

BESSH -16**Rural Entrepreneurship in Mountainous Regions within the Severe Crisis in Greece**Karagouni Glykeria^{1*}, Trigkas Marios², Papadopoulos Ioannis³, Mpasdekis Dimitris⁴^{1,3}*Technological Educational Institute of Thessaly, Greece*²*Aristotle University of Thessaloniki, Greece*⁴*Athens University of Economics and Business, Greece*

Abstract

The paper purports to explore the actual entrepreneurial processes in rural and more precisely in mountainous areas taking into account the specificities of the place. Research focuses on two core aspects of rural entrepreneurship according to existing literature and namely the distinctive characteristics of the businesses ecosystem structure of the mountainous Pyli area, Region of Thessaly, Greece and of its population. The first aspect regards the institutional environment, the firm and market size and types, transport and communication infrastructures; access to information, finance and advice services. The second group of factors refers to the existing entrepreneurial attitude regarding entrepreneurial culture, innovativeness and the importance of knowledge. The field research included one third of the existing enterprises of the area providing an adequate sample for its purposes. The data of the study was captured using structured questionnaires. Findings confirm existing literature and contribute to efforts for the development of policies to regenerate rural areas in Greece which is still in a long-lasting severe socio-economic crisis. The paper aims to inspire more generic policy innovation for the bottom-up development of local approaches to strengthen rural entrepreneurship in mountainous areas especially in times of crisis.

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Keywords— Rural Entrepreneurship, Rural Regions, Mountainous Areas, Social Entrepreneurship

Introduction

What are actually the factors that enhance or weaken entrepreneurship in rural areas? Relevant literature is replicate of directions, policies and views, carefully analyzed by researchers in various fields of science, such as Business Administration, Economics, Sociology and Geography (Stathopoulou, Psaltopoulos, and Skuras, 2004; Jack and Anderson, 2002). Contemporary approaches of significant interest also have been developed, such as “Actors Network Theory” (Economic Geography) or the “Structuration Theory” in Sociology. For example; Lockie & Kitto (2000) claim that the Actors Network Theory constitutes a useful theoretical framework for understanding the entrepreneurial process in rural areas. The authors explore the personality of those able to promote their business objectives and achieve the best results in rural areas; they delve into the strategies or practices they use, the technologies they adopt and the forms of institutions they develop. Traditional approaches to the entrepreneurship issue especially of lagging rural areas have been focusing on the creation of competitive business (mainly SMEs) especially in the secondary and tertiary sectors (Stathopoulou, Psaltopoulos, and Skuras, 2004), through the mobilization of local resources in order to create competitive advantages (Kumar, 1989).

However, even nowadays, research on entrepreneurship in rural areas is relatively sparse especially within a crisis framework which produces further constraints in rural regions. The exploration of existing and surviving entrepreneurship in mountainous areas aims to inspire an innovative approach and policy directed towards the model of social entrepreneurship as well as the development of local approaches to strengthen entrepreneurship.

The next section of this work attempts a short description of the key concepts of entrepreneurship and rurality and a review of the major factors that shape a rural entrepreneurial milieu. The empirical part will outline the challenges and obstacles of rural entrepreneurship in a specific Greek mountainous area in Greece (Pyli, Region of Thessaly) within the current and long-lasting crisis framework. Statistical data will be discussed in order to produce useful insights about the future and the conditions for rural entrepreneurship under stressful conditions and provide indication for relevant policies. The concluding section includes future research, limitations and some policy recommendations.

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Literature Review

Rural Entrepreneurship

Rural entrepreneurship emerged in the 80s; however, it was only after 2000 that it drew significant attention (Pato and Teixeira, 2014). Today, it is a dynamically developing area of research in the entrepreneurship field and one of the most important areas to support rural economic development. According to an epitome of relevant literature, population density in combination with percentage of people in rural communities and in contrast to the size of urban centers may define the “rurality” of an area (OECD, 2005; Skuras, 1998). Besides its name as “rural entrepreneurship” the field covered “a myriad of other activities (namely industrial activities)”, according to Miljkovic et al. (2010).

In recent literature on the issue, studies have focused on differences between rural and urban areas, several types of traits, economic growth, institutional frameworks and regional growth policies (Avramenko and Silver, 2010). Within the social context investigation, ‘embeddedness’ and networks have been also emphasized (Kalantaridis & Bika, 2006; Pato and Teixeira, 2014; Smallbone and Welter, 2006).

Characteristics of the Rural Entrepreneurial Milieu

In general, rural regions represent more than half (57%) of the European territory and 24% of its population (EC, 2012). Especially mountain regions are dominated by the agricultural sector, present a rather poor socioeconomic environment and a rapid decline in employment (López-i-Gelats, Tàbara, and Bartolomé, 2009), while they suffer from distance to markets and services. According to a recent OECD 2005 report, aging population, associated with an outmigration of young people eliminates the chances of potential entrepreneurs.

When studying the rural entrepreneurial milieu, there are certain parameters to take into consideration. Heterogeneity, for example, reflects potential variations at local level even within national economies. Heterogeneity actually forms the distinctive business ecosystem of each rural region within the common rural environment characteristics such as small local markets, usually poor infrastructures regarding communication and transport, access to finance or even skilled labor, advice and information (Labrianidis, 2006).

Another significant group of factors regards the rural area’s social capital, attributes and culture of these areas population (Bosworth, 2012; Mandl Oberholzner and Dorflinger, 2007). This stream is strongly related to the one dealing with the characteristics of the existing rural business. Business in rural areas are usually small ones with a more personal image; they are mainly one-person or micro-firms and although called “rural” they actually cover a large variety of farm, re-creation and non-farm activities (Whitener, and McGranhan, 2003). However, agriculture remains the dominant sectors in the majority of these economies. At the same time, changing policies such as reductions in agricultural support, increase pressures on rural business especially when combined with changing market trends; the healthy reaction is - of course - diversification of activities and exploration of new business opportunities. However, even in such cases, profitable entrepreneurial choices are strongly related to location and proximity to urban centers (Labrianidis, 2006). A very small stream of literature also attempts to explore the potential of innovation within rural entrepreneurship (Escalante and Turvey, 2006).

Empirical Part

Research Objective

This paper reports a quantitative research which is conducted in the mountainous region of the Municipality of Pyli in western Thessaly, Greece. The area of the Municipality of Pyli is characterized mountainous or highland (percentage 87.38%) with a significant rate of unemployment and a mediocre presence of entrepreneurial activities; these, however, cover all three sectors of economy (primary, secondary and tertiary) with the agricultural sector to be the dominant one. The region presents all the characteristics described above in literature; i.e. poor socioeconomic environment, aging population and outmigration of young people and poor infrastructures to name a few.

The research will try to map the major factors that shape the investigated rural entrepreneurial milieu in order to delineate the existing business ecosystem and to produce a rather representative profile of the entrepreneurial culture. The first part of the research is based on the existence of rich literature; for the purposes of the research firm characteristics, market sizes, existence of infrastructures and easiness of access to specific sources have been taken into consideration. Being by nature difficult to define and measure, the second part; i.e. entrepreneurial culture in rural areas has a strong impact on entrepreneurship (Westhead, and Wright, 1998). However, even today, this view is based more on assumption than evidence (e.g. Shields, 2005), since there is hardly any quantitative empirical research on the relationship between the “prevailing socio-cultural features of everyday life in rural areas and business operations” (Shields, 2005). In order to tackle the challenge, factors such as reasons of starting a business and thoughts and views regarding knowledge, innovation and networking were examined.

Methodological Approach

The research followed the quantitative research approach under the positivistic research philosophy. Research was conducted in 2015-2016 i.e. the seventh year of the severe socio-economic crisis. The population of the study consisted of around 300 enterprises as registered by the relevant authorities. The sample was chosen to include the primary, secondary and tertiary sectors of the local economy. In order to collect the necessary data, a structured questionnaire was prepared and random sampling was engaged. Likert scale was used for the majority of the questions. The research was conducted by skilled researchers who addressed the entrepreneurs or executive members of the firms by personal face-to-face interviews. Although the research targeted at a sample of 100 respondents (1/3 of the total population), the response rate was 87% yielding a quite satisfactory sample. A pilot study confirmed the reliability of the constructs.

The data were recorded, processed and analyzed via the statistical package SPSSWIN ver 20.0 and the appropriate tests for frequency (Frequencies), descriptive statistics (Descriptives) and variable comparison analysis (Crosstabs), were conducted. When correlation tests were required logistic regression was used since the response variables were bivalent categorical. The statistically significant -or non- effect of factors was estimated, based on the p-value (sig.) at 5% significance level and the related odds ratio was estimated, too. The goodness of fit of the models to the questionnaire data was tested by conducting Hosmer-Lemeshow tests. Additionally, the predictive ability of the models was estimated via validation tables (Classification Tables).

For the processing of responses to questions measured in Likert scale, methods of graphical visualization were used, as well as non-parametric tests (e.g. Friedman Test) to evaluate the statistical significance -or non- of the differences presented in the graphs. Non-parametric tests were conducted, due to the normality test resulting in that the data were not normally distributed, an outcome that was expected.

Results – Discussion

The data analysis focused on two core aspects of entrepreneurship in rural mountainous areas and namely the distinctive characteristics of the businesses ecosystem structure of Pyli area and of its population. The first aspect includes the firm and market size and types, transport and communications infrastructures; access to information, finance and advice services; and the institutional environment. The second group of factors refers to the existing entrepreneurial attitude regarding entrepreneurial culture, innovativeness and the importance of knowledge.

Sampled firms represent quite satisfactorily rural entrepreneurship in the selected mountainous region where services and more specifically tourism appears to be the dominant economic activity area. As evident in Table 1, firms of the tertiary sector cover more than 50% (actually 77,1%) while manufacturing companies are really scarce. However, services refer almost exclusively to the hospitality industry; this in turn focuses in accommodation, restaurants and bars while it lags in other relevant services such as transportation, thematic tourism and relevant. A special group named “mixed activity” regards firms that combine the above sectors (e.g. farming and hospitality). However, according to the researchers’ view and to relevant literature (e.g. Whitener and McGranahan, 2003), firms that stated “tourism” as main activity belong more or less to the “mixed activity” group since they may depend on a diverse mix of farming, recreation services and non-farm activities. However, agriculture appears to be of significant influence on the local and regional rural economy besides the fact that reductions in agricultural support and changing market trends due to globalization as well as the severe Greek crisis press farmers increasingly to abandon or diversify their activities.

Table 1:
Descriptive Statistics

Economic Sector	No of firms	Percentage	Turnovers	No of firms	Percentage
Primary sector	7	8,0	<100.000€	63	72,4
Manufacturing	4	4,6	100.000-300.000€	18	20,7
Trade	18	20,7	300.000-500.000€	2	2,3
Tourism	52	59,8	500.000-1.000.000€	3	3,4
Mixed activity	6	6,9	>1.000.000€	1	1,1
Total	87	100,0	Total	87	100,0

The majority of the firms are micro-firms with less than 9 people, with only a 4,3% to be SMEs and employ people outside family members. This is in line with relevant literature; e.g. Smalbone (2009) states that rural areas are dominated by micro businesses and they mostly consist of solo owner/managers. Furthermore, it appears that the

entrepreneurs of the area target mainly the everyday living since they are quite satisfied with turnovers less than 100.000€.

The turnover of 65,7% of the firms depends clearly on their local and regional market while the rest 34,3% regards the national market. This fact, in combination with the Greek crisis and the lack of penetration to European markets (not even regarding the approach of European tourists), can be considered the main reason of the drastic downturn in turnovers within 2009-2016. Extroversion appears to be scarce in this area; it is significantly related to the unwillingness of the respondents to developed extroverted networking activities so far and their adherence to local conditions and markets. According to the analysis results, surveyed firms seem to expect new markets to be provided by the institutional settings. This view is further supported by the fact that the limited market size is significantly related to the high score of “improvement of new market penetration and the development of international markets” as a main policy to support rural entrepreneurship in the area. However, several of the respondents commented on the need of self-created changes such as the development of niche markets or networking for thematic tourism and marketing.

Infrastructure is particularly important in this context, since it impacts heavily the effort to attract foreign customers (or even businesses, OECD, 2006). According to the results, the ICT – internet infrastructure constitutes a major issue; it is actually statistically significantly related to the core obstacles of the business environment together with bureaucracy, extremely high taxes and social insurance contributions. It has been mentioned as a major obstacle in overcoming the distance barrier together with several comments on cellphone reliability especially in cases where micro-firm owners cannot afford contact personnel. However, it is quite interesting to see that no-one of the respondents thinks that their business is excluded due to geographical reasons. This can be contributed to the good transport infrastructure which was actually realized during the first decade of the millennium.

Table 2:
Critical Areas to Foster Entrepreneurship in Rural Areas

Rates Areas	(a) Extremely important	(b) Very important	(c) Quite important	(d) Somewhat important	(e) Unimportant	(a)+(b)
Easier access to funding	79.8	13.1	6.0	1.2	0.0	92.9
High taxation / social insurance contribution	72.1	22.1	2.3	2.3	1.2	94.2
Easier access to internet	65.5	27.4	4.8	1.2	1.2	92.9
ICT / e-business	64.3	28.6	4.8	1.2	1.2	92.9
Bureaucracy	61.9	29.8	4.8	1.3	2.4	91.7
Lack of entrepreneurial knowledge	57.1	33.3	3.6	3.6	2.4	90.4
Support / promotion of innovation activities	48.8	39.3	9.5	1.2	1.2	88.1
Extroversion	19.0	35.7	34.5	8.3	2.4	54.7
Equal skills at regional level	14.5	47.0	33.7	4.8	0.0	61.5
Strong competition	4.7	7.0	12.8	22.1	53.5	11.7
Strict environmental requirements	1.2	2.4	20.5	50.6	25.3	3.6
Geographic exclusion	0.0	2.4	7.1	29.4	61.2	2.4

Table 2 presents the critical areas of the improvements regarding the business ecosystem environment. It is quite evident that the national framework regarding bureaucracy, taxation and funding is actually responsible for the major obstacles that enterprises in Greek rural areas face amidst the crisis. Indicatively, Greece still has one of the highest VAT rates at a European level with the biggest number of changes in in the rate. This volatile and unfavorable tax environment together with labyrinthine and extremely time-consuming licensing procedures is combined to ambiguity and the general lack of information and advice. Furthermore, the access of micro-firms to loans, credit and financial resources is quite difficult due to the extreme reluctance of banks for loans, the lack of specialized mechanisms of financial support and the on-going financial situation in general.

Within this framework, it is worth noting that lack of knowledge in entrepreneurship and entrepreneurial skills is considered as a significant barrier to rural entrepreneurship. A significant percentage of 58.6% stated that they have received no education or any kind of training regarding their business. According to the results, lack of proper education is mainly due to the non-existent relevant infrastructures in mountainous areas. Under this general umbrella, the need for both entrepreneurial knowledge as well as more special knowledge issues (e.g. hospitality) has

been mentioned. Cooperation with knowledge agents and access to information and advice are critical ways to enhance the local ability to enlarge business activities. This is in line with relevant findings in other countries as well; for example, North and Smallbone (2006) suggested the creation of an appropriate entrepreneurial education infrastructure in rural regions of Portugal.

Innovation appears to have become the target of the competitive advantages that surveyed companies want to develop. Innovation means new products or alternatives of existing ones incorporating novelties, the creative involvement of more sectors in their current activities or the novel use of the latest technologies. In these cases, there is a very strong relationship between this strategic choice and the expectation for innovation facilitation and promotion by state or other supporters. It is also significantly related to the promotion of the entrepreneurial culture as a pre-requisite for any new business. However, a frequent remark of the respondents was that their customers do not seem to perceive the novelty of their innovative products and services.

Besides innovativeness and knowledge, entrepreneurial attitude and culture constitute significant elements of the second group of factors that impact rural entrepreneurship. Path dependency appears to play a significant role in the creation or sustenance of business in the area of Pyli; practically people become entrepreneurs in the areas they were born and grown up (85,7%) to continue their family business (30%), increase their income while still living with their family (21,4%) or become independent within the wider family environment (a sum of smaller percentages of different reasoning, Figure 1). This group’s attitude is related to more complaints about lack of information, existence of satisfactory infrastructure or difficulties in funding. It appears that this group –not consciously committed in the entrepreneurial ecosystem – cannot see and exploit actions and situations in distinctive ways. This assumption is further based on their indifference so far to seek for knowledge sources on their own.

A 33% seems to be more conscious in developing opportunity-based entrepreneurship (Figure 1). This percentage usually starts business by taking advantage of EU programs such as Leader and Leader+. In practical terms, this means funding as well as involvement in rural development actions and sometimes learning processes and promotion networks. Furthermore, these entrepreneurs seem to exploit the specific advantages of the mountainous area (e.g. environmental beauties, cultural monuments, local products) in order to build their competitive advantages. They are also conscious of the local social capital and rely on the interaction between individuals in formal or informal ways; they build on long-term denser kinship and neighbor –based relationships and cooperation not easily found in urban areas.

These people constitute actually the dynamic part of rural entrepreneurs of the area which are also the critical mass for the development of social entrepreneurship. Nowadays, amidst the deep recession, the rest of the entrepreneurial community starts to become sensitive in the new forms of networking and cooperation. This is also quite evident by the big percentage of respondents that agree on the need of entrepreneurial knowledge (around 90% consider it as extremely or very important) and of support and promotion of innovative activities (88.1%) (see Table 2). This indicates a change in the attitudes and culture of the entrepreneurs of the area.

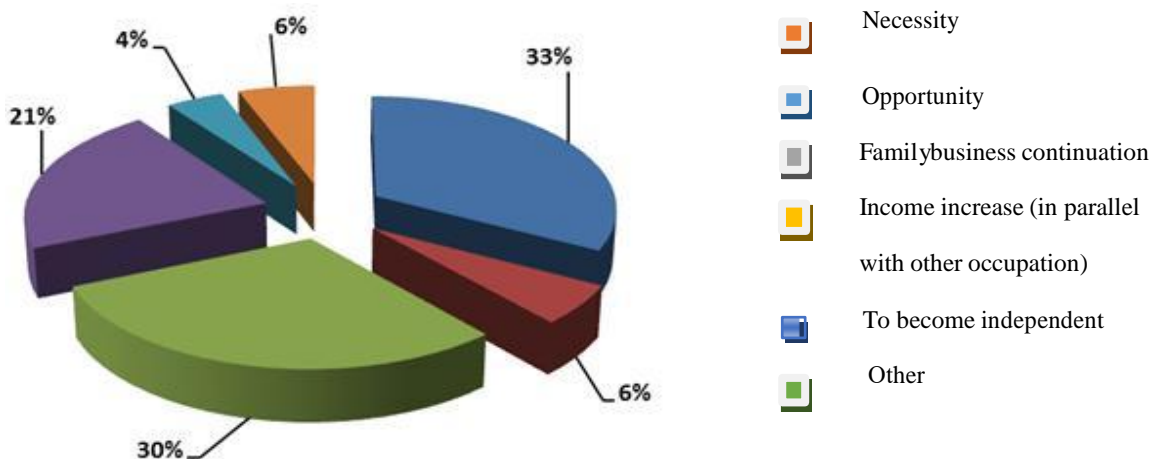


Figure 1: Reasons for Entrepreneurial Activity

The research confirmed that the nature of the business ecosystem in the mountainous area of Pyli satisfies the existing literature on rural entrepreneurship; enterprises of small size which target only local and regional and to a lesser extent the national market; difficulties in communications infrastructures; and significant weakness regarding

access to information, finance and advice services within a severe socio-economic crisis framework. On the other hand, respondents highlight the lack but also the importance of significant entrepreneurial skills and knowledge while the research indicates that people of such areas are in need of relevant education and support to develop proper entrepreneurial culture in order to confront the rather negative institutional setting nowadays. Furthermore, there is an effort and a turn to innovativeness more in the form of novel services and diversified products.

As entrepreneurs in rural mountainous areas face greater levels of market competition and entrepreneurial support is reduced within the long-lasting and still on-going severe crisis in Greece, one of the policy challenges is to encourage them to look for new business opportunities and perhaps turn to novel approaches such as knowledge-intensive or social entrepreneurship. For example, farm diversification can include retail activities by expanding business or in terms of networking and co-operation such as craft centers, thematic tourism or food processing); lodging can be combined with sports and recreation; services (e.g. agricultural, non-agricultural, and tourism) can be further enhanced by advanced promotion using ICT technology etc. Creation of sustainable competitive advantages, cultivation of the entrepreneurial culture and engagement in new forms of co-operation such as the scheme of social entrepreneurship may offer considerable scope for improving the economic viability of businesses in rural areas and leverage financing needs while contributing to the local rural economy as a whole.

Of significant importance is the fact that while transport costs seem to have removed the barriers of distance, weaknesses in communications technologies and the internet hinder the potential for a substantial expansion of market areas for rural businesses; additionally, it is quite evident that small enterprises need support to take full advantage of this potential.

The research highlights also significant national institutional roadblocks that hamper rural entrepreneurship. In particular, taxation, social security and bureaucracy are issues which should be immediately tackled by the political leadership as part of a coherent national entrepreneurial policy. Policies proposed regard simpler licensing procedures, special public procurement and taxation measures for mountainous areas as well as a friendlier framework for the absorption of structural EU funds. Encouragement and development of networks and other forms of social entrepreneurship could support the creation and sustenance of structures of services transferring knowledge, advice and strategic information which today appears to be non-existent in such places. In the context of these mechanisms, it is deemed necessary to develop and promote actions to map and analyze the current socio-economic and technological changes in societies, sectors and professions where rural enterprises operate and grow at least at national and European level.

Conclusions

Albeit the upward trend in rural entrepreneurship research, national, geomorphological and cultural factors appear to be still largely unexplored regarding the way they impact the entrepreneurial processes in rural areas or more specifically in mountainous areas in times of severe socio-economic crisis. On the other hand, rural entrepreneurship has been acknowledged as an important component that contributes to the sustainable development of a country and can act as a media to overcome crisis in Greece. Moreover, lately, a strong trend of abandoning urban places and returning back to country ones is evident in Greece. Thus, people seek to find alternatives to survive the crisis. Therefore, the role of rural entrepreneurship becomes rather crucial and therefore the issue is of great importance for both theorists and practitioners. More precisely, this paper contributes to adding empirical support to both a growing number of theoretical works on the issue as well as the necessary background for the formation of policies and institutions regarding rural entrepreneurship.

The main contribution of the study seems to be its indication that there is a significant difference or rural entrepreneurship even at local level. Findings actually support the assumption that different entrepreneurship support policies should be prepared for different regions at local, regional, national and European level in order to address successfully the distinctive culture and environment of the communities involved. Mountainous areas are usually less competitive than rural areas in fertile lowlands close to urban areas. Sustaining entrepreneurship in these areas means supporting the creation of strong competitive advantages so that rural mountainous enterprises can expand beyond the confines of local or even national markets especially in times of crisis (which imposes more constraints but also economic development challenges). According to the findings, the group of particularly the opportunity-driven entrepreneurs who are traced in these areas –if properly supported - may maintain profitable entrepreneurship in mountainous areas and also become the critical mass to lay the foundations for a stronger and better targeted focus on novel types of entrepreneurship such as social entrepreneurship.

The results of this questionnaire provided valuable insight into constraints to rural entrepreneurship, as perceived by rural entrepreneurs as well as major weaknesses in both cultural and institutional issues which policy makers may take into consideration. Although several good practice ideas have been proposed, these are frequently inadequately targeted to the specific needs of mountainous business, a sector which is notoriously hard to sustain.

Policy makers should engage educational institutions, government agencies as well as local members of the targeted entrepreneurial communities in order to form effective policies.

Admittedly, the results are tentative since the research bears certain limitations. In the first place, a significant drawback was the lack of sample diversity since the analysis was limited to only one geographically bounded sample limiting the generalizability of the findings. However, this choice enabled the control for potential confounds due to cross-region differences, increased the internal validity and provided the main contribution of the study highlighting the significance of bottom-up approach of every single area of interest when regarding rural entrepreneurship and policy making.

Furthermore, surveyed businesses have survived the long severe socio-economic Greek crisis; this might cause survival bias while the absence of a longitudinal analysis derives our research by a more evolutionary perspective and relevant useful insights. In addition, it appears that the factors used in the questionnaires deserve to be further broken down in sub-factors (e.g. regarding knowledge, innovation, culture, infrastructures etc) while other informal and informal institutional variables could be introduced to compliment the analysis. Consequently, further research could attempt to replicate similar analyses in different geographic, sectoral and territorial contexts, enrich the content of the questionnaire and explore reasons of failure. Researchers are also encouraged to explore the issue at case study level and from a longitudinal/historical perspective.

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