Introduction

The OECD states that rural development is essential for achieving inclusive growth. Unleashing the growth potential of rural areas demands that rural assets are leveraged in ways that can empower communities and enhance their social, economic and environmental wellbeing.1

In 2016, rural areas contributed over 16% of England’s Gross Value Added (GVA), worth an estimated £246 billion to the national economy.2 Back in 2008, Stuart Burgess, then Rural Advocate, claimed that there was up to £340 billion of untapped potential in England’s rural economies but the subsequent economic crisis has left this fact somewhat overlooked. The recent Industrial Strategy White Paper, and particularly the provision for Local Industrial Strategies, provides an opportunity for a renewed focus on our rural economies.3

Drawing on almost 15 years of research, this guide is intended to assist rural business organisations, and inform those involved in local industrial strategies and post-Brexit rural development policy in the UK.

Some key questions to shape your policies and strategies

What does your rural economy do well?
Where does it lag behind?
What could it do better?

- Which local businesses are thriving/struggling?
- Which residents have the highest/lowest incomes?
- Which assets or businesses show the greatest potential?

What is the business profile of your rural economy?

- Where are their markets?
- What business sectors?
- What size, age, turnover etc?

How do those businesses enhance local quality of life?

- Do they create jobs (locally)?
- Do they provide local services?
- Do they influence the environmental quality of the area?
- Do they boost opportunities for other businesses?

Where do the business owners come from?

- Are they born locally?
- Did they move to the area?
- Do they live outside the area?
- Also, where are key decisions taken that influence branch enterprises in your rural areas?

What are the drivers of business start-up and growth in your rural communities?

- Is the local economy rich in opportunities?
- Are people starting businesses out of economic necessity?
- Are opportunities based on local resources or emerging from wider networks and markets?

What should rural policy deliver for your region’s economy?

- Economic growth?
- High quality of life for residents?
- Strong opportunities for local employment?

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Rural businesses are not all the same...

It is well known that they are very diverse and include higher than average shares of manufacturing, transportation and energy businesses, not just businesses related to agriculture, food and tourism. Many rural businesses are also established by people who have moved from other, often urban, regions.

Location is just one determinant of whether a firm is “rural” in character; not all rural businesses are land-based or even located in the countryside. Instead, policy should focus more on the demand-side and supply-side factors which are crucial to understanding the opportunities and barriers that rural businesses face.

Figure 1 captures elements of demand, supply and location to categorise different types of rural businesses. To qualify as a “rural business” an enterprise must fulfil at least 2 of the 3 criteria here, and sit in areas A, B, C or D.

To inform economic strategies and priorities, these issues should be divided into supply-side and demand-side factors. Some rural firms are limited by levels of local demand, others face supply-side constraints and policies must seek to enhance both aspects of rural economies.

### Figure 1: What is a rural business?

- **A**: Classic village services (e.g. shops, garages, pubs, village halls)
- **B**: Rural professionals such as vets, land agents and farm consultants
- **C**: Businesses that depend on their rural location to produce goods and services to sell beyond rural localities. These include farming, forestry and food enterprises as well as increasing numbers of businesses in recreation and tourism, creative industries and knowledge-intensive business sectors
- **D**: There are few businesses that meet all three criteria; perhaps thatchers, drystone-wall builders and gamekeepers

Collectively, addressing these issues will lead to rural areas releasing greater opportunities for growth, innovation and productivity gains by overcoming the spatial inequality of rural business locations; greater efficiency as a result of reaching larger or higher value markets, stronger rural branding, increased leveraging of rural assets and improved logistics, and enhanced local wellbeing, so long as the economic gains make a difference to rural communities in terms of jobs, incomes, services and the natural, built and socio-cultural environments.

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8 RELU Policy and Practice Note Rural Economies and the UK Industrial Strategy PPN No 6 July 2018. https://www.ncl.ac.uk/cre/publications/land-use/
Each of these aims can be achieved through the implementation of tailored policy initiatives. Figure 2 illustrates that rural businesses in sections A, B, C and D can make significant contribution to these policy goals. It also demonstrates that joined up thinking in policy can deliver multiple objectives (community wellbeing; economic efficiency; social and economic equality) by targeting support towards, and working in partnership with, the rural business community.

Figure 2: Linking policy objectives to rural business categories

Key questions for policy-makers should then be:

Do you have a sufficient evidence base of your rural areas to fully inform a rural economic strategy or Local Industrial Strategy for the region?

What are the most pressing rural development needs in different areas, based on Figure 2?

Once these are identified, the task is to develop policy approaches to benefit the categories of businesses that will deliver these outcomes. A guide for doing this is set out in the table on the next page.
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