

Do Entrepreneurial Rural Places Exist? A first look at some evidence about Community Interest Companies in Small Towns.

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The Talk

Is about the growth of Community Interest Company (CIC) registrations (2005 and 2015) as a broad proxy for entrepreneurialism.

It places this growth in the context of rural places but recognises that context is not the same as behaviour/motivation.

The main focus is on rural towns defined as free-standing urban areas with between 1500 to 30,000 population in 2001.

There is a suggestion that identifying the distribution of CICs within types of rural place might enable us to better target qualitative surveys Of the motivation for entrepreneurship.

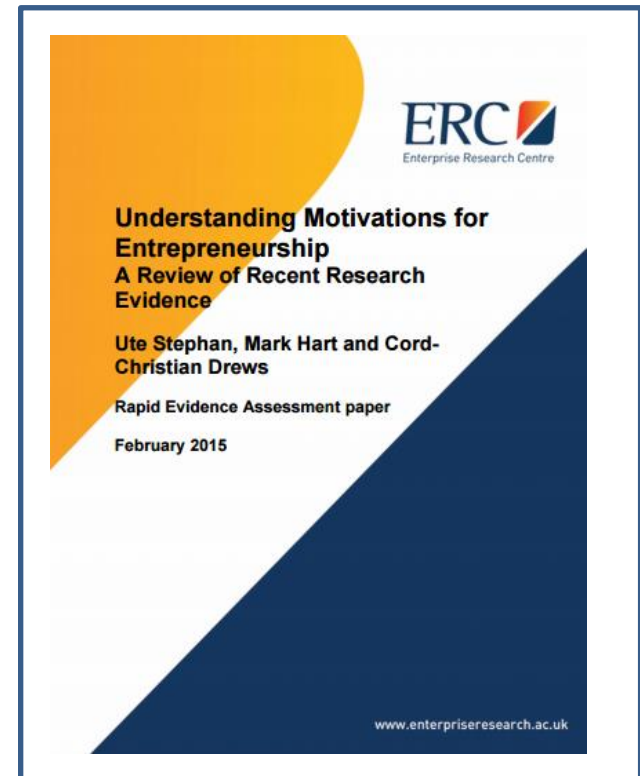
To this end we experiment with identifying more detail on CICs within Two rural towns.

We assume, at this stage, that the registered CIC office is where CIC activity takes place and do not analyse CIC dissolutions,

If we are to understand whether some places are 'more entrepreneurial' than others we start with what motivates people to become entrepreneurs

To cut a long story short the business literature* suggests there are three streams of entrepreneurial motivation :

- 1 **Necessity versus opportunity** motivation (also called push vs. pull motivation).
- 2 **Multi-dimensional typologies** of entrepreneurial motivation.
- 3 A focus on **growth ambitions**.



* Enterprise Research Centre, Understanding Motivations for Entrepreneurship, a review of recent research evidence. February 2015

**Recommending a move away from simple 'necessity v opportunity' motivations
the ERC suggests there are seven 'dimensions' to entrepreneurial motivation:**

1. Achievement, challenge & learning
2. Independence & autonomy
3. Income security & financial success
4. Recognition & status
5. Family & Roles
6. Dissatisfaction
7. Community & social motivations

**Our work on CICs is of a highly aggregated, indeed exploratory nature at this stage
so the socio-psychological motivations 1- 6 cannot be introduced to the analysis.
However, they are key factors in judging where to go next.**

Contextual drivers of entrepreneurial motivation

National Wealth, Economic Growth and Infrastructure

regional/local differences in GDP per capita (an indicator of the availability of resources to potential entrepreneurs, local employment market, the level of deprivation (an indicator of the availability of opportunities and resources in an area)).

Formal institutions

ERC cites international comparisons (rule of law etc). At national level we might include levels of government support and taxation (individual and corporate), the role and perceptions of financial institutions and the degree and regulation of out-sourcing of public services.

Culture/ Informal Institutions

Includes the strength and nature of social relationships, levels and nature of social capital, acceptance of social enterprise as an entrepreneurial activity.

Challenges to Rural Entrepreneurship

Challenges of Lack of Economic Intensity: small settlements, low population densities and remoteness mean limited local demand for the products or services, a lack of diversity and economic ideas, limited access to capital for start-ups

Challenges of Access to Markets and Capital : well documented though increasingly mitigated by internet based tools to manage, market and sell products or services (where sufficient capacity and speeds exist).

Challenges of Demographically and Spatially Determined Business Networks, good social and business networks enable knowledge flows, keep up on the latest trends, innovative ideas, processes, tools and techniques .

Challenges of Perception from mainly urban (metropolitan) based financial institutions for access to investment capital.

Challenges of Historical Dependence on a single industry/sector, especially an increasingly sophisticated agricultural and food sector.

Few national level statistical studies of urban_rural differences in entrepreneurship. One such links self-employment and business creation and innovation – in urban and rural labour markets. * Individual and firm-level data for Britain aggregated at the TWA level

Findings

- a higher incidence of self-employment relates positively and strongly with business creation and innovation in urban areas, but not in rural areas.
- more rural than urban workers become self employed in areas with comparably poor labour market opportunities
- although this heterogeneity is not evident when focussing on entrepreneurship
- the misalignment between self employment and entrepreneurship in rural areas disappears once local labour market conditions are accounted for
- self-employment, business creation and innovation are well lined-up in urban areas because they capture ' genuine entrepreneurship. This is not the case for rural areas.

*Faggio G and O Silva, Self-employment and entrepreneurship in urban and rural labour Markets, Journal of Urban Economics 84 (2014) 67–85

What is a CIC?

CICs are social enterprise 'hybrids' : ordinary companies with social aims.

Established by the Companies Act of 2004,
With a Regulator under The Community Interest Company Regulations 2005
First CIC established in August 2005 (and still operating)

May be limited by guarantee or shares, private limited or PLC
Have a defined community interest:

"... a community for CIC purposes can embrace either the community or the population as a whole or a definable sector or group of people either in the UK or elsewhere "

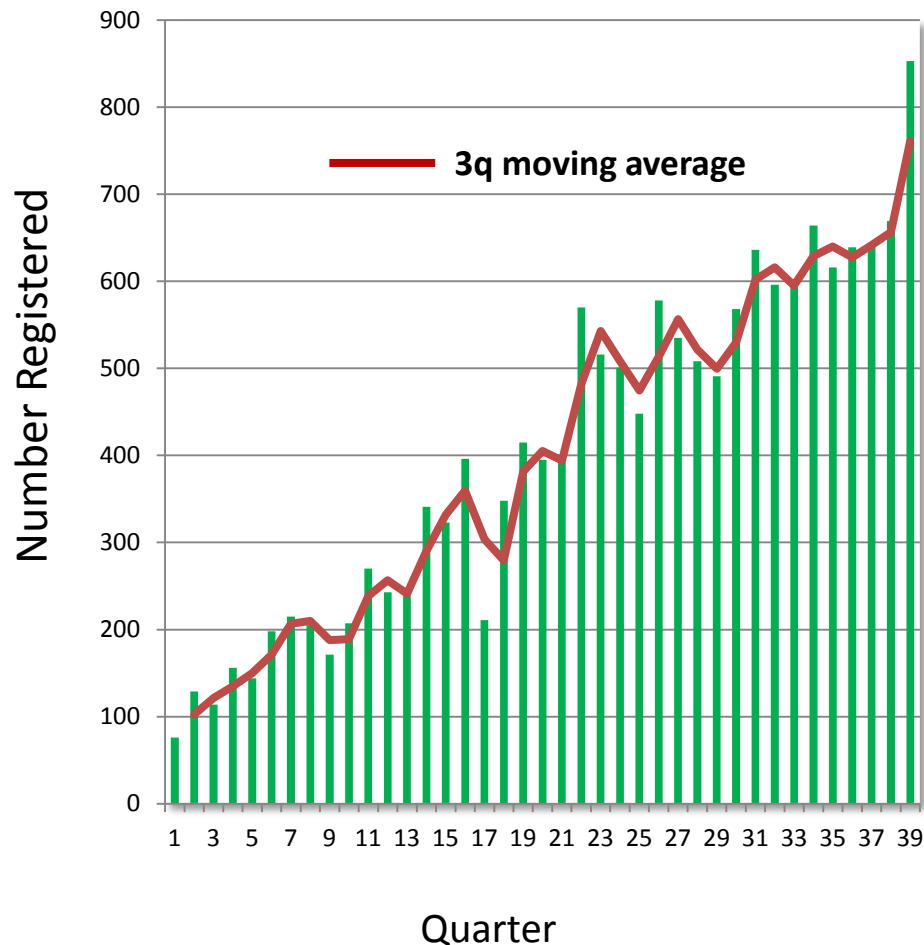
CIC Regulator

With a compulsory asset lock to ensure that designated assets are protected and committed, in perpetuity, for a specified purpose.

Directors receive salaries, can pay dividends (with an aggregate cap of 35% and award bonuses.

Delivers transparency through the Community Interest Report.

The CIC Regulator's Database offers an affordable source to examine social enterprise in a range of economic, social and geographical contexts.



Administrative Data reflecting work patterns, exigencies etc.

Considerable growth: first CIC registered August 2005, 15,600+ registered by June 2015

Regional variations in growth rate wide: West Midlands 40 percent, North East 18 percent.

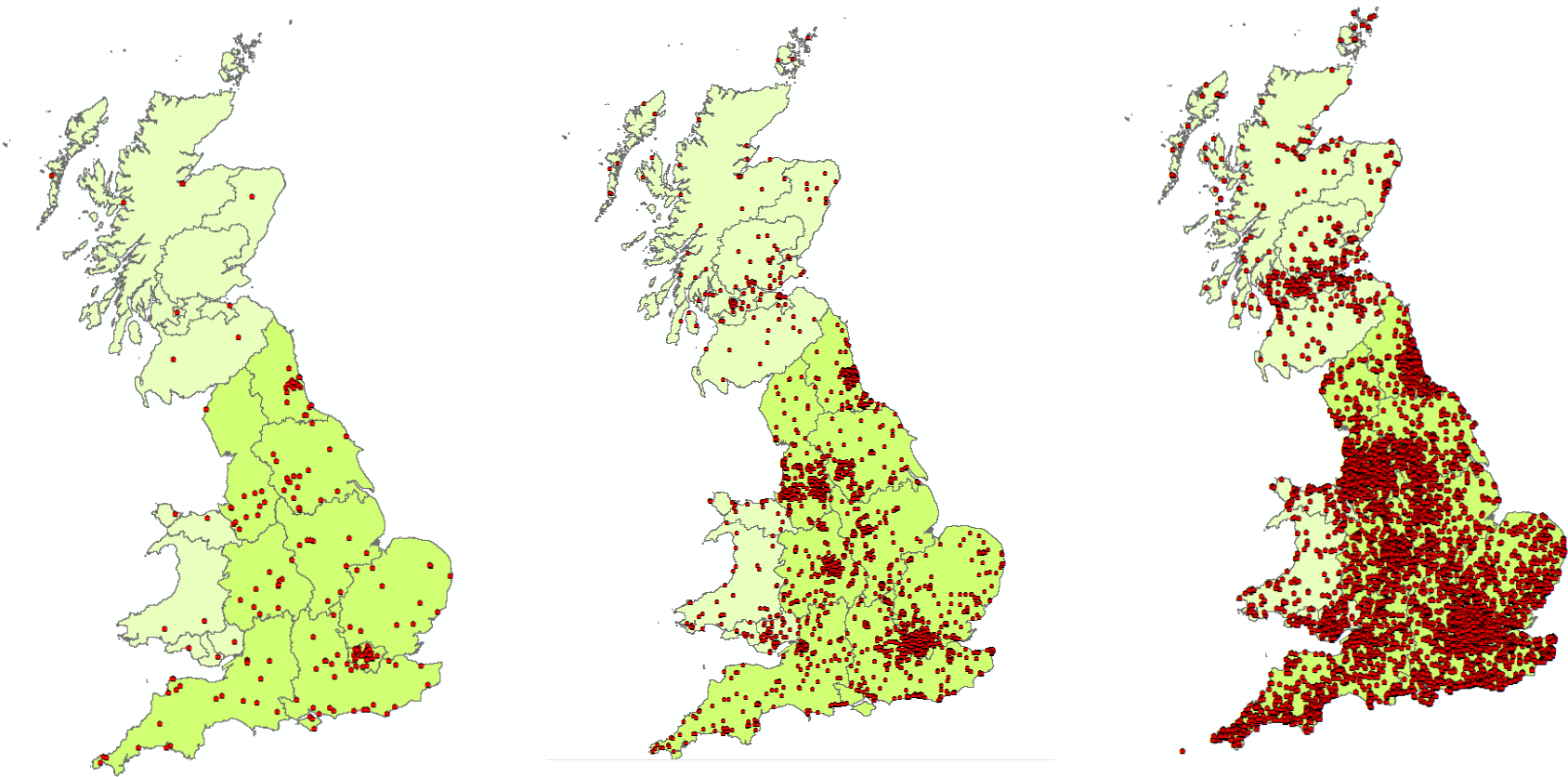
Only dealing with 'ever-registered', 4411 (28 percent) dissolved over the period, though this is similar to that for SMEs.

CICs Filling the National Space 2005 -2015

By FY end 2006
n = 814

By FY end 2010
n = 3,966

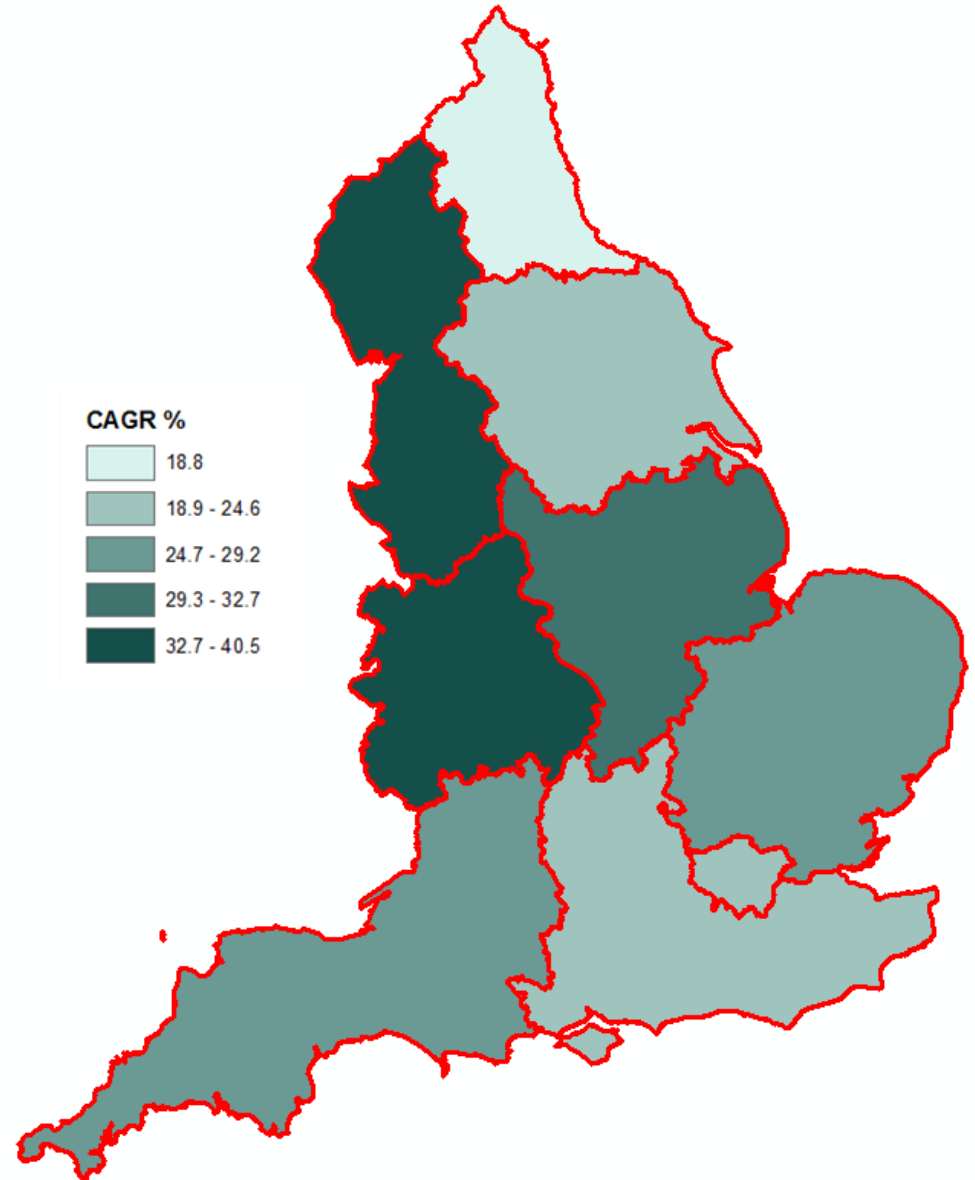
By FY end 2015
n = 15,619



All Registrations by Financial Year

Regional Rate of Growth* of CICs Ever Registered

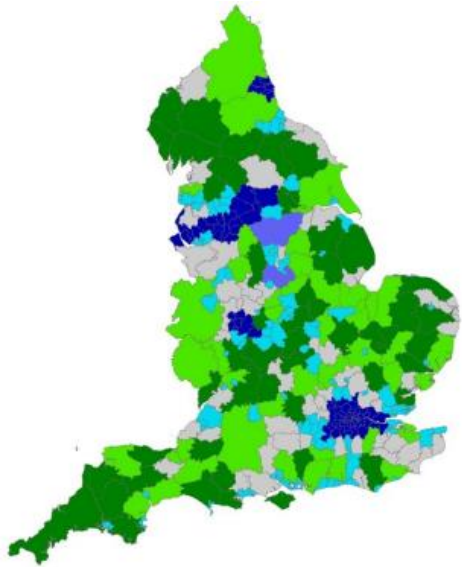
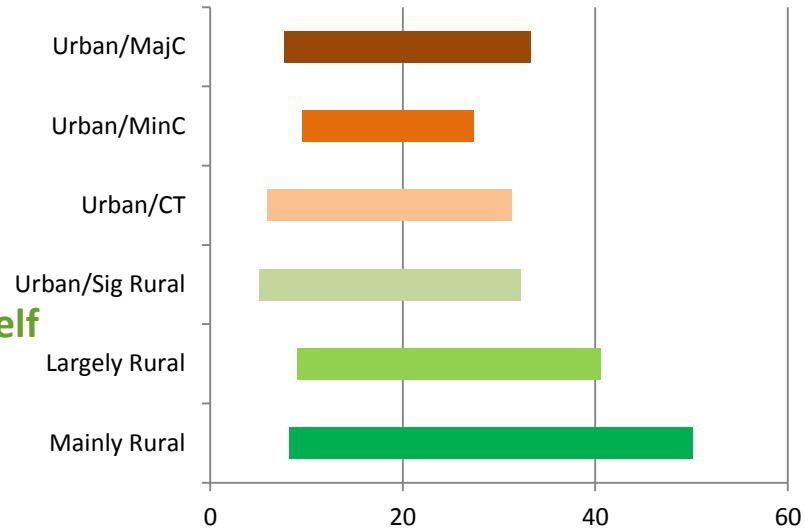
Region	Growth Rate
West Midlands	40.5
North West	40.1
East Midlands	32.7
East of England	29.2
South West	27.9
South East	24.6
London	24.4
Yorkshire and the Humber	23.5
North East	18.8



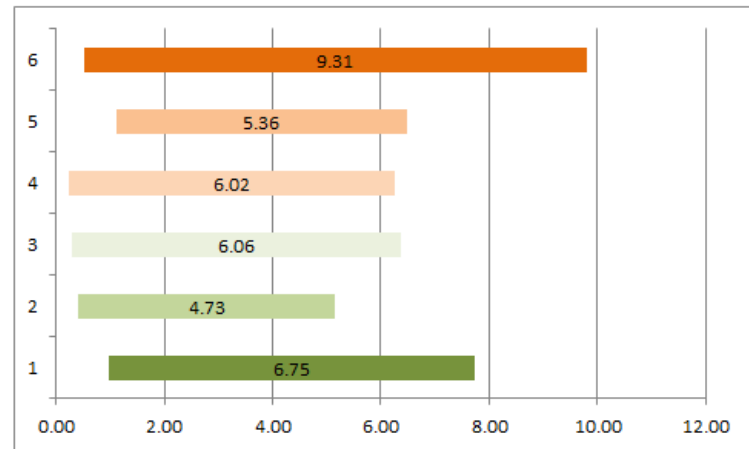
* i.e. the Compound Average Rate of Growth (CAGR)

Where among rural places are the Self Employed and the CICs?

Persons Aged 16+ in Self Employment 2015



CICs Per 10000 Population 2015



Our focus is more local: CICs and the small towns of England

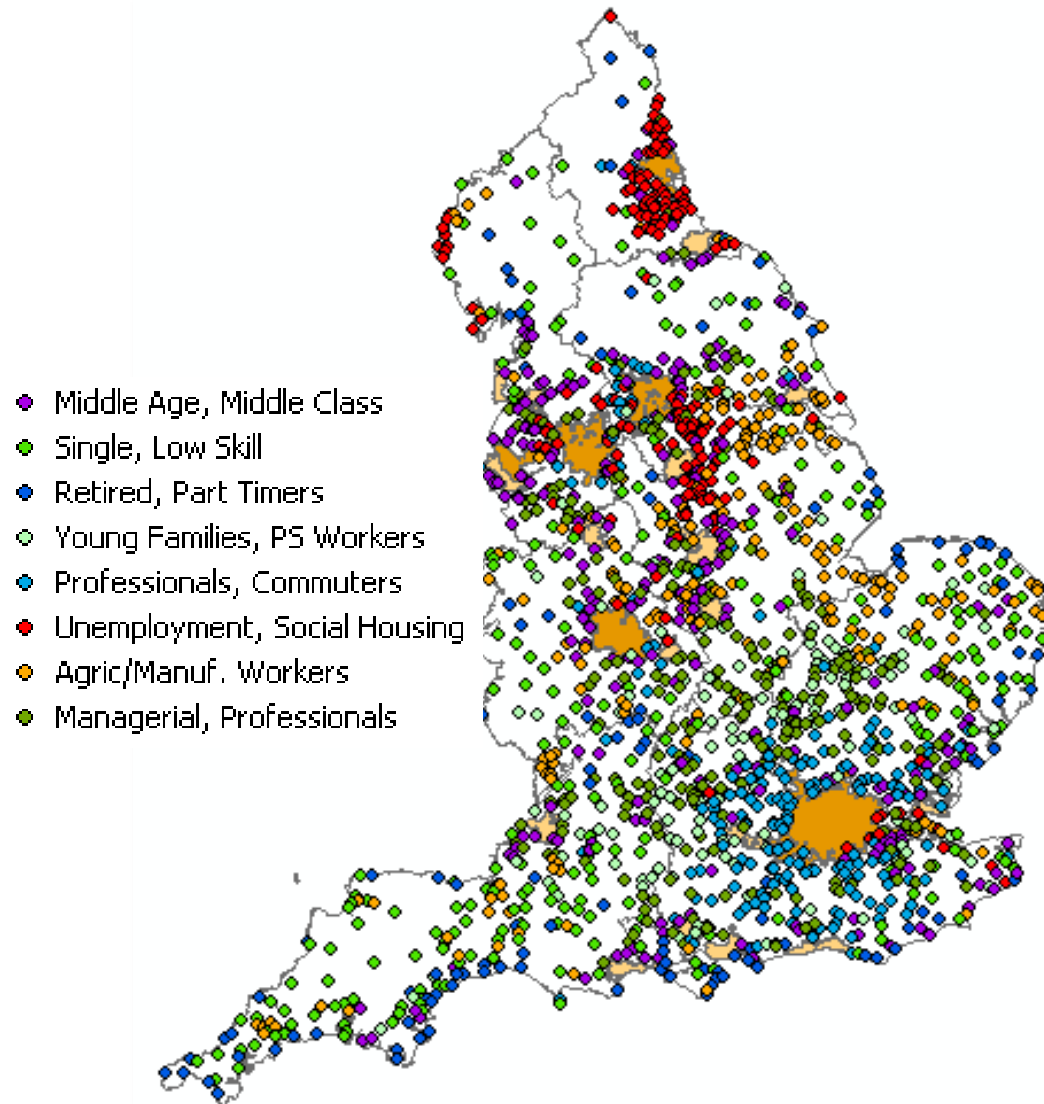
Rural towns are a problematic category on the grounds of:

- definition
- their embeddedness within a dense and varied urban super-structure, and
- varied levels of interaction with larger centres.

Defined here as places with between 1500 and 30000 population in 2001.

There are 1607 such places c 75 percent of the rural population,

RERC classified small towns into 8 types based on 44 census variables, permitting socially and economically based comparative analyses. Updated to 2100



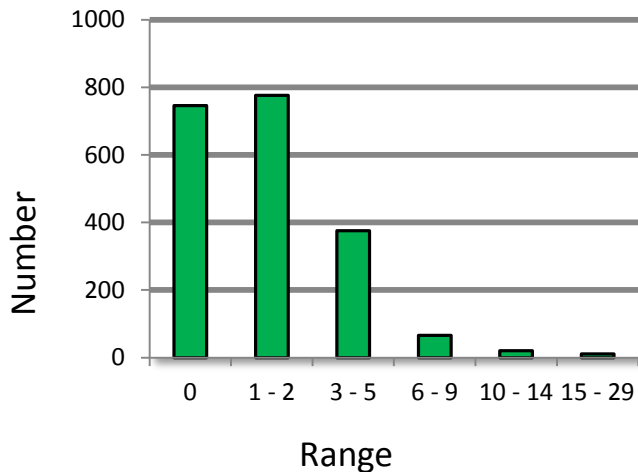
Using the CIC data we attempt to answer four questions:

- are the numbers of CICs concentrated in some rural towns more than others?
- are CICs concentrated in particular social and economic types of rural town?
- has the growth of CICs been faster in some types of rural town than in others?
- are the numbers of CICs more concentrated in rural towns with the possibility for wider internal social links and more links with wider geographies than others?

First, how are CICs Distributed Among Small Towns Generally

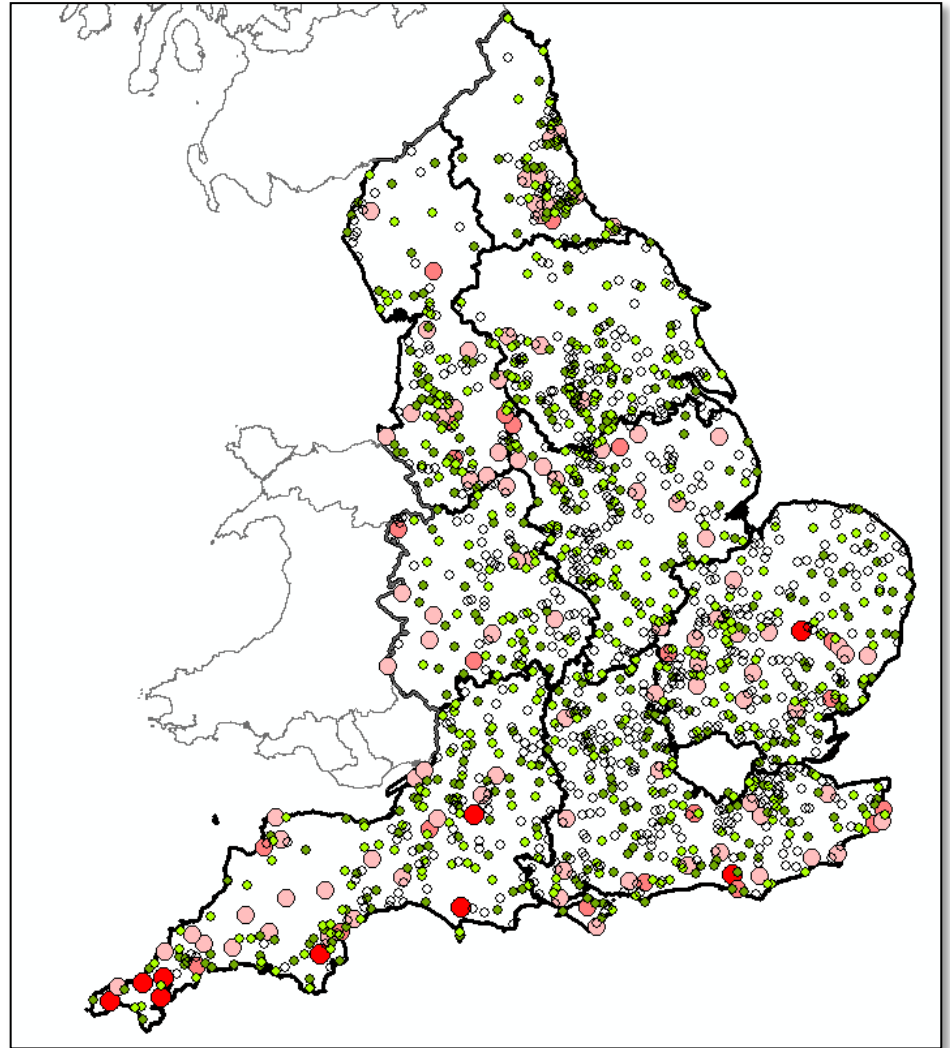
A very skewed distribution indeed :

- 37 percent of small towns with no CIC
- 39 percent with 1 or 2 CICs
- only 31 towns with 10 or more CICs
- over 700 with no CIC



Nine places stand out with more than 16 CICs:

Penzance	Totnes
Camborne/Redruth	Frome
Falmouth/Penryn	Bury St Edmunds
Truro	Dorchester
Lewes	



Are the numbers of CICs concentrated in some rural towns more than others?

To answer this we must allow for the likelihood that the larger the small town the more likely it is to have at least one CIC and probably more.

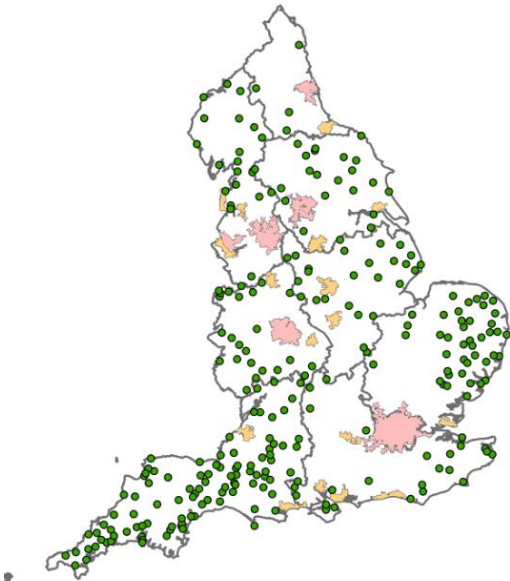
A statistical analysis* shows that population size plays the major part in the town/characteristics model but towns with some types tend to have proportionately more CICs than others, namely:

- towns with more single persons and routine jobs,
- towns with more older persons and part time workers and, (to some extent)
- towns with workers in routine agricultural and manufacturing jobs

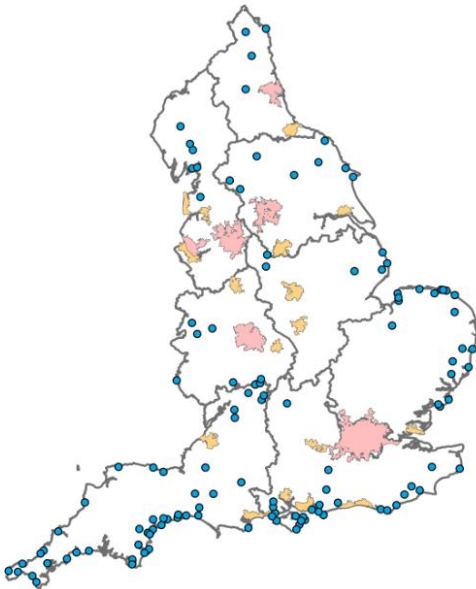
* a Poisson Regression Model of the form: $\log \mu = \alpha + \beta \log x + \tau_i$, where μ the expected number of CICs for a given town x the population size, and τ_i is the effect of being in Town Type i gives this result: $\log \mu = -8.10 + 0.94 \log x + \tau_i$ with significant τ values: $\tau_2 = 0.61$, $\tau_3 = 0.75$, (at 0.001 level) and τ_7 (at 0.05 level)

The Geography of the Types of Small Towns with more CICs Than Others

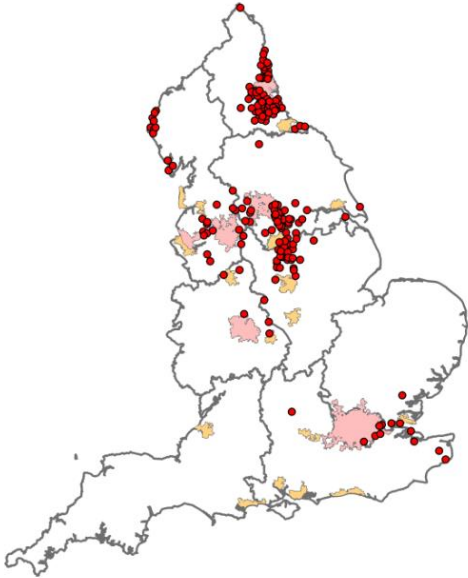
Group 2 : Single Persons, Routine Jobs



Group 3 : Older Persons, Leisure Jobs



Group 6 : Disadvantages



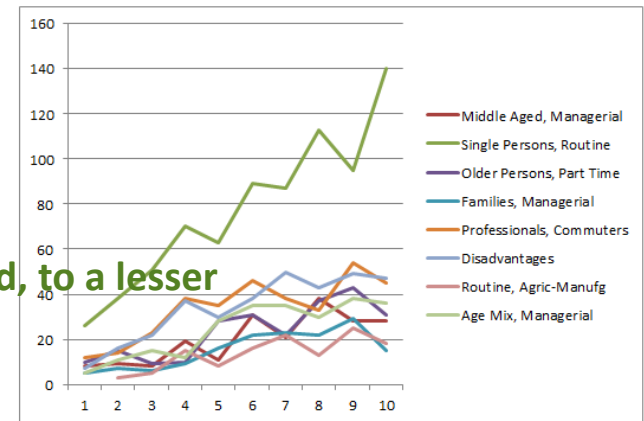
Have the numbers of CICs grown more rapidly in some types of rural town than others?

Small Town Type	Year End August										CAGR
	1	2	3	4	5	6	7	8	9	10	
Middle Aged, Managerial	8	9	8	19	11	31	21	38	28	28	13.3
Single Persons, Routine	26	38	51	70	63	89	87	113	95	140	18.3
Older Persons, Part Time	10	15	9	10	28	31	22	37	43	31	12.0
Families, Managerial	5	7	6	9	16	22	23	22	29	15	11.6
Professionals, Commuters	12	14	23	38	35	46	38	33	54	45	14.1
Disadvantages	7	16	22	37	30	38	50	43	49	47	21.0
Routine, Agric-Manufg		3	5	15	8	16	22	13	25	18	22.0
Age Mix, Managerial	5	11	15	12	28	35	35	30	38	36	21.8
Total	73	113	139	210	219	308	298	329	361	360	17.3

CAGR = compound average growth rate

Three types of small town have shown significantly higher than average growth rates in CICs 2005 – 2010:

- those with more workers in routine jobs and workers in agriculture and manufacturing,
- those with a mix of age groups and managerial workers, and, to a lesser extent,
- those with a range of disadvantages



Small Towns and Social Enterprise, social capital and social networks

In a wide ranging review of research entitled *Corporate Social Responsibility, Small Businesses and Small Towns*, Besser and Jarnigan (2010) conclude that:

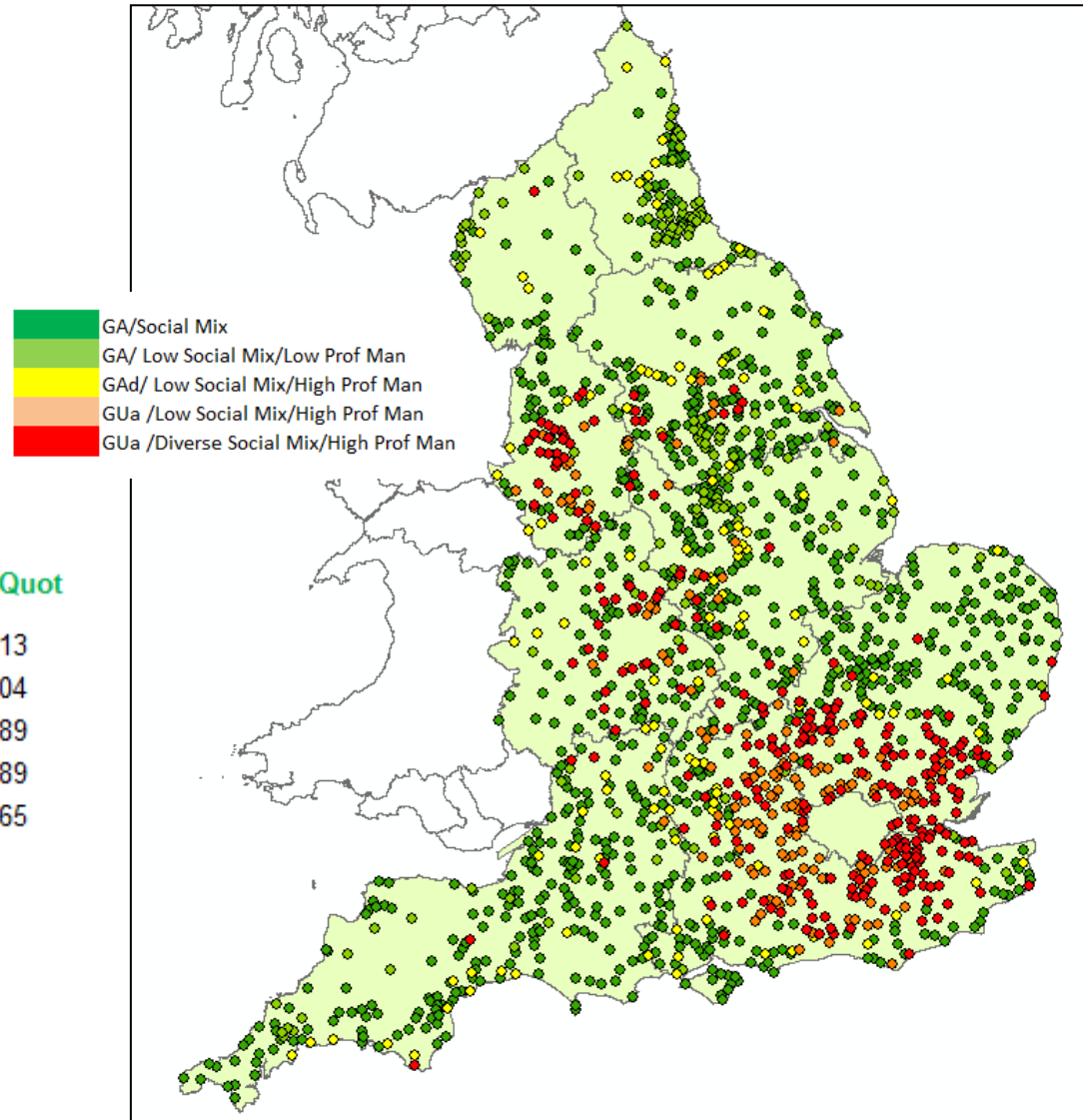
- small business owners are more socially and economically embedded within the community in which they operate than are managers of big businesses,
- in small towns, small businesses are more visible than similarly sized businesses in metropolitan areas,
- residence in a small town is associated with knowing a large number of other residents, interacting with them in multiple organizational contexts and knowing more residents beyond the acquaintanceship level.

On these grounds “ ... community culture, specifically levels of community social capital and collective action are intermediary variables between business embeddedness and social performance. Another intermediary variable is the culture of networks to which small businesses belong”. (p 14).

Are CICs more concentrated in rural towns with more varied internal social linkages and more localized geographical linkages than others?

Operationalizing Social Network Potential at Community Level

Based upon journey to work data 'Geographic Alignment' measures workplace attachment distinguishing between towns where the workforce serves a restricted set of employment centres (GA) and those where residents work in a wide range of centres (uGA)



Type	Small Towns		CICs		Loc Quot
	Number	Percent	Number	Percent	
A	904	56.25	1528	63.83	1.13
B	154	9.58	239	9.98	1.04
C	124	7.72	164	6.85	0.89
D	148	9.21	196	8.19	0.89
E	277	17.24	267	11.15	0.65
Total	1607	100	2394	100	

A Closer View: CICs in Two Small Places

Bury St Edmunds				Glossop			
BIG SOCIETY FUNDING				ENABLING EDUCATION NETWORK			
ROJO ART PROJECTS				GAMESLEY EARLY EXCELLENCE CENTRE			
HELP FOR DEMENTIA				SOCIAL VALUE CONSULTANCY			
THE MILKMAID FOLK ARTS CENTRE				WELLFIT HEALTH AND WELLBEING			
VICTORY SPORTS GROUND				BE WELL TAMESIDE			
ASPIRE TOGETHER				MANCHESTER DIAMONDS CHEERLEADING			
DREAM ON				CONTRACEPTION EDUCATION			
TCHOUKBALL UK				COMMUNITY FIXERS			
BOUDICCA SPORTS			Dissolved	CARERS DEVELOPMENT			
SUFFOLK CIRCLE			Dissolved	GLOSSOP ARTS PROJECT			
SUFFOLK COMMUNITY DEVELOPMENT			Dissolved	THE SMITHY STUDIOS			
THE CENTRE			Dissolved	NORTHERN YOUTH PROJECT			Dissolved
THE CENTRE WEST SUFFOLK			Dissolved	STORY EXPLORERS			Dissolved
PRIMARY OPTIONS			Dissolved	THE COMMUNITY SALES ACADEMY			Dissolved
BEAT THE BOREDOM KIDS CLUB			Dissolved	SHIFT SPACE			Dissolved

Some conclusions and questions

CICs offer one way into the analysis of social enterprise with important ingredients of urban and entrepreneurialism.

The data include in the Regulator's database offers away of analysing social entrepreneurialism in various social, economic and geographical contexts.

Importantly, the data permit generalisations with respect to time (growth and decline in numbers) particular contexts.

Some useful findings which tell us some things about rural entrepreneurialism have already emerged but more needs to be done.

These are population data which permit appropriate sampling for more detailed (qualitative) investigations.

We have focused on CICs 'ever registered'; analyses of CIC dissolutions must be added.

For various and different reasons, the aggregate analysis of CIC sectors of operation and outputs remain difficult.