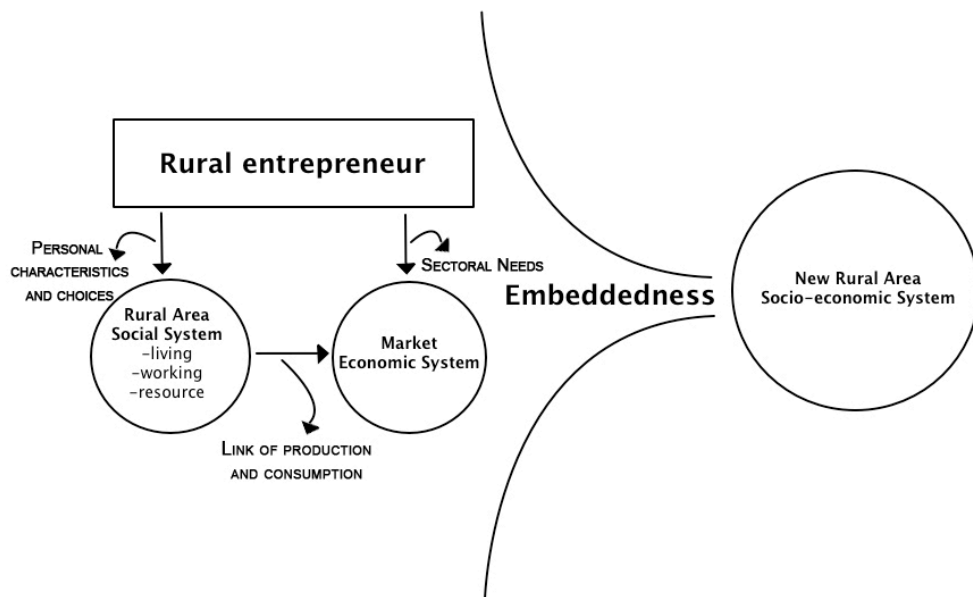


FIGURE 1: EFFECT OF EMBEDDEDNESS ON RURAL AREAS

(Akgün, Nijkamp, Baycan & Brons, 2010, p. 541)

Rural areas are mostly a social system where the social networks are of main importance than any other relation. Consequently, the connection between entrepreneurs and rural areas require local potential to tie production and consumption. However, on the other hand business needs the market area in order to survive. Based on this it is clear that rural entrepreneurs choose rural areas as working and living environment or as an input of their entrepreneurial process. According to Figure 1, rural entrepreneurs should have tie with both rural and market areas. Moreover, link between consumption and production should be developed (Akgün et al., 2010).

Embeddedness of entrepreneurs plays an integral part here; it creates a new rural area that is a new socio-economic system. Firstly, embeddedness of entrepreneurs in rural areas brings knowledge to rural areas about the market, secondly innovation to the market because rural areas are not as popular in the market as a resource, thirdly the environment to the entrepreneur who strives to have a better living (Akgün et al., 2010).

From the authors' point of view embeddedness of entrepreneurs has high impact on rural areas. According to the model and other findings from studies, embeddedness of entrepreneurs in both local and beyond local settings is very important if entrepreneurs are to succeed. On this basis, being embedded in the rural life will create resources and opportunities if local assets are used, when being embedded outside will create more customers and new markets (Akgün, et al., 2010). Both directions will stimulate success of entrepreneurs and for sure affect rural areas.

Nevertheless, while embeddedness and business networks can help rural entrepreneurs withstand challenges of remoteness and small scale of operations, some researchers point out at the downside of strong business ties. Uzzi (1997) found that if firms become over embedded in their network, their benefits might be completely wiped out. In case of over embeddedness firms risk loss of competitive advantage if the network breaks up. Information and innovative ideas from outside the network risk being not heard. Social obligations may cause firms to behave irrationally. Recent research by Kjeldsen and Svensen (2011) confirms previous findings.

Attractiveness of rural areas is increasing that has affected the emergence of small firms while influencing behaviour of entrepreneurs (Keeble & Tyler, 1995). Recent years have showed that entrepreneurship in rural areas is extremely growing. Sweden is the case that will be discussed in this paper. The small firm perspective about rural entrepreneurship in Sweden is the following discussion.

4.5 Small firms in rural areas

In Sweden most businesses are small. Just about 0.1% of Swedish companies are large, which means that they have more than 249 employees (SCB Företagsdatabas, 2012). Sole proprietors, micro and small firms in Sweden account for 99.4% of private busi-

ness sector, and for over 60% of all jobs in private sector. These firms have 0-49 employees, and in this thesis the research concentrates on them since they constitute major part of business activity and therefore findings on them would be of most use to both Sweden's entrepreneurs and policy makers.

Small businesses are operating mostly locally and in the service sector, ranging from consulting to hotel, restaurant, construction and other private services. When it comes to the innovation and technology, there are various small firms that are innovative and which operate close to the universities.

Small businesses have become more central to the economy since 1980 (Curran & Storey, 1993; Wennekers & Thurik, 1999). According to Curran and Blackburn (1994) small firms in rural areas boost economic activity, create workplaces, but also benefit community due to high levels of integration. Dabson (2001) concludes that small businesses with high growth potential as well as with rather local small-scale contribution are needed to ensure rural area development. It is also argued that small businesses in Europe have succeeded in seemingly unfavorable, high cost environments (Maskell, 1998). This means that small firms do have power in reviving even remote rural areas.

Small firms in country locations have an advantage of being able to focus on niche markets with low competition (Cosh & Hughes, 1998). Furthermore, Shields (2005) emphasizes that small businesses in rural areas tend to be embedded with socio-cultural values of country, and therefore can enjoy benefits of their relationships with the neighborhood, and word of mouth reputation.

Nonetheless, small businesses in rural locations are challenged mainly by lack of trained workforce, small premises and insufficient technological and managerial innovation, and to some extent by distance from urban areas (Keeble, 1993). On the other hand, Curran and Storey (1993) believe that problems of running a small company are the same irrespective of location.

4.5.1 Linking small firms and rural entrepreneurship

In any case, referring to the existing literature it can be determined that there is a strong link between rural entrepreneurship and small firms. Entrepreneurship thrives in small firms (Wennekers & Thurik, 1999). Because entrepreneurial activities emerge as small businesses, they are central when it comes to spurring entrepreneurship and, in turn, economic development of a state. Moreover, since in rural areas of Sweden businesses are as a rule small, they are crucial for economic well being of Swedish vast rural communities.

In addition it is claimed that rural entrepreneurship faces distinct opportunities and challenges. As a result entrepreneurs have to expect specific conditions of business environment, and rural policies have to provide relevant incentives.

Due to the above stated facts conclusions can be drawn that developing small firm entrepreneurship in rural locations is important for any country, and for Sweden particularly. Furthermore, in this paper the focus is on Småland region of Sweden. In order to describe and justify the location context of the research, an overview of Swedish rural areas and Småland region will be presented

4.6 Rural areas in Sweden

Varieties of definitions are used to describe rural areas. Depending on what difficulties and concerns are analyzed, what type of strategy action is being planned different categorizations are required. Population density below a certain threshold and distance or accessibility to urban centers are the two most common criteria used to determine nature and extent of rural areas. They are, however, often supplemented with a number of socio-economic criteria (NORDREGIO, 2010).

The Agency for Rural Development and the Swedish Agency for agriculture have developed and described rural classification depending on their accessibility. These definitions are used in various regional rural policies and in the Rural Development program for Sweden 2007-2013:

- Urban areas with more than 3000 inhabitants and with a hinterland within 5 minutes travel time.
- Rural areas within 5 – 45 minutes travel time from urban areas with more than 3000 inhabitants.
- Remote rural areas more than 45 minutes travel time away from urban areas with more than 3000 inhabitants and islands without fixed connections to the mainland (NORDREGIO, 2010).

There are significant differences present within the three classes relating to growth potentials as well as requirements, therefore the classification should be merged with a regionalization method that complements the requirements. These four region categories together make up the regionalization method:

- Inland forest counties (Skogslänets inland)
- Other forest counties (Skogslänen i övrigt)
- Large city regions (Storstadsregioner)
- Other parts of Sweden (Övriga Sverige)

A variety of studies on rural development and national reports use this classification (NORDREGIO, 2010). However, in the newest Swedish national development strategy it is argued that a more flexible and context dependent definition of rural areas should be applied (NORDREGIO, 2010).

By European standards Sweden is classified as a rural country: “geographically large, sparsely populated and with only few large towns and cities” (Government Offices of Sweden, 2008). While sparsely populated areas face declining population, rural areas near urban agglomerations are attracting an increasing proportion of citizens. Swedish government data shows that many rural areas have diverse business activity with good growth prospects. It is suggested that in rural areas the employment growth is faster, profitability and business creation are higher (Curran & Storey, 1993). Among the benefits of doing business in Sweden’s countryside is the access to natural resources and raw materials, improved ethics in everyday life and at the workplace, and a great environment for work, residence and recreation.

Rural areas offer a pleasant work environment, but they have a disadvantage of long distances from denser populated regions. As a result, travelling and transportation costs are higher for rural firms; communication and cooperation are more complicated. Besides, urban areas have larger job markets that offer more opportunities, and as a result inhabitants of the countryside prefer to seek jobs in bigger cities. The same pattern applies to enterprises looking for the right employees; big job markets provide with wider selection. Consequently rural areas are known to have higher rates of unemployment.

In Sweden, Rural Development Policy has an overall purpose of an “economically, ecologically and socially sustainable rural development” (United Nations, 2005). The Swedish government helps entrepreneurs to create and develop businesses in rural areas by lowering corporate taxes, simplifying administrative procedures, providing business advisory services and skill-enhancement courses, offering regional business development grants and other financial assistance, and improving transport system so as to better meet demands of small business (Government Offices of Sweden, 2008).

The Swedish Rural Development program aims to raise employment in rural areas, and consequently it supports entrepreneurial activity there. Even though environmental and land-based firms still make a dominating part of gross product and employment, enterprises from other sectors are supported as well. The program strives to increase attractiveness of rural areas for entrepreneurs from different sectors through facilitating local cooperation and improving conditions for living and recreation. Importantly, the Rural Development Policy emphasizes sustainable development, which implies that businesses in Sweden’s countryside are demanded to operate in an environmentally friendly way and preserve the natural heritage around them.

Koziara and Koziara (1966) mention that Sweden uses rural location grants in order to motivate businesses. Rural areas differ from each other, it cannot be said in general what are the general drawbacks and opportunities from the firms perspective, for example the northern area of the country is not as attractive to the business sector, due to a shortage of resources, poor transportation and a mostly harsh climate. The second article, which is focusing on the same problem, is Government Offices of Sweden (2008). Here readers can find the reason of a weak countryside, which is also a severe climate and long distance between urban and rural areas. Although Swedish Government Offices of Sweden (2008) claims differently, they are saying that Sweden's rural and urban parts are well integrated both socially, and economically. Government Offices of Sweden (2008) has a list of four priorities in order to stimulate economic activity in the sparsely populated areas, these are:

- Innovation and renewal
- Skills supply and improved labor supply
- Accessibility
- Strategic cross-border cooperation

With the help of this list of priorities the Government also puts together a specific list of conditions to work on where there are region-based issues in the smaller cities that need improvement.

Still one of the major reflections in rural area research is the question: What leads competitive advantage to the rural area? Therefore, several scholars suggest that the connection between rural and metropolitan areas may lead to distinctive advantages because rural areas present special resources, conditions and challenges that differ from urban areas which can lead to an improvement in the firm and R&D (Hoey, 1993; Carter, 1999). Studies conducted in 2004 by Niedomysl discovered that a shift of focus in place marketing promotions has followed that underlines the importance of attracting businesses.

There is a lack of sources of what the precise firm's perspective is while locating business in rural areas. Regardless the limited resources firms have offered, all businesses struggle to be successful and efficient. Consequently, authors believe like many other scholars (Carter, 1999; Persson, 2002; Cassel, 2008) that the attractiveness of these areas is related to social and physical individualities associated with different rural areas.

Furthermore, as already mentioned above there is no such thing as a general guidance for firms. Each rural area is different in its own way due to its geographical location, climate, population, distance from metropolitan areas, as well as its level of development. As in various countries, the meaning of a rural area is diverse. Depending on what problems or concerns are being evaluated or what kind of action is being scheduled, va-

rieties of classifications are required. This makes actions and analyses more accurate (Government Offices of Sweden, 2008). Thus, general relationship between rural development and entrepreneurship is rather complex and not simply distinguished from the entrepreneurs' perspective what kind of opportunities and challenges are offered by these areas. Therefore, the available studies are not sufficient and further research is suggested.

The official government's report on "Strategy for strengthening the development capacity of Sweden's rural areas" (2008) states that rural areas in Sweden are distinguished by natural landscape and resources on one hand, and long distances, low population and poor accessibility on the other hand. However, there are various types of rural areas in Sweden, depicts declining population in some of them, whereas in some regions the proportion of citizens living in country is rather high; one of such regions is Småland.

4.7 Småland region in Sweden

Småland is a region in Southern Sweden which consists of 3 counties: Jönköping, Kronoberg and Kalmar. In spite of the fact that each county has considerable urban areas, in general the region is characterized by low population density and is classified as "predominantly rural" under OECD taxonomy of regions (OECD, 2012).

By OECD standards, the Småland region is on average outperforming similar regions in other member-countries, with above average growth and GDP per capita rates since the 1990s. Småland is famous as one of the most business facilitating in Sweden, with the Gnosjö district being one of the most dynamic industrial districts in Scandinavia.

Furthermore, the region boasts high employment rates, high wages and social welfare, which make it an attractive place to live in. Rural Småland has natural and cultural heritage along with amenities that can be crucial to business location decisions. Besides, the spread and speed of telecommunications nowadays helps many rural businesses to operate almost independently of their location (Dabson, 2001).

Småland is an entrepreneurial region that possesses strong Small and Medium Enterprises (further referred to as SME) structure, mainly comprised by low value-added manufacturing firms. However, the region lacks knowledge-intensive and technology enterprises, as well as has a lower education level in comparison to other Swedish regions. High-skilled labor force makes up a smaller proportion of region's workforce than Sweden's average. On the other hand, number of universities and quality of education has increased in recent years allowing growing more talent and retaining young people. Nevertheless, local businesses are relatively neither modern nor diverse, and many communities have insufficient range of consumer services (OECD, 2012).

Among obstacles to rural entrepreneurship that Lichtenstein and Lyons (1996) identify in their study, small firms in the rural areas of the Småland region are inclined to encounter difficulties in achieving economies of scale and therefore competitive price, problems in getting many services (such as financial, technical, fast internet) and networking with other entrepreneurs, shortage of skilled workers. Moreover, the fact that Småland is dominated by manufacturing firms challenges potential service companies with finding business partners and the correct infrastructure.

Småland region has been chosen for the research due to several reasons: First, this is a region with vast rural areas and with no major urban centers. Second, it is an entrepreneurial region with developed SME structure. Third, Småland faces challenges similar to those of many rural areas. Last, but not least, the region has good potential for development through boosting entrepreneurship. All these facts make Småland an appropriate region to study opportunities and challenges of rural entrepreneurship in the case of small firms.

4.7.1 Jönköping county

It was defined before that rural areas are inherently different and findings about entrepreneurship from one location cannot be generalized to others. Småland region consists of three counties, which provide similar, though still varying conditions for rural small firms. Such different locations influence opportunities and challenges of rural entrepreneurship in different ways. As a consequence, only through focusing on specific area can trustworthy conclusions be made.

In order to conduct an accurate and in-depth study, the Jönköping county of Småland region was selected as research setting. Rural areas of this county are probably some of the most business-facilitative in Småland. They provide proximity to major transportation highways, and the city of Jönköping. Besides, Jönköping University supplies educated potential employees for local companies.

4.8 Previous studies from a different perspective

Up to date, rural entrepreneurship studies in Sweden have covered mostly the economics and policy perspective. The majority of sources focus on economic impact of rural entrepreneurship, and aim to improve rural policies. Even though in this thesis entrepreneurship perspective on the issue is adopted, the previous economics research is still fully relevant for consideration. As proved before, economic development and entrepreneurship are highly correlated. Entrepreneurship enriches economy and, in turn, economic conditions foster/inhibit entrepreneurship (according to economics theory of entrepreneurship mentioned earlier). In this way economic development creates opportunities and challenges to entrepreneurs throughout the country. Consequently economic

theories can be used to analyse opportunities and challenges to rural entrepreneurship. Those theories are presented in the following sections.

Many theories have been suggested to describe what motivates firms to seek out the proper location for their businesses. Although the literature covers a wide variety of such theories from different perspective, this paper will specifically focus on rural areas in Sweden, rural entrepreneurship and small firms in Småland region.

Entrepreneurship has a positive effect on regional development. Variety previous researches prove the importance of entrepreneurship in rural development process. It is clear that entrepreneurship and rural development are two individual fields and have two completely different literatures.

The interesting question is how these two diverse subjects talk about the respective other? What do they have in common and what are the differences? What is the role of entrepreneurship in rural development? A literature review shows that most of the articles are focusing on economic perspective rather than entrepreneurship one. In order to gain deeper understanding about relationship between entrepreneurship and regional development it is compulsory to combine the visions of the two literatures.

Western countries are focusing more on finding out the connections between entrepreneurship and rural development. Sweden is one of these countries (Davidsson, Lindmark & Olofsson, 1994; Johannisson, Ramirez-Pasillas & Karlsson, 2002; Berggren & Dahlstrand, 2009).

Rural development is a dynamic process, which refers to the endowment and declaration of equal opportunities, personal welfare of inhabitants and stable economy. Rural development includes territorial and spatial dimensions, as well as time and historical dimensions (Johannisson & Dahlstrand, 2009).

There seems to be the general agreement that link between rural development and entrepreneurship is rather complicated (Fritsch & Mueller, 2004). Rural development studies mainly focus on environmental conditions and economical circumstances. On the contrary, entrepreneurship literature emphasises what actions are needed for rural development (Hjorth & Johannisson, 2008). Nevertheless, little has been done to inform entrepreneurs about challenges and opportunities of rural enterprise.

Prior researches show that that there is no such thing as a guide for rural entrepreneurs, but instead there are different types of rural areas. Yet, each of them has its own specific advantages and downsides to entrepreneurs.

Nowadays, rural areas need to develop more than ever. During the recent era there has been advancement in the research of rural area development as it is a new field attempt-

ing to advance its legitimacy (Larson, 2003); a lot more research on the topic needs to be done in order for this to happen (Ciaramella & Dettwiler, 2011). Recent discoveries and themes will be sought out in this thesis in order to review and structure the existing research on the rural entrepreneurial model of Swedish small firms.

4.8.1 What has been done in the rural entrepreneurship field?

Every research starts with defining what is rural and the following step is analyzing what is entrepreneurship. As it was already mentioned, entrepreneurship is becoming an increasingly important factor in a country's economic growth. The benefits of entrepreneurship are essential – better incomes, higher wealth and new jobs. Researches agree that entrepreneurship supports economic development by turning ideas into new companies, new products and new jobs (Henderson, 2006).

Thousands of studies have been done in rural entrepreneurship field, which focuses on economic perspective. Scholars Audretsch and Thurik (2004) are confirming strong relationship between entrepreneurship and economic development.

This literature review presents two central perspectives. First of all, developing rural areas in Sweden is vital for the future of the country (Government Offices of Sweden, 2008). Swedish researchers think that rural areas still have potential for the growth and reaching something worldwide exclusive through their local relations. For example the cost advantage, telecommunications and IT services enable these less populated areas to compete and remove disadvantages of distance and isolation (Hoey, 1993). On the other hand, there is increasingly high unemployment in rural areas all over Sweden (Larsson, Hedelin & Garling, 2003). Doing business in rural areas is the main weapon against structural unemployment (Kozłara & Kozłara, 1966). When businesses locate in rural areas they can fuel employment and increase productivity within the sector.

4.8.2 What has not been discussed?

The topic of entrepreneurship is highly familiar field discussed by various authors. It is obvious that entrepreneurship, especially in Sweden, is an interesting topic to investigate as it is connected to the creativity, innovation and technology. Moreover, Sweden is known as one of the most entrepreneurial countries. Swedish entrepreneurs start with the small businesses usually around the areas where they have taken education and where it is easy for them to live (Curran & Storey, 1993; Government Offices of Sweden, 2008; OECD, 2012).

As highlighted, small businesses in rural areas are pretty common in Sweden. However, few researches have been done about the rural entrepreneurship from the small firm perspective. All studies done about rural entrepreneurship are only of the economic focus, policy or governmental intervention perspectives.

Due to the fact that Sweden is the place where many entrepreneurs start with the small businesses, it would be helpful for them to know what business environment they will face in rural areas, what those areas suggest as opportunities to them and what challenges they have to regard beforehand.

Because the thesis authors reside in Sweden, it was decided to investigate this topic. It is apparently interesting for entrepreneurs, researchers and economists to know challenges and opportunities entrepreneurs have to regard before starting-up small businesses in rural areas.

4.9 Importance of rural entrepreneurship

Development of a country is depending on both rural and urban areas. Both of them are two different sides of the same coin of economic development (Saxena, 2012). Nowadays, rural development and entrepreneurship are connected more than ever before. Entrepreneurship is seen as strategic development interference that accelerates rural development process. There seems to be a general agreement on the importance of entrepreneurship (Smallbone, 2009; Saxena, 2012).

Besides, there seems to be a general agreement on the importance of locating businesses in rural areas; the interest of having firms locate in a specific area is a pervasive consideration in economic development. Rural areas have great difficulties to attract new businesses. On the other hand, there is a desperate need to create jobs (Falcone & Wilson, 2006). Importance of rural development has been questioned in the Government Communication on sustainable development (2012). Larsson et al. (2003) also sees a solution to unemployment problem in rural development and location of small businesses. The author thinks that the different factors will determine success of small businesses here such as: potential markets, less competition, available workforce, capital structure and infrastructure.

4.9.1 Challenges

Common challenges to rural entrepreneurship was identified in the work of Dabson (2001) and the Government Offices of Sweden (2008).

Declining population

In areas where population declines, several problems arise such as reduced service base and other labor shortages. Low population density limits the local demand; it makes rural businesses difficult to achieve the economies of scale. However, as a result of the part-time residence, for example tourism, there is still increasing number of people in those areas.

Same challenges are identifiable in the work of Saxena (2012), Smallbone (2009), Freshwater (2000), Smallbone (2002) and Government Offices of Sweden (2008), which is the lack of skilled labor.

Low level of skilled labor

Access to skilled labor is one of the major constraints on rural enterprises. The lower level of education as well as formal skills is the matter of fact. Lack of knowledge of information technology is common in rural areas as well. Rural entrepreneurs have troubles also in terms of legal formalities because of the illiteracy and ignorance so that they cannot obtain licenses. Lack of technical knowledge is another problem as well.

Finance is one of the biggest problems, which is a commonly reported challenge in Saxena (2012), Dabson (2001) and Smallbone (2009) works.

Access to finance

Finance is a problem because of the types of enterprises that investors find to be tiny and not as profitable as big ones. Most rural entrepreneurs do not get external funds due to the absence of credit in the market and tangible security. The procedure of taking loan is also so time-consuming that it often disappoints the rural entrepreneur and delays her/him. Government does not provide proper infrastructural facilities. Because of the less financial resources or external support, entrepreneurs are deemed to have less risk bearing capacity. Lack of lending institutions limits access to capital.

According to Dabson (2001) and Saxena (2012), competition is one more challenge for entrepreneurs while they enter the new market.

Competition

Small businesses are vulnerable to the arrival of large ones in the market. Because of the fact that new ventures have less financial support, large sized organizations and urban entrepreneurs are quite of a big problem for them. New businesses have to come up with the new marketing strategies, new advertisements which rural people should understand easily. As already mentioned in several works, the education level among rural population is low. Consequently, media has limited scope in those areas. Middlemen are also regarded competitors, as they exploit rural entrepreneurs. Dependence of rural entrepreneur on the middleman is quite high. They need middlemen for marketing their products.

Similar challenges are identified and explained by several authors, such as Saxena (2012) and Smallbone (2009). They regard transport and communications infrastructure as one of the challenges for rural entrepreneurs.

Communications infrastructure and transportation

Remoteness of the rural areas creates transportation challenges to small businesses. There is distance between rural and urban areas, which sometimes presents barriers. In-

infrastructure is crucial in order to enable those areas attract new businesses and people (OECD, 2006). Absence of government support with the infrastructural facilities makes it harder to develop rural entrepreneurship and new businesses in such areas.

Smallbone (2009) highlights one more challenge connected to the small size of the market.

Small size of local market

One more challenge for rural firms compared to the urban ones is the small size of local market that is obvious in terms of the low population densities in rural areas. Definitely, there are differences between manufacturing and service businesses. Consequently, small firms should focus on their special niche markets (Keeble, 1993).

In addition, Carter (1999) discusses costs, which are connected to location processes such as a group movement or workforce movement costs (mainly caused because of lack experienced workers in rural areas), facilities location costs as well as physical disruption of the workplace.

4.9.2 Opportunities

There is always a discussion among researchers about what are rural entrepreneurship opportunities and challenges. It is believed that opportunities exist independently. *“Opportunities exist prior to their discovery and opportunities are discovered before they are exploited”* (Eckhardt & Shane, 2003, p. 333).

According to Saxena, (2012) rural entrepreneurs and rural areas benefit from developing entrepreneurship in different ways:

Accessibility of business premises

Rural entrepreneurs benefit from wide range of business opportunities in rural areas compared to urban. Evidence shows that the costs of premises are much less in rural regions (Welsh, 2002). These factors prove that entrepreneurs have better chances to succeed in rural areas. Rural areas attract people who are more entrepreneurial in nature.

Infrastructural benefits

Transportation might be a challenge for rural areas, because of its isolation, but on the other hand efficient use of technologies offers methods for entrepreneurs to overcome easily this barrier. Access of telecommunication is one of the biggest advantages of rural area, which allows entrepreneurs to manage their business independently of the area. Dabson (2001) underlines three different opportunities, which promotes entrepreneurship in rural areas.

Rural area quality of life and nature

Rural areas in Sweden offer entrepreneur's natural beauty, which is charming entrepre-

neurs to move from urban, stressed environment to rural, calm and unpressured atmosphere.

Traditions and cultures

Traditions and cultures play really important role in area development. Rural area backgrounds, workmanship, nature, sense of culture and place attract entrepreneurs and offer them uniqueness.

Cost efficiency

Rural areas and smaller cities benefit from cheaper property compared to large cities and urban areas. Firms can make greater profits and receive higher returns on investment; lower competition and lower regulation make these areas more attractive for entrepreneurs (Government Offices of Sweden, 2008).

Rural areas benefit from developed entrepreneurship in different ways such as:

Increase job openings

Unemployment is a growing problem not only in rural areas but generally everywhere (Government Offices of Sweden, 2008); rural entrepreneurship is labour concentrated and gives clear way-out to this problem. Emerging business sector in rural areas within rural entrepreneurship has big prospective for income creation and employment generation.

Balance area development

Rural entrepreneurship is the best way to disperse business units from urban to rural areas in a balanced way.

Solve migration problems

Rural entrepreneurship plays an important role to fill the gap between urban and rural populations. It helps to improve area and infrastructural facilities by developing and building roads bridges, power e.tc. Rural entrepreneurship helps to check migration process from urbanized regions in search of new jobs.

Improve environmental and social issues

Developing rural entrepreneurship helps to decrease social and environmental issues such as; scarcity, growing slums, contamination etc.

Promote the rural youth

Rural entrepreneurship stimulates youth in these areas and showing them different opportunities within this field and promotes it as a career.

Support education

Rural community benefits from rural entrepreneurship development as it increases liter-

acy among people and supports education and self-employment.

Opportunities that were identified according to OECD, 2006 report:

- Development of the tourism and agro-industry
- Increasing demand for the rural amenities on the part of urban citizens
- SME clusters-like the sources of the economic success.

5 Method

The following section presents the process of information gathering and means of analysis according to the purpose. Selected approaches will be discussed and justified by the authors.

Starting point to collect and understand the information is to apply two approaches: qualitative and quantitative research. Research method that explains why things are the way they are in social world and why people act the way they do is qualitative research (Morgan, 1983). On the other hand, the form of research that investigates things that can be observed and measured is quantitative research.

The purpose of this thesis enables to focus on one approach rather than use both at the same time. It is convenient to concentrate on one, since it leads to concise and clear methodology.

Quantitative method such as statistics, testing a hypothesis or finding variables is a useful approach, however it is rejected in this study because it is not relevant to the topic. Since quantitative research, as stated, is used when research data can be measured, it is clearly not suitable for the purpose of this thesis, which is concerned with discovering entrepreneur's challenges and opportunities in rural areas in case of small firms. Instead, this purpose calls for qualitative method of research that will allow to combine and interpret information gathered from case studies.

Strength of the qualitative approach is that it is more flexible and helps in deeper understanding of the subject than other approaches do (Duffy, 1985). It can also rise some issues that have not been planned according to the topic that researcher designed; this is very important for this study as in-depth findings are to be reached.

Qualitative approach is also advantageous since the main interest of authors is the small firms' cases and experiences. In such occasions it is effective to use semi-structured interviews in face-to-face manner to receive information that is more complete and reliable (this will be justified in the Data section). This method is appropriate as it is flexible

and it gives a possibility of getting some additional information from interviewees. Moreover, it is important to come up with some additional issues or topics from interviews which are interesting for the researchers. The information given by respondents is expected to be trustworthy.

According to the aim of method, data collection will be followed by data analysis. This paper is carrying out comparative analysis between three cases. This will lead to in-depth and systematic analysis, which the thesis authors strive to produce. More precisely, individualizing comparison contrasts *“a small number of cases in order to grasp the peculiarities of each case”* (Tilly, 1984, p.82). Through this type of analysis focus on discovering similarities and differences between three cases will be established.

On the other hand, the research is based on the secondary data review. It is necessary to apply the theory and existing academic works in order to be able to analyze qualitative data from interviews. Secondary data is to be employed systematically throughout analysis so as to gain theoretically-backed findings.

Both for the sake of comprehensive data collection and of its analysis, Entrepreneurship Process Model (Figure 2) is used and adapted throughout the research. Thesis writers believe that entrepreneurship as a process involves the inputs such as entrepreneur and environment that have an impact on the entire process. Moreover, authors believe that the model is multifaceted enough to discover opportunities and challenges to rural entrepreneurship. Consequently this framework, in a modified extended version (described and justified in Frame of Reference), will be employed in the thesis in order to analyse findings. So as to facilitate structured and systematic analysis, it was decided to split interview questions along the three environmental influence factors of the model. These factors are physical, social and economic environment factors. Doing so, thesis authors aim to ensure that interviews yield clear, up-to-point and comparable information.

More detailed information on methods of data collection is provided in the following chapters.

5.1 Data

5.2 Data collection

Analyzing and discussing the data that was collected in various ways is essential part of thesis. Data is normally divided into two parts: primary and secondary sources. Primary source is the original material, which was created at the time of study. It is a unique source of information about the topic. On the other hand, secondary sources are the original materials that are presented elsewhere. Hence, secondary data is already collected source by someone that is used by other authors (Rabianski, 2003). This research is based on both primary and secondary sources.

5.3 Primary sources

Primary sources used in this thesis are represented under the Empirical Findings chapter. Data part in terms of primary sources is based on face-to-face interviews with three different small Swedish companies in Småland region.

5.4 Finding companies

Thesis is based on interviews with three different types of companies. Interviews are necessary in order to think about new topics and issues raised during meetings. Focus is on three different firms, which are small and differ with their characteristics.

The reason of focusing on small firms in Sweden is the following: firstly, Sweden is known for the strong base in entrepreneurship, secondly, small firms in Sweden are the most entrepreneurial according to their activities and approaches. Small firms are taking opportunities and facing various challenges during their star-up period (Curran & Storey, 1993).

Large companies are less flexible compared to small ones as they have quite many stakeholders and employees. Small firms on the contrary, are more flexible because they have quite small number of employees that can be manipulated easily. According to one of the interviews, family members are pretty common in such businesses; normally they are the founders of companies.

Small firms are more advantageous for this thesis than large ones. Despite the fact that both small and large companies have the same aim of being profitable and successful, the investigation of this thesis was not in the goal of firms being successful and profitable, but in the actual process. Their experience was investigated in terms of challenges and opportunities.

According to Curran and Blackburn (1994), starting up small businesses is popular and essential for Swedish economy, this is why it is important to know what stages an entrepreneur should go through in order to enter the market. To get to know barriers on the market and factors concerning starting-up new businesses is an interesting area for researchers. Latter can only be achieved due to the semi-structured interviews that were conducted with three companies.

Most important representatives of the company were interviewed, because it is more interesting and useful to know how those people actually overcome challenges, take the main part in decision-making processes and take opportunities as quickly as they arise.

The selected firms are located in Småland region, concretely in Forserum and Tenhult of Jönköping county. Those areas are rural, since their inhabitants are less than 3000 and the areas are positioned at average 45 minutes away from the center of Jönköping.

Interviewing three different companies in those areas was a right choice since the motivation was to see if there were some differences in opportunities and challenges to different rural firms.

The selection process was quite objective as no previous connections existed with the contacted companies. However, FIAB Forserum AB was the only company that authors had some knowledge about. It was a host company, already familiar to them. Consequently, it was easier to get in touch with it than the rest of the companies.

Two companies in Tenhult were found during the search: Lantstället and Hobby Fritid AB. Those two companies were contacted and an appointment for the interview was set.

Location was the first priority during the search. Businesses should have been located in rural areas. Tenhult and Forserum areas were chosen according to their close positioning to the authors' current location - Jönköping. Latter factors for the choice were because of the time-limitation and convenience. It was quite hard to find areas which were 45 minutes away from Jönköping center and which were somehow closer to the city compared to others.

Second priority was the size of a business. Large companies were rejected during the search, as the purpose is to focus on small businesses. The reason for this is that there are mostly small firms in rural areas and they are more entrepreneurial compared to large ones (Smallbone, 2009). This was easy to find small firms in rural areas as rural areas since normally one finds mostly small businesses while taking look into rural areas.

The third priority was the type of the business. Three businesses with different characteristic were chosen. This was due to the fact that authors were interested to see how different type of businesses were thinking in terms of the attitudes toward challenges and opportunities of rural entrepreneurship.

Also authors would like to see if the attractiveness of rural areas differs in various places and if there exist some concrete factors that make rural areas attractive. This will be found in the empirical part of thesis.

5.5 Interviews and questions

According to Kvale (1996) interviews are one of the best techniques to collect information as well as gain knowledge from people. According to the author, there are different types of interviews:

- Structured interviews
- Semi-structured interviews
- Unstructured interviews

- Non-directive interview

Wahlbin (2001) describes different methods to collect data: personal meetings, telephone interviews or videoconference. All of interviews in this paper were done within personal meetings. Semi-structured interviews were used during meetings, as it is the best method in relation to research problem. Semi-structured interviews were the best and most suitable type of interview in this case to design the research. In this kind of interview, order of questions can be changed and extra questions can be asked. Semi-structured interviews give an opportunity to investigate the ideas and views of the interviewee. Thus the researcher is freer in these types of interviews than when a structured interview is conducted.

The individuals interviewed in different companies are entrepreneurs themselves and have an active and leading role in the company. Interviewees have had the experience concerning entrepreneurial challenges and opportunities in rural areas.

Specific guidelines were followed for each interview conducted. These guidelines were used as a list or script to cover each area of interest. The advantage of semi-structured interviews was that the authors could ask extra questions and go in-depth in to the different situations if required.

Audio recorders were used during the interviews, which later will be formed into a text. Audio records helped to make interpretations using interviewee's tone of voice.

As already mentioned above, semi-structured interviews were used in order to get all the necessary information. Hence, interview question guideline was followed, which was consisting of 24 questions. The questions were structured according to the Entrepreneurship Process Model (Figure 2), and divided into three parts.

First part of questions about physical environment was asked to gather information about location, natural resources and landscape (Questions 2-4, Appendix 1).

Second part was questions about social environment gathering information about social capital, governance and cultural heritage (Questions 5-9, Appendix 1).

After social environment, questions were focusing on economic environment and more precisely infrastructure, business networks and ICTs (Questions 10-13, Appendix 1).

The last part of questions were open-ended questions which can not be answered by yes or no and usually such kind of questions do not have wrong or right answers, it was the best way to go in-depth and find out more basic information (Questions 14-19, Appendix 1).

5.5.1 Validity and reliability

Miller (2001) states that validity and reliability are two most important and essential features of measurement. Reliability measures if the method produces the same results on constant trials, however validity tells whether investigation gets correct result in regard to actuality.

The extent to which one can rely on the source of the data and the data itself is known as reliability. Reliable data is trustworthy, dependable, certain, consistent, realistic, unaffected (Jary & Jary, 1995). The purpose of this thesis is to discuss companies' experiences considering their challenges and opportunities in rural areas rather than to generalize results for all Swedish small companies. Therefore, the problem whether the source is reliable, trustworthy or realistic, is not of concern to us. Thus, the reliability of conducted interviews and results are relatively high in the case.

According to Kimberlin and Winterstein (2008, p. 2278): *"The extent to which an instrument measures what it purports to measure, is validity. Validity requires that an instrument is reliable, but an instrument can be reliable without being valid"*. In other words validity measures what the researcher really wants to investigate. Information is valid because the questions that were asked to entrepreneurs were directly related to the research topic. Since entrepreneurs themselves were interviewed and covered the area of interest, and as all questions were connected only to the topic, the validity of the data was fulfilled.

5.6 Secondary sources

Helping with secondary data the information and theories in the rural entrepreneurship area were collected. Different sources and databases were used for collecting information. Databases such as Emerald, JULIA, Diva, Business Source Premier, JSTOR, Oxford Scholarship Online - Business and Management were used in secondary data. Jönköping University library was helpful also in finding books and accessing various search systems and catalogues. Distinctive search words were used during research such as: Business in rural areas, rural area development, small firms in Sweden, and rural entrepreneurship in Sweden.

One disadvantage of the selected secondary sources might be subjective views on some theories, since only one source such as, Articles from Government Offices in Sweden, was used. Nevertheless, diverse articles and different views were searched for.

5.6.1 Evaluation of secondary data

Secondary data has a lot of advantages. One of them is that it already exists. Therefore, time spent on the research is significantly less than time spent on collecting primary data. Besides, project costs are less. Size of sample is one of the benefits of secondary data.

ta, which reduces the risk of non-responses and its effect on the research. Quality and the methods of selecting secondary data can be considered as disadvantages, which often are difficult to validate (Sorensen, Sabroe & Olsen, 1996).

To measure whether secondary data is valid or not it is useful to take into consideration a few things such as:

- Data is related to research question
- Check how different scholars had proceeded in similar situations
- Data uses proxies
- Conclusions may be biased if there is no information specified from secondary data (McCaston, 1998).

Validity in case of this thesis is not under question, since the above steps were carefully followed, except last one. Paper is not drawing conclusions using only secondary data. Hence, the analysis and conclusions will be based on primary and secondary data.

Reliability is another criteria to evaluate secondary data. Which means that data is complete, precise and meets the intended purpose and research question. To be completely sure if secondary data is reliable researcher should test it with repetition. The information, in the thesis, provided through secondary data is consistent with other reliable sources; therefore reliability of data is fulfilled in this case as well.

6 Empirical findings

The empirical findings section is dedicated to responses gathered from interviews; all the important answers are structured under headings in order to ease comprehension for each topic.

6.1 Case of FIAB AB

6.1.1 General facts about the company

FIAB AB is a small family company in Småland region. Forserum, where the business is situated, is a village of about 2000 inhabitants (data of 2010) in a 50-minute-car ride from the city center of Jönköping. Currently FIAB AB employs 15 people, out of whom 2 are family members. This background makes the company suitable for this research.

A local entrepreneur from Forserum founded the company in 1950s'. Now FIAB AB specializes in production of latex sheets, which it then supplies to other businesses to use for different manufacturing purposes. Meeting was conducted with the managing di-

rector of FIAB AB, Joakim, to talk about the firm and his views on doing business in rural location.

Until recent times the firm was completely owned by the family. However, business situation worsened. As FIAB AB concentrates only on production of latex sheets, stakes became too high and gave rise to financial risks. Furthermore, markets in Scandinavia shrank, leaving the firm with insufficient sales. Next, in latex industry it is necessary to keep the price low to stay competitive. Therefore FIAB AB needs capital investments, which their bigger competitor can provide. The companies merged, and nowadays the competitor owns 75 per cent of FIAB AB. The rest 25 per cent belong to the family.

Apart from having more experience with the business, the competitor has technical know-how on new production technologies. Merging together allows FIAB AB to spread risks, improve financial position, reduce costs, reach more customers, develop new logistic solutions, products and increase market share. All these make FIAB AB stronger and competitive. In addition, now the firm focuses on markets of Scandinavia, Finland and Baltics. Formerly they had sales all over the world that was riskier and complex.

Nonetheless, being a part of the big company for FIAB is challenging because the firm has to excel at reporting. But in the long run FIAB expects benefits, including production in bigger volumes and an installation of resource and production planning system. The importance of good IT solutions is crucial to the business, and joining a bigger company facilitates their acquisition.

The majority of FIAB's 15 employees come from Forserum. Members of the owner family include the managing director and his brother. The company aims to develop technologies and increase production, but not to hire more employees in the near future.

Since the merge, FIAB AB has no more competitors in latex market in entire Scandinavia, though there are several abroad. However, some companies in Sweden and overseas are manufacturing substitute products, which pose a threat for FIAB AB. The firm thus has to lower prices, improve technologies and be able to prove that latex foam is of superior quality, if it is to succeed in sales.

Managing director does not believe that FIAB AB plays an important role in the village development, since they are not a big employer and are operating on a small scale but company still has some contribution in area development and job creation aspects.

6.1.2 Challenges they face

The challenge for FIAB in their rural area is logistics: how to get their product out of this area to customers. Because the company is producing on a small scale, it's problematic to find affordable transportation to different markets. They have to cooperate

with many shipping companies to reach lowest prices. But this logistics challenge does not strongly relate to rural location since goods are shipped and sold abroad.

Being a small firm makes it complicated for FIAB AB to compete in wider European market. The scale of production should be higher in order to be competitive there.

Concerning workforce, there are many unemployed people in Forserum and it is rather easy to find workers for manufacturing part of the business. However, it is a challenge here to find workforce with higher education, because those are usually employed in Forserum.

From social point of view, Joakim mentions that he prefers not to live in Forserum, but in a nearby village. He is a well-known entrepreneur in Forserum, and local inhabitants associate him with business. This causes people to talk to him about his job, which is not enjoyable in spare time.

Another challenge in Forserum is integration among people of different cultures. There are significant minorities who face difficulties integrating into Swedish society. The fact that the village is small only worsens the matter, since people tend not to be sufficiently open-minded. This badly affects workplace environment. On the other hand, cultural conflicts draw media attention to the area, which is generally advantageous.

Additionally, Joakim admits that close social relations in Forserum actually present a disadvantage, as people “know too much” about each other. Potentially good individuals with poor family background, for example, may be unreasonably rejected.

When asked about governmental assistance for rural business, Joakim admitted that the firm does not receive any. Currently FIAB AB receives tax refund on oil expenses, but this is not expected to continue for a long time. The government provides funding for certain projects, such as those directed towards introducing environmentally friendly technologies. However, no other specific help is received. Moreover, employment protection laws in fact prevent FIAB AB from hiring more young people, which would be extremely desirable for the company. Laws require companies to plan for a long term, which is not possible in their rapidly changing situation.

6.1.3 Opportunities they face

Back in 1950s’ when the company was established, the founder found sufficient advantages in Forserum to start a business there. He had local contacts, there were many available buildings to set a factory, and costs of renting in the village were (and still remain) low.

In fact, Forserum makes a convenient location for FIAB AB nowadays. Property is cheaper that allows to significantly cut costs. Communications and infrastructure are

developed since the village is close to Jönköping, Nassjö and the highway, which connects it with major Swedish cities, and Copenhagen. Joakim believes there is no better location for this kind of a company.

He also admits that even though FIAB AB is located in a rural area, the cost of introducing products to markets in Scandinavia, Finland and Baltics are low. The Baltics are comparatively difficult to enter, and there networking appears to be very effective. Through a contact person in the Baltics market FIAB AB can sell their products. Additionally, in latex foam business buyers are known, and consequently FIAB AB neither has to invest into advertising, nor experiences marketing disadvantages in their location.

Another advantage of FIAB's rural location is easy networking. Communication and cooperation among different businesses in Forserum works very effectively. Interestingly, companies organize common activities and work together on projects, which are equally beneficial for everyone. For example, currently they are developing bio heating. This is not directly a part of any firm's business. However, introduction of bio heating will cut energy costs for every member of this local network.

It was also said that in Forserum there are many entrepreneurs who are willing to cooperate and find common solutions. From environmental point of view, next advantage arises. Pleasant company surroundings are attractive to both employees and customers.

6.1.4 Reflection on doing business in rural area

Joakim states that if an entrepreneur wants to start a firm in a rural area, she/he has to consider numerous factors that may facilitate or inhibit the business.

Firstly, whether a specific rural location is suitable or not depends on the type of business and target markets. In case of a manufacturing export-oriented company like FIAB AB, the most important feature of location is proximity to major transportation infrastructure. However, for a more locally oriented company small size of market may be a challenge.

Secondly, in any rural area connections and networking play vital role in business success. In general, good knowledge of the area and its special characteristics (both social and business) is necessary.

Thirdly, it is mentioned that comprehensive logistics, both for export and import, are always of importance for companies in country locations.

6.2 Case of Lanstället

6.2.1 General facts about store

Lanstället is a small shop in Småland region. Tenhult, where the shop is located, is a small area of less than 3000 inhabitants (data of 2010) in a 40-50 minute car ride from the city center of Jönköping. Lanstället has only one owner and no other employees. The location of a shop, and the size makes it the suitable case for this thesis. An interview was conducted with the founder and the owner of Lanstället Mona Ekwall.

As it is already mentioned, firms in rural areas are predominantly small. Lanstället is a small cozy red cottage opened about three years ago in Tenhult. Originally the cottage was property to a soldier, in the early 1900s he was living and having his own shoemaker studio there. This little house was not functioning for a long time, until 2010 when Mona Ekwall (owner of the Lanstället) rented, renovated, painted the rooms and gave a chance to the business. At first she opened the store as a hobby, after all it became a successful business for her.

The store sells home furnishings, clothing and jewellery. Lanstället cooperates with other women around the area and inspires them to use the old stuff and remake them. People give her handmade crafts and other items to sell; otherwise other products are transported from Denmark.

There are many women around the area who can make a lot of nice things such as paintings, jewellery etc. and this store helps them to sell their goods. Store also offers to the customers different kinds of theme nights where Tenhult inhabitants are gathering painting, casting in concrete, having silverware and simply having fun. The business owner usually hiring study circle leaders are scheduled theme nights, "taster" courses.

The owner finds Tenhult area good for business, and quite natural because she was born and lived here whole her life. Mona thinks that it is not easy to run the business in rural area but on the other hand she realizes that these kind of areas need to live on and someone should make an effort for that.

It is also difficult to run the business in the rural area, where there are not a lot of customers and costs are high, such as: purchase of goods, banking costs and taxes, heating e.tc. Although, the cost of importing goods from Denmark is the same as if the store was situated in the city center. She believes that she has same costs in rural areas without including the cheaper rent because the start-up and other costs are the same across Sweden depending on the type of business.

As it has been found out in this case, government does not really help to develop rural regions. Lanstället sought funding from the government in 2010, the store was granted

with financial aid and various grants, which was later rejected on the same day that payment was promised. The process was long planned with signatures and oral contracts. Both sides have had meetings couple of times, promises were really big telling entrepreneur to start on a big scale and not to be as careful as she was with the business because they wanted bigger start which would involve Tenhult inhabitants on it. The day, government supposed to pay, they said money for aid ran out and entrepreneur got nothing. At first they said they were going to do all their best to support her because this business was small in size and rural, which was the excellent candidate for government help, since they were helping rural areas to develop. After this unexpected rejection, Mona was very disappointed and she never plans to ask government for help again. She describes this period as a really hard time and a huge setback; she needed couple of months to open the store once again.

Lanstället is a really popular shop in Tenhult area with no competitors, the store uses word-of-mouth as a marketing and also social networks such as facebook page, which updates all the customers about new products and upcoming events.

The shop is open only 10 hours per week. The future plans for business is extend working hours and have more theme nights to weaken rural inhabitants up.

6.2.2 Challenges they face

According to Lanstället owner, time and patience is a challenge. It takes time before entrepreneurs reach their purpose. It is hard to obtain the real value of entrepreneurship. If they fail to bear it in mind, they might also fail to success.

Lack of population is a challenge for Lanstället. It is difficult for Lanstället to market the store as not so many people see it, because of the low population density. It is also nearly impossible to advertise the store in the newspaper because it is too expensive. Employees are another challenge for Lanstället. The owner runs the business alone and it is also a challenge to operate the shop alone. It takes too much effort and time.

The company does not have competitors. According to her, it would be better if she worked with her competitors in order to learn more and develop.

Government support in terms of financial aids and grants for small businesses in rural area fails. The owner of the company was disappointed about the fact that Government promised to fund her but they did not fulfil the promise. The documentation procedure was also one of the reasons for delaying the financing. Contracts and long planning made it difficult to fulfil the process. It was such a setback that she doubted to start a business at all.

According to Mona, start-up and other costs such as banking costs and taxes are the same in rural areas and urban areas in Sweden. Transportation costs during getting

goods from Denmark is not different from the costs of the store if it was located in the city.

6.2.3 Opportunities they face

First of all, location of the Tenhult is one of the advantages for the owner of the store. Tenhult is located 15 kilometres away from the center of Jönköping. Tenhult is quite calm and safe environment for every business.

Tenhult offers lower cost due to lower rents. Costs of renting property are relatively low in this area than in the center, which makes huge difference for entrepreneurs to start business here.

Another advantage of Lanstället's rural location is networking. Business owner and inhabitants cooperate perfectly, which puts both sides in win-win position. People make handmade things and the store helps them to sell their stuff, which is beneficial for everyone.

Lanstället plays an important role in promoting rural people. The store stimulates women (especially) to wake up and shows them different opportunities to create something and promote their career.

Another biggest advantage of Tenhult areas is easy and fast access of communications, which allows the shop owner to manage her business independently of the area.

6.2.4 Reflection on doing business in rural area

According to the owner of Lanstället, rural areas need to live on and it is necessary to open small businesses in those areas. Encouraging people is also important. She claimed that having competitors is a good part in those areas because it is an opportunity to grow and expand a business in such ways that they can cooperate and help each other to come up with some new projects.

The owner had an interesting idea about choosing area while starting-up a new business as an entrepreneur. She claimed that it does not make difference where one starts a company in Sweden, as the costs are pretty similar except of the low rent in rural areas. However, doing business in rural area holds out longer, those areas are more calm and stable.

Moreover, communication is the biggest opportunity. Word of mouth works greatly in rural areas. It is an easy and more reliable way of marketing business. Even customer's way of transporting goods is directly coming and collecting.

According to her, it also depends what type of business an entrepreneur open in rural area. Sometimes because of the location it is easy to reach the inhabitants in those areas in

order to make some weekly projects such as “taster” courses as in their own case for example.

6.3 Case of Hobby Fritid i Tenhult AB

6.3.1 General facts about the company

Hobby Fritid i Tenhult AB is one of 25 Swedish dealerships of a German caravan manufacturer called Hobby. The local Småland dealership is situated in Tenhult, - a village of less than 3000 inhabitants (data of 2010) in a 40-50 minute car ride from the city centre of Jönköping. Hobby Fritid i Tenhult AB is now employing 21 people, thus it is a small firm fitting in this research purpose. The coordinator (Lars) of the company has been interviewed, in order to discover his opinion on doing business in Tenhult.

To begin with, the parent company, Hobby caravan manufacturer in Germany, is nowadays the world’s biggest caravan producer. It possesses over 40 years of experience in caravan building. Currently there are around 400 distributors of Hobby caravans in all major European markets, 25 of which are in Sweden. The market share of Hobby’s European business accounts for 20%, and in Swedish market Hobby is the leading brand.

As for Hobby Fritid i Tenhult AB, it is one of Sweden’s largest caravan distributors which has existed for around 10 years now. Lars mentioned that Tenhult is a sort of “caravan centre” for Sweden, since such caravan manufacturers as Kabe and Adria are located there as well. However, they do not pose significant threats to Hobby because they are smaller.

Generally, according to Lars, in Sweden competition in caravan retail business is based on quality and service issues, rather than on price. Because Hobby Fritid i Tenhult AB offers excellent services and thus has gained high customer satisfaction, in 2012 it was awarded “best Swedish dealer of Hobby”.

The company is actively engaged in marketing. Advertising is done through Internet, television, newspapers and branch magazines. Nevertheless, Lars admitted that retaining customers in caravan business is an issue of high importance. Many caravan owners prefer to change models regularly, and it is vital to keep those customers satisfied and loyal.

Even though Hobby Fritid i Tenhult AB is not a family firm, many employees have a relative (-s) working there as well. Majority of employees come from surrounding area, some of them moved so as to live closer to their workplace. Lars admitted that the company is looking for workforce beyond local community, and as a result it reaches skilled employees whom it requires. However, sometimes priority in employment is given to family members.

Rural location does not entail any governmental donations to Hobby Fritid i Tenhult AB.

Besides, at the moment caravan sales are slowing down due to the European economic downturn. As a result the company is improving advertisements as well as trying to keep existing customers fully satisfied.

6.3.2 Challenges they face

In Tenhult Hobby is sharing the market with competitors such as Kabe and Adria. Customers selecting a caravan always prefer to go around and see different options in order to select the best one. Therefore Hobby Fritid i Tenhult AB has to excel at quality and services (which are the main success criteria) to stay competitive.

In addition, due to sparse population local market is small. This leads to limited local demand that poses a challenge. Buyers from neighbourhoods must be reached.

Third disadvantage comes when some employees need to commute to their workplace in Tenhult, which is far from their residence. Many people consider Tenhult life to be boring and don't want to settle in the village.

6.3.3 Opportunities they face

Lars finds Tenhult a very advantageous location for a caravan dealership.

First of all, since Tenhult is a “caravan centre of Sweden”, it is well known with customers. As a consequence, many buyers are attracted to purchase caravans there.

Secondly, the location of Tenhult near Jönköping and E4 highway means that the company is easily reachable by customers as well as suppliers.

Thirdly, reduced property costs are a great benefit. The caravan dealership needs spacious premises for displaying and storing vehicles, and a bigger city location would result in enormous costs. On the other hand, in Tenhult Hobby is not constrained by space.

Next, company representative highlighted that contacts, which the company has with other Tenhult businesses, are extremely valuable and beneficial. In their rural location firms are well known to each other and are very cooperative. In Hobby's case, major benefits come from partnering with local service companies and thus increasing value of their product and facilitating smooth operations.

Another set of opportunities is opened to the firm through the use of information technologies. Apart from the many useful electronic services that help the company with operations, there is substantial marketing aid. For instance, Hobby Fritid i Tenhult AB

attracts many customers through advertisements on Internet, social networks and the website.

6.3.4 Reflection on doing business in rural area

Overall Lars believes that Tenhult is a lucrative rural location for a caravan dealership. This is due to cheap and abundant property, the fact that the area is well known for caravans, easy reachability of Tenhult and strong local connections.

What is more, Hobby Fritid i Tenhult AB plays an essential role in development of the rural area by attracting many tourists to visit it.

7 Analysis

This chapter compiles the major empirical data coupled with the frame of reference in order to analyse given findings together with relevant theory.

Throughout the following sections the paper strives not only to derive opportunities and challenges offered through rural entrepreneurship, that are prominent in these cases. The authors also discover implications of various company and environmental factors which are of significance when determining opportunities and challenges faced by a firm due to its rural location. By this approach the paper sets out to go beyond the purpose of the paper, and to suggest explanations according to presented cases. As a result it will ensure that the analysis is valuable when evaluating opportunities and challenges to rural firms with different sets of characteristics.

Since a systematic qualitative in-depth analysis is performed, attention will be paid to connections and possible cause-and-effect relationships among characteristics of company, environment, and respective opportunities and challenges. Additionally, a comparison between the three cases is done so as to unravel further differences of rural location effects on various small companies.

Uniformly along the analysis the theoretical framework, developed previously, is applied. This, firstly, provides with a scheme for interpretations and, secondly, serves to compare and contrast the findings with those of other scholars.

Constructing the analysis in the above described way, the authors will reach valuable conclusions that are of interest for researchers, entrepreneurs as well as economists and policy makers.

7.1 General facts

As stated in previous sections, rurality imposes specific opportunities and challenges on the entrepreneurship process. However, they differ among companies from the same village because there are many other factors which along with rural location affect business; those factors are specific characteristics of companies. The paper argues that rural firms encounter different opportunities and challenges depending on those specific company characteristics. In order to distinguish between the impact of those various features and their combinations, an outline is made for each of the three cases. Doing so will create a firm premise that through a funnel approach leads the reader to interpretations of opportunities and challenges to rural entrepreneurship in the case of small firms. Later in this paper connections between company characteristics and rural challenges and opportunities will be established.

- Location effects

All three companies under investigation are situated in Småland region, which is well proved in the frame of reference chapter to be facilitative for rural entrepreneurship. Furthermore, location in either Tenhult (Lanstället and Hobby Fritid i Tenhult AB) or Forserum (FIAB AB) is probably one of the best in Småland, since it is nearby Jönköping city and E4 highway. This means that in the cases rural location is easily reachable when it comes to transportation and communications. But does location matter equally for each firm? Research showed that despite location is almost identical in each of three cases, opportunities and challenges encountered there by companies are not the same.

- Scale of operations and target market effects

Lanstället store gets supplies from and distributes in Tenhult, though imports some goods from Denmark as well. Hobby Fritid i Tenhult AB receives vehicles from Germany and distributes mostly in Tenhult and its neighbourhoods. FIAB AB manufactures goods in Forserum and exports them to Scandinavian and Baltic markets. It is suggested that whether a rural company targets local, national or international customers modifies its opportunities and challenges, since it implies smaller or larger market for products, and also determines competition and importance of logistics.

- Company size effects

All companies under study experience many rural opportunities and challenges suggested in previous literature on small rural firms. In all the cases it is confirmed that small rural firms benefit from local networking. It is also displayed that small firms in rural Småland can compete on large markets (case of FIAB AB). On the other hand Lanstället, a sole proprietorship, is a local store which successfully uses rural culture and traditions in business. Nevertheless, since the study involves sole proprietorship (Lanstället), Hobby Fritid i Tenhult AB of 21 employees, and FIAB AB of 15 employees, differ-

ences in opportunities and challenges for rural sole proprietorships and other small firms can still be discovered.

- Form of ownership effects

As discovered from interviews, small rural firms are not necessarily vulnerable, for them being a part of (or partnering with) a stronger company can lead to substantial support. Because that Hobby Fritid i Tenhult AB is owned by an international German-based company, and FIAB AB, mainly belonging to a big international competitor, both are much more robust than Lanstället, which is owned and run by a single person. Therefore the authors argue that supportive and resourceful ownership plays a role in beating many of rural challenges.

- Workforce requirement effects

According to interview data, both Hobby Fritid i Tenhult AB and FIAB AB face shortage of supply of potential employees possessing necessary skills and education in Tenhult and Forserum respectively. Nevertheless, it depends on a type of job workers are recruited for. For instance, factory workforce for FIAB AB is easy to hire from the village. Consequently, it is believed that rural firms may experience either challenges or opportunities depending on which workforce they need.

- Government support effects

In contrast to what was said by many Swedish government reports, in all three cases rural firms did not receive any assistance targeted at helping rural businesses. For a store like Lanstället government support would matter significantly, and its absence puts the store in difficult financial conditions. Since Lanstället is also a start-up, authors believe that government aid for such newly established companies is extremely needed. It helps small firms to survive and encourage competition on the market.

7.2 Challenges and opportunities

By now factors which, as argued, affect opportunities and challenges of rural location in the case studies, were listed. Main opportunities and challenges for each rural company in the research can be derived and interpreted. For this purpose authors' own cumulative framework, produced by combining and integrating various relevant theories from the Frame of Reference, will be employed.

Based on Entrepreneurship Process Model (Figure 2), it was concluded that rural location imposes certain specific circumstances on entrepreneurship process. Those circumstances (or factors) can be grouped into physical, social and economic dimensions. Depending on characteristics of a company and its rural location, they can come as either opportunities or challenges.

Consequently, authors of this paper identified that to achieve a multifaceted analysis it would be necessary to update the Entrepreneurship Process Model (Figure 2) to suit specifics of this research location and case studies. For this purpose thesis writers contribute to the model by modifying it so as to include important factors of rural environment that were derived from a larger literature pool. The factors are initially distributed into physical, social and economic categories (as in rural entrepreneurship model, Figure 2). Secondly, because the factors of rural environment can impose advantages or disadvantages on businesses, they are split under opportunities and challenges, or when applicable under both. The modified model is employed in the following sections to analyse opportunities and challenges of rural environment in the case studies.

Through accumulating rural opportunities and challenges from relevant existing theories, and grouping them into factors of physical, social and economic nature, writers of this thesis believe to gain the most theoretically-backed and systematic results. Indeed, the modified framework allows to compare the findings to previous research. Moreover, the case studies will be compared and contrasted. This will point out how opportunities and challenges in each case resemble or differ. Later thesis authors will be able to suggest reasons for those similarities and discrepancies by interpreting opportunities and challenges relative to company characteristics developed formerly.

7.2.1 Challenges

Physical Environment

During the research all the factors included in the physical environment section such as location, natural resources and competition were identified as opportunities.

Social Environment

- Government financing

It was found that type of business matters when it comes to the financial support from the government. But it often fails in financing small businesses in rural areas. On the one hand, Hobby Fritid I Tenhult AB seems a successful company, which did not focus on the financial support that much. On the contrary, FIAB AB and Lanstället have problems accessing governmental support. FIAB AB was only partly refunded on the oil expenses that might not last long. And all the support, they have gotten were on the environmentally friendly projects. Moreover, many scholars (Dabson, 2001; Smallbone, 2005; Saxena, 2012) explain that delaying the formal procedure is one way of not financing businesses. Documentation procedure, contracts and planning demotivate an entrepreneur who may not even decide to run a business. Lanstället company experienced the same problem, receiving aid entailed lengthy paperwork which was not helpful in the end. Obviously, lack of government support is a challenge for the entrepreneur who starts up a small business because it limits access to capital and makes it harder to

compete. It is a problem especially for Lanstället because it is a sole proprietorship working on a low scale.

- Employee integration

Rural area sense of culture and background offer entrepreneurs uniqueness and attract them. Sometimes integration of rural inhabitants is a challenge faced by entrepreneurs. For example, FIAB AB had problems with integration among employees from different cultures. Swedish society is specific and it is sometimes hard for different cultures to adapt. This matters when it comes to the businesses that recruit international people at work. In that case new employees have to adapt to dominant culture, and also they should not feel disadvantage. However, it is clear that this would not be a problem for an entrepreneur who is only employee in the business, like Lanstället. Employee integration seems not to be a problem for Hobby Fritid, since all the employees have the same cultural background.

- Social capital

The close social relations in rural areas is discussed as an opportunity in the following chapter. However, it was found that close relations could be regarded as a challenge in the companies for some reasons.

Besides many advantages, there is one disadvantage that makes it uncomfortable for entrepreneurs who live locally in rural areas to do business there. This is because many people know them personally and ask questions that bother entrepreneurs. Managing director of FIAB AB claimed that he is a well-known person in the Forserum, which is annoying sometimes as people ask him about his job everywhere he goes outside the work. Rural inhabitants often mix business and personal relationships which is not beneficial for a company and effects industry negatively. In contrast, representatives from Lanstället and Hobby Fritid find good personal relationships as the key to good business relations.

Economic environment

- Small size of the market

Small size of the market is one of the major problems for rural companies, which leads to fewer customers. Lanstället faces this problem because it is a small firm that operates locally and it is hard to market the store as not so many people see it. Hobby Fritid i Tenhult AB also claims that sparse population is a challenge that impacts the demand on market. Less population makes it difficult to achieve the economies of scale and leads to the limited local demand. In case of Lanstället, if there were more people in Tenhult, the owner would be able to unite more inhabitants to make more handmade products, and of course put more people in the win-win position in terms of profitability. However, rural areas by itself mean that they are naturally short in population com-

pared to the cities; consequently it is obvious that the market size is smaller. Thus a good way to deal with it is that small firms should focus on their special niche markets when they decide to run their business. Contrarywise of Lantstället and Hobby Fritid, size of the market does not influence FIAB AB's industry, since the major of sales are depending on export and the firm is not focusing on local market.

- Skilled labor

According to the cases, access to skilled labor is a big challenge for rural enterprises. People in rural areas are lacking knowledge of information technology, formal skills and have low level of education. This could be the reason why firms hire family members in the companies like FIAB AB and Hobby Fritid. Because of low skilled labor entrepreneurs rely on the internal linkages. Then the personal connections take place. Such personal and family relationships in rural communities can create the barrier to effective business relationships and attitudes toward the work.

Moreover, well-educated people are hard to find, because there is the chance that someone else already hires them. However, this should not bother an entrepreneur who decides to run a business just by herself similarly to the owner of Lanstället. On the other hand, when company like Hobby Fritid AB recruits people from different areas, there is no possible challenge to face then. So recruitment in terms of location matters. This challenge does not exist for the companies who recruit people from different areas.

7.2.2 Opportunities

Physical Environment:

- Location factors

All of the three selected small firms agreed that location is one of their highest priorities for their business. The representative from Hobby Fritid AB believes that the rural area location helps their business to cut costs significantly; lower rent costs is also an essential aspect for FIAB AB's business. Both of these companies have huge property, which includes factory buildings as well, considering this it is clear why they find the rural area to be beneficial and cost-saving. Similarly, Mona from Lantstället prefers the lower rent costs Tenhult offers compared to central Jönköping and profits from that. In addition, location in either Tenhult or Forserum is extremely accessible and convenient geographically. Deliberating the empirical findings and secondary data it is found that cost saving is a crucial opportunity for entrepreneurs, offered by the rural region.

- Natural environment

The natural environment is one of the essential factors for a company, which can affect businesses positively or negatively, since none of the companies exist in a vacuum. A firm depends on its capability to make profit despite the outside factors affecting it. However, most environmental factors are outside of business firm's control. The natural

beauty of rural areas makes it easier for entrepreneurs to work in less stressful environment. Lars from Hobby Fritid finds Tenhult very calm and enjoys being there; he also mentioned that some of the workers moved from the city center to Tenhult, also helping the rural area's migration process, which will be discussed later in the discussion chapter. Likewise, Joakim from FIAB AB states natural beauty as a vital opportunity they have in the rural area, since he finds it attractive for customers and believes that Forserum's surrounding nature is one of the advantages they have over their competitors.

On the other hand, the case of Lantstället is a bit different. The owner of the store is a native of Tenhult and the key variable for her is the function of the length of residency, in other words embeddedness as seen in Figure 1 (Figures). There are different reasons for length of the residency in the rural area. One of these reasons is the natural beauty and cozy environment for Mona's case as well.

- Competition

Cost saving is not the only advantage in location factor for small business owners. Rural entrepreneurs find the business environment valuable in rural regions. For example, one of Lantstället's advantages is low competition. In the case of low competition, the entrepreneur has a significantly better chance to stand out and thus receives a higher customer base. Lantstället is the only shop in Tenhult that sells mixed products such as clothes, jewelry, furnishings and hand-made crafts and decorations. Inversely, Lantstället's low competition is not seen as an opportunity for Hobby Fritid, since Tenhult is known as a center of caravan dealerships and Hobby Fritid operates in a high competition environment. On the other hand FIAB AB does not compete locally, since it is the biggest latex producer in Scandinavia and has international competitors, since most of its sales are exports. However, Lantstället welfares from the rural low competition location where buyers can easily find it. The store does not need to give extra effort to gain competitive advantage over other firms and easily stick to its own plan to succeed. It can be inferred that due to small market size rural areas are a low competition setting. This often comes as an opportunity, even though there are exceptions for certain companies and industries.

Social environment:

- Social capital

In frame of reference chapter it was stated that social capital is one of the opportunities small firms encounter in rural areas. This feature has significant argumentative effects on businesses and got mixed support from the cases. The first case (FIAB AB) finds the rural region as a closed area, where everyone knows each other and has a disparaging effect on business. Joakim believes that some people mix personal and business relationships, where the combination of the two creates a negative aspect counterproductive to business. However, easy networking is still beneficial for the company since they are

cooperating among other businesses in Forserum planning and organizing common activities that are mutually beneficial, e.g. bio heating.

Conversely, Hobby Fritid and Lantstället are enjoying the social capital and close relationships they have in rural areas. Similarly, Hobby Fritid is collaborating with different companies located in Tenhult, which saves their time and effort. Networking between businesses is a greatly valued way to improve business by learning from the failure or success of others etc., the benefits from networking can be endless. The business model of Lantstället is mainly depending on social capital and close relationships since local Tenhult inhabitants bring to the shop their handmade products that the store helps them to sell; both sides benefit similarly. Close relationships between the community and business owners have considerably positive effects on their companies; mostly sales are related to the entrepreneurs' perceived connections with neighbors, family members, friends and community fellows.

Economic environment:

- Access to communications

Hobby Fritid, FIAB AB, and Lantstället are saying that access to communications nowadays in Sweden's rural areas is very fast and easy. It allows them easy access at any time giving entrepreneurs the opportunity to update company matters and gives them a chance to be always in touch with the community. All of the respondents use social networks as a tool of communication, as well as advertising, which is crucial in today's world to be a competitor on the market.

- Infrastructure

Transportation is an important component of the infrastructure on welfare of business firms. When the transport sector is effective, it provides positive opportunities to the company such as reduced costs, when the transportation system is not efficient it increases costs. Benefits from good transportation system are various, environmental and social load are factors of it, which cannot be rejected.

In Frame of Reference section it was stated that transportation sector as a challenge rural entrepreneurs face because of their countryside location. Nevertheless, authors discovered it as an opportunity in Hobby Fritid, FIAB AB and Lantstället cases. Everyone agrees that links between producers and customers are efficient because of good transportation system. The respondents believe that firm's success is increasingly linked with transport improvement. These firms are locating near to Jönköping center and next to the highways. Considering that their location retains better mobility, it gives them opportunity to develop.

7.3 Linking rural challenges, opportunities and general company characteristics

Judging from the preceding comparative analysis it is evident that even though all the three companies are situated in the same geographical region, their opportunities and challenges differ from each other, at least according to relative importance. The authors believe that these differences can be explained by each company's characteristics. As a result it is essential to account for those characteristics in order to gain insights that are applicable to various companies, not only those in this study.

However, the findings are still limited to given geographic area, as it is impossible to generalize them to various rural districts which may put businesses in inherently different circumstances. Nevertheless, an in-depth analysis of the area in this research is conducted.

Below previously outlined characteristics of companies in research will be employed in order to suggest how opportunities and challenges of rural location affect various companies.

- Location effects

It was found that Tenhult and Forserum location is very beneficial for all companies. Firstly, it allows to cut rent and property costs significantly. Secondly, it boasts developed infrastructure and easy access to major transport lines, and is close to Jönköping city. Nevertheless, given rural location provides most advantages for those companies that require large premises and use extensive logistics.

- Scale of operations and target market effects

Findings display that locally oriented small rural firms draw biggest opportunity from embeddedness into community, networking and cooperation. For such businesses it is also crucial that they are accepted by community. Besides, shortage of local demand creates a significant challenge, that is doubled in case there are also competitors in the area. On the other hand, rural companies that export goods and compete on larger markets avoid the disadvantage of little local sales. However, they may face severe competition which is hard to combat if the scale of business is not sufficient to achieve benefits of scale economies.

- Company size effects

It is suggested that rural sole proprietorships perceive rural integration of the owner as an important opportunity. Being a recognized member of community is vital for such an entrepreneur. Furthermore, rural sole proprietorships escape the challenge of finding suitable workforce. The downside is that it is complicated for a single person to achieve

bigger scale for business. Therefore sole proprietorships are most likely to operate locally and face challenges of insufficient demand.

- Form of ownership effects

According to the findings rural firms that partner with or belong to larger companies, are able to diminish challenges of rural location greatly, while retaining opportunities. This is due to the fact that larger partner (owner) may often assist a rural small firm in becoming competitive on wider markets. Consequently local demand challenge may be eliminated. Furthermore, with the help of greater resources, better information, technology and advice, small rural businesses gain improvement in operations.

- Workforce requirement effects

It was found that rural companies which require skilled and educated employees will find their location challenging. There is shortage of such workforce residing in rural areas, and it may be unwilling to commute from cities.

In contrast, if a company needs workers for low-skill jobs, then rural districts offer more than sufficient workforce supply, as there are many people seeking employment.

- Government support effects

Entrepreneurs wishing to start a rural firm in general cannot rely on direct government support. Resource aid might be provided for certain projects, for example those benefiting environment. However, any government financing for a rural company is rather exception than a rule. As a consequence it must not be considered an opportunity. On the contrary, absence of government support for rural start-ups in fact makes it more difficult for them to profit and compete with established companies.

8 Conclusions

This chapter concludes empirical findings and analysis. It fulfils the purpose of this paper by providing answers to the foregoing research questions.

The purpose of this paper was to find out what are the challenges and opportunities that entrepreneurs face in rural areas. This thesis reviewed articles on topic of entrepreneurship, small firms and Småland region published in leading journals of regional development and entrepreneurship studies. The thesis writers attempted to increase knowledge in the field of rural entrepreneurship from entrepreneur's perspective. Using secondary data and empirical findings it was possible to show the main challenges and opportunities for rural entrepreneurs in the Analysis.

These main issues were discussed according to Entrepreneurship Process Model (Figure 2). Main findings were categorized under factors of physical, social and economic environments. However, there was a limit to contents of the model, therefore new aspects were added.

Based on comparative analysis of three different cases significant challenges and opportunities faced by rural entrepreneurs were discovered. The common opportunities for the three companies were identified such as: rural location, natural environment, competition, social capital, access to communications and infrastructure. Particularly, in presented cases most prominent opportunities were convenient geographical location, rent cost cuts and strong networking.

Major challenges entrepreneurs face in rural areas are: government financing, employee integration, social relations, limited market and low skilled workforce. All the respondents from different firms agreed on some main challenges their businesses face in rural areas; some of the most important were small size of the market (few customers) and lack of skilled labour.

Some challenges, such as social capital, were identified as opportunities in some cases; therefore Analysis discusses these factors from two different perspectives.

While answering Research Question 2, another important finding was made. Different firms meet diverse opportunities and challenges in almost identical rural areas. Those discrepancies are explained by characteristics of each firm, among which are target markets, scale of operations, form of ownership, company size and workforce requirements.

The above challenges and opportunities will influence small businesses in various ways. Indeed, businesses encounter a range of opportunities and challenges every year, which ask for different solutions. For instance, what was successful last year might not be the best approach today. Nonetheless, discovering and recognizing of all the problems and benefits for small businesses in rural areas common conclusions can be drawn which is essential for company's growth and success. In fact, an entrepreneur would find it useful to know which obstacles to confront and which benefits to seize in a given rural area. No matter of the size and the location of the company, effective business idea is the must that creates sustainable future.

As empirical findings show, all respondents find rural areas advantageous for entrepreneurs. Authors do not consider that rural areas will solely provide small firms with advantages, but they still find them business-facilitative, because as it has been ascertained, geography, social and natural environment play an important role for entrepreneurs in rural areas. The clear answer to Research Question 3 cannot be specified referring to all of the above factors. There may be different responses consistent with the

major findings. An accurate judgement can be made only when particular company's and entrepreneurs' characteristics, views, requests and notions are taken into account. However, rural areas studied in this paper proved to be extremely beneficial for business, at least in presented cases.

In conclusion, rural entrepreneurship field is highly relevant and expanding in today's business research. There is, however, a limited amount of studies focusing on rural entrepreneurship from entrepreneur's perspective. The contribution of this thesis is the discovery and interpretation of challenges and opportunities to rural entrepreneurship in case of small firms in Småland region of Sweden. Moreover, the study yielded a framework suitable for similar analysis of various rural areas. Obviously, the research conducted by thesis writers is very focused in geographical respect. Since rural areas are inherently different, opportunities and challenges supplied by one of them cannot be generalized to others. Therefore, more insight into the topic is required in order to boost rural entrepreneurship nationwide. Eventually, a classification of rural areas with respect to entrepreneurship may be created. This is a suggestion that thesis authors leave for further research.

9 Discussion and further research

The discussion chapter will give insights on additional discoveries made while writing the paper. Besides, limitations of the study will be outlined, and suggestions for future researchers in this field made.

Through analyzing secondary data and three selected cases conclusions were drawn and the stated purpose was fulfilled. As rural entrepreneurship is a broad topic itself, various important aspects were found where less research has been done. The relationship between rural areas and entrepreneurs is two sided, where both parts have mutual interdependence. Mostly both parts are in win-win position. As challenges and opportunities for rural entrepreneurs were investigated, benefits and problems these areas are encountering from rural development were found. This section will discuss those aspects shortly.

Job creation is the most important benefit rural area is getting from developed entrepreneurship. Even though the selected firms were not meant to deal with employment problems in rural areas, they still produce some job positions. In Hobby Fritid's case, where they have 21 employees most of them are locals, similarly 13 out of 15 employees in FIAB AB are from Forserum as well. Consequently it can be concluded that these firms have played a central role in employment creation.

Migration problem is the second essential aspect in this discussion. Developed entrepreneurship has created new conditions in rural areas and made changes visible for people who are always eager to change lifestyle and move from urban to rural areas. Employment opportunities, less stressful environment and cheaper property are the main features of rural areas. The representative from Hobby Fritid mentioned that their employees are from different parts from Sweden and also from different countries just moved to Tenhult because of the work. He personally also moved to Tenhult because of comfortable environment and beautiful nature. This process has influence on urbanization and partly solves problem of declining population in rural regions.

Awaken and promote rural inhabitants is another vital benefit people are getting from entrepreneurs. As already mentioned above, rural entrepreneurship can stimulate population and expose it to different possibilities. Lantstället is the excellent example of this, the owner of the store believes that rural area needs to be awake and tries all her best to offer inhabitants different activities and involve them in it.

Tourism popularization is also an important component of integrated development of rural areas; tourism and rural regions interrelate in many ways. Benefits from tourism are numerous: economic growth of area, social benefits etc. Hobby Fritid and FIAB AB play a small role in tourism development, they agree on the importance of tourism sector in rural areas. Typically their own customers checking different rural firms and business sectors while they are in Tenhult and Forserum, buying some souvenirs and visiting local restaurants etc.

All of the aspects stated above are affecting area development and improve the quality of life of rural inhabitants. Area development involves social transformation and economic growth. The main goal of rural area development is producing welfare among people.

On the other hand there are some problems identified that those areas encounter from rural development. Air pollution caused by industries is the most hazardous. Factories pollute the air in different ways that are dangerous for all the living things. Since, this concrete factor was not researched, it is impossible to draw conclusions, and thus further research is needed in this area.

Low competition in general is an opportunity for companies in rural areas, however it might be disadvantage for the customers, as the prices are high when the competition is low. When the only one company operates in the special niche market this is the case of “dead market”, in this case firms have lack of networking, cooperating and high prices. Consequently, firms need competitors to update their business periodically, keep the high quality and low prices.

One more issue that can be a part of discussion is the gap between the theory and actual findings. Theory says that governmental institutions help businesses, however the cases showed that companies are lacking their support. It is good that entrepreneurs find rural areas attractive. However, not only entrepreneurs should be interested in those areas but also the Government as well. Government support in terms of finance gives motivation to entrepreneurs to take a chance and contribute in various ways. This also helps the economic development of rural areas.

Importance of contribution of entrepreneurs to the economy and area development should be promoted. Mona Ekwall is a good example here. She started business as a hobby that turned out into a successful business that contributes the economy. As a future plans the owner admitted that she would like to do the business of locally grown vegetables and fruits that is also good for the economy. This is special about rural areas that it gives possibility to start such a small businesses or come up with some other ideas in future as an entrepreneur.

According to theory, the low level of education in rural areas has an implication on rural entrepreneurs. Attitudes of family and the society do not encourage rural people to take up entrepreneurship as a career sometimes. This could be because of lack of education and awareness of entrepreneurial opportunities among rural inhabitants. However, this concrete challenge could be the object of argument when it comes to some of the Swedish rural areas. Since people in Swedish rural areas close to the city are more erudite. Due to the interviews it was found that Swedish rural areas do not have this problem. The awareness and attitudes toward entrepreneurship is well integrated among Swedish society. However, it is important for entrepreneurs to know where which place to choose for their businesses.

9.1 Limitations

Although the paper strived to produce a reliable investigation with various implications, there are limits and drawbacks, which it tried to minimize. Below, the limitations of the work are listed so that readers can be aware of its scope:

Time: Due to a limited time span of only four months a deeper and more comprehensive research involving larger pool of data and analysis using more methods had to be foregone.

Finance: Comprehensive investigation of small rural businesses in Småland would involve extensive and costly travelling.

Language: None of the authors can speak Swedish, which is a significant limitation given that the research is conducted by interviewing Swedish companies.

Making contact with entrepreneurs: It was generally difficult to attract companies to participate in the interview. The majority of the target firms were too busy to meet. Therefore the research is focused and cannot be generalized to various types of firms in Småland, but on the other hand it is in-depth.

Choice of research region: Focus has been on one region in Sweden. Although the findings are useful for general rural entrepreneurship research, they are still most appropriate to similar regions and particularly in Sweden.

Objectives: This thesis sets out to find opportunities and challenges to rural entrepreneurship in case of small firms. But since the focus is on Småland region and the empirical findings are rather focused, conclusions cannot be made for wider rural areas, bigger firms and other types of businesses than those researched. However, the results will be useful and relevant for rural research in Sweden, research of similar regions abroad as well as comparative studies.

Theoretical perspective: Among the concepts adopted, most recent theories are related to economic development of the region. There is limited number of articles focusing on rural entrepreneurship in Sweden from the firm's perspective.

9.2 Further research

The Limitations of this study call for successive academic works to enrich the topic. During the research process it was determined that further studies are recommended in the field of rural entrepreneurship.

Similar researches in different rural areas (in Sweden and overseas) are suggested. Additional studies of rural opportunities and challenges in different rural areas would help scientists to establish a comprehensive knowledge pool on this matter. When sufficient information about impacts of various country locations on entrepreneurship is gathered, it will be possible to create an accurate classification of rural areas with respect to entrepreneurship. Obviously, this will assist rural entrepreneurs to select proper location for their business and be aware of circumstances that they will encounter there. In turn, entrepreneurship will be spurred, causing economic growth and rural area development.

10 References

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II Appendix

II.1 Appendix I: Interview questions

Frågor - Svenska

Generell fråga

1. Vilket sorts företag driver ni och vad är företagsbakgrunden?

Fysisk miljö

2. Varför valde ni att starta företaget i detta området?
3. Vad är särskilda egenskaper med denna landsbygd?
4. Vilka möjligheter/utmaningar ser ni som entreprenör för ert företag gällande:
 - Lokalisering
 - Naturliga miljön
 - Konkurrenter
 - Kostnader
 - Andra faktorer

Sociala miljön

5. Hur påverkar sociala miljön ert företag gällande:
 - Socialt kapital
 - Sociala medier
6. Hur många anställda har ni?
7. Hur många av dem är familjemedlemmar?
8. Hur många av dem är en del av lokalbefolkningen?
9. Har ni något sorts bidrag/stöd från staten? Om ja, av vilken sort?

Ekonomiska miljön

10. Hur transporterar ert företag sina produkter?
11. Hur använder ert företag IT?
12. Tycker ni att små storleken på marknaden är en möjlighet eller utmaningen för ert företag?
13. Hittar ni lätt arbetare lokalt?
14. Vad är era attityder mot entreprenörskap?
15. Vilken roll tar du i områdets utveckling?
16. Hur annonserar/marknadsför ni ert företag?
17. Vad är era framtida planer?
18. Ser ni landsbygden som attraktiv för entreprenörer?
19. Har ni flera råd eller förslag för landsbygdsentreprenörer?

Questions - English

General question

1. What type of business do you have, what is company background?

Physical environment

2. Why did you choose to open business in this concrete area?
3. What are special characteristics about this rural area?
4. What opportunity/challenge do you face as an entrepreneur for your company?
 - Relating to location
 - Relating to natural environment
 - Relating to competition
 - Relating to costs
 - Other factors

Social environment

5. How does social environment effect your business?
 - Relating to social capital
 - Relating to social networking
6. How many employees do you have?
7. How many of them are family members?
8. How many of them are local?
9. Do you have any governmental support? If yes what type?

Economic environment

10. How does your company transport its products?
11. How does you company use information technologies?
12. Do you find small size of market as an opportunity or challenge for your business?
13. Do you easily find the labor locally?

Open-ended questions

14. What are your attitudes toward entrepreneurship?
15. What role do you play in the area development?
16. How does your business advertise?
17. What is your future plans?
18. Do you find rural area attractive for entrepreneurs?
19. Any further suggestions for rural entrepreneurs?

12 Figures

12.1 Figure 1: Model of Embeddedness

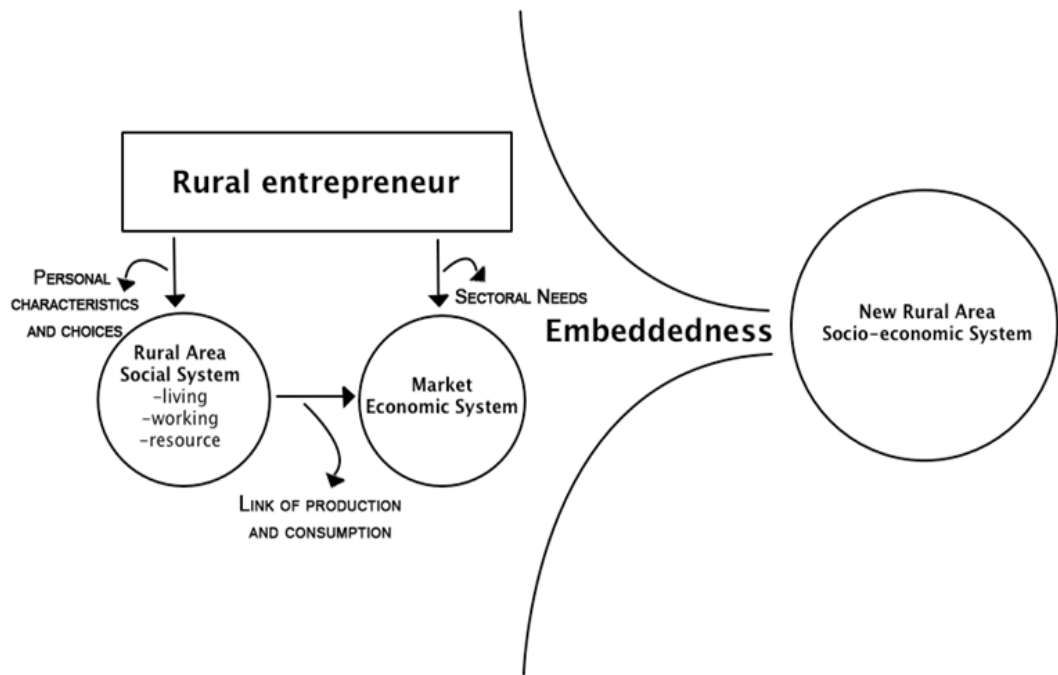
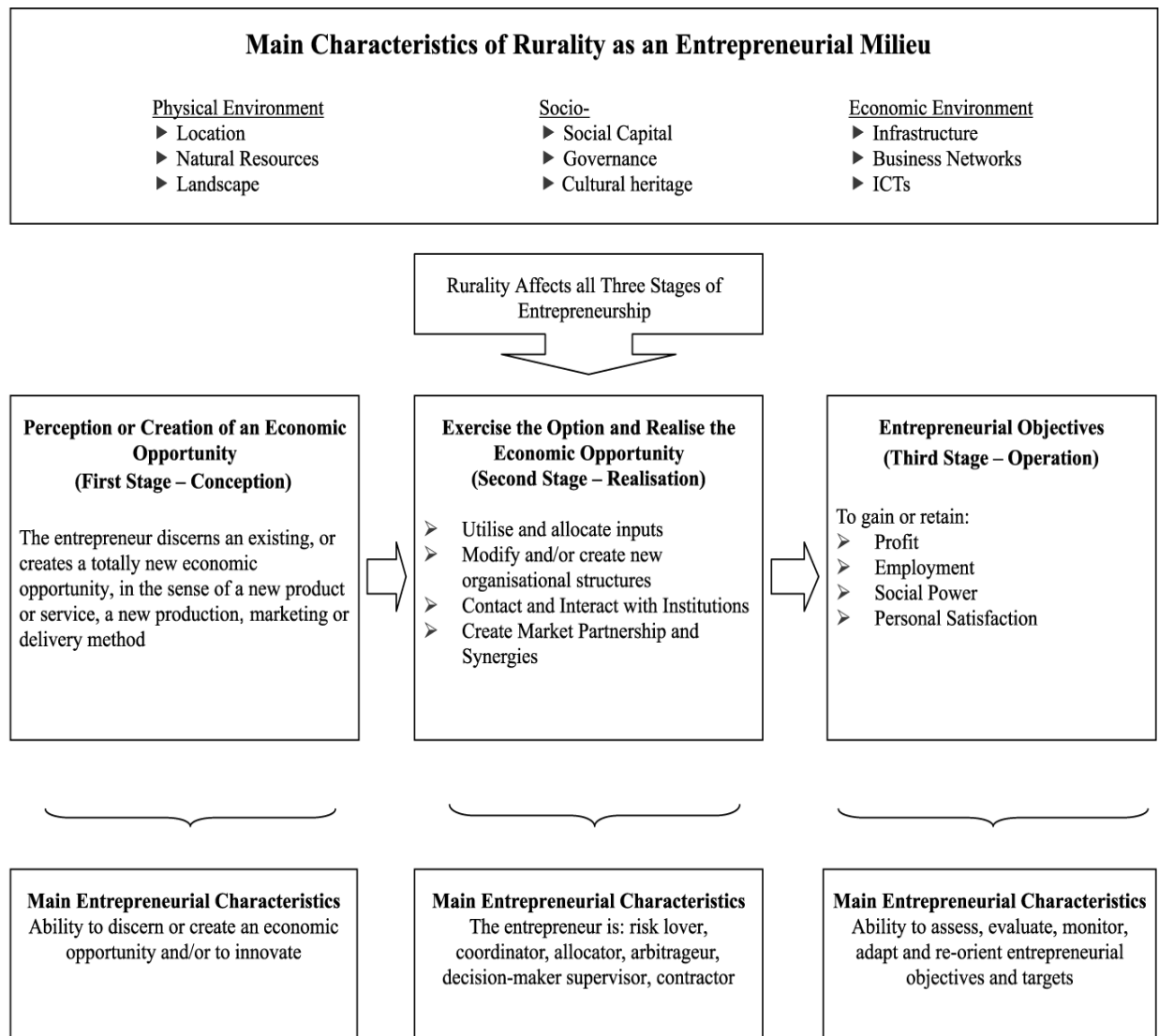


FIGURE 1: EFFECT OF EMBEDDEDNESS ON RURAL AREAS

(Akgün, Nijkamp, Baycan & Brons, 2010, p. 541)

12.2 Figure 2: Entrepreneurship Process Model



(Stathopoulou, Psaltopoulos & Skuras, 2004, p. 413)