

## Exploring territorial embeddedness in rural entrepreneurship: a case-study in a remote rural area of Italy

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### ABSTRACT

Entrepreneurship has become a key success factor for rural businesses. This paper puts forwards the distinction between rural entrepreneurship and entrepreneurship in the rural and deals with definition and measurement of entrepreneurial anchoring in rural contexts, by focusing on different dimensions of territorial embeddedness. More precisely, the paper aims at testing eventual links between levels of embeddedness and the entrepreneurial profile of farmers. Three-fold embeddedness is individuated: *Societal embeddedness*, *Network embeddedness* and *Territorial embeddedness*. Area under study is localised in central Italy, in an extremely rural context marked by depopulation processes and marginalisation of economic activities. Through the help of a questionnaires submitted to a sample of farmers, a cluster analysis has been carried out with the purpose of aggregating homogeneous farms in relation to their rural embeddedness. Results evidence a diversified set of embeddedness to which different degree of entrepreneurial orientation and performance are linked.

**KEYWORDS:** entrepreneurship, rural embeddedness, Italian farms

### 1. Introduction

In their book chapter “Researching rural enterprise”, McElwee and Smith (2014, 435) cast “*the question of whether rural enterprise can be framed as a distinctive category of entrepreneurship theory in its own right, and by doing so paves the way for future theorizing about the distinctive nature of rural entrepreneurship*”. In this paper we intend to banish every doubt about it.

To this end, this paper deals with rural entrepreneurship as an embedded entrepreneurial activity, which involves particular engagement with its place and in particular the rurality of the place and the environment. Set against the background of farm management, this implies taking into account economic, social and environmental aspects of agricultural management (Korsgaard *et al.* (2015, 7). The aim of the paper is to establish key determinants of rural embeddedness, by emphasising three variables: territorial, societal and network embeddedness (Hess, 2004; Methorst *et al.*, 2017). Under this perspective, the paper provides a contribution to literature, by taking up embeddedness as key determinant of farm’s strategy. Consequently, research questions are following: how to measure the level of embeddedness in rural entrepreneurship? How to link rural embeddedness with both the farmer’s entrepreneurial profile and farm’s performance?

The paper is articulated as follows: next paragraph analyses theoretical background, with the purpose of providing the key features of the recent debate concerning embeddedness in rural areas and rural entrepreneurship. The definition of a three-fold level of embeddedness and the attempt to measure it will introduce the empirical analysis, developed in the region Lazio of Italy. Some conclusions will end the article.

### 2. Theoretical background

Farming activity has been reconceptualised within the framework of wider rural development processes (van der Ploeg, Marsden, 2008). More precisely, the perspective of endogenous rural development is at the basis of the recent paths of development in rural areas, mainly grounded on local resources and local control (van der Ploeg *et al.*, 2000; Oostindie *et al.*, 2008). This definition points out new roles and new functions for farming activity, which are mainly based on farm diversification strategies, aiming at exploiting strategic local resources (McElwee, Bosworth, 2010; Micheels and Gow, 2014). As pointed out by Stathopoulou *et al.* (2004, 405), rurality offers an innovative and entrepreneurial milieu in which rural enterprises may flourish and prosper or become inhibited.

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Set against this background, the entrepreneurial activity is joined with activities engaging with the social life of the place, boosted by processes of animatorship (McElwee, Smith, Sommerville, 2018), which may contribute to support rural entrepreneurship. As underlined by McElwee, Smith and Sommerville (2018, 176), entrepreneurship follows in new ways that break with tradition but simultaneously build on the particular place, being re-embedded in place.

As a matter of fact, the strong ties between farm development and rural context engender processes of territorial embeddedness and bring about fundamental implication for rural entrepreneurship (McElwee and Smith, 2014; Korsgaard *et al.*, 2015), in account of rurality viewed as an entrepreneurial milieu. A composite idea of rurality, including economic, social and environmental components redesign entrepreneurial scenario and, consequently, specify the boundary conditions for rural entrepreneurship.

This is also evident in the political discourses: recent reforms of the Common Agricultural Policy look at either more entrepreneurial farming models and higher farmers' capability to adapt (Phillipson *et al.*, 2004). As consequence of a more competitive scenario and in order to cope with new complexities, new skills for farmers are demanded (Rudmann, 2008). This is particularly true under the purpose of developing both internal and external entrepreneurial environment, which is considered as an essential step to create a diversified range of entrepreneurial business in rural areas (McElwee, 2008).

Set against this background, entrepreneurship has become a key success factor in rural business. How to analyse rural business from the perspective of entrepreneurship is an important and recent field of research (McElwee and Smith 2014; McElwee, 2005). Under the perspective of endogenous rural development, ecological entrepreneurship is at stake (Marsden, Smith, 2005), with multifunctional forms of value capture and with the purpose of promoting trajectories of sustainable development and strategies of valorisation and qualification of products. Ecological entrepreneurship redefines the role of farmer as entrepreneurs, by addressing new connections with the rural context. This brings about the fundamental distinction between two ideal-types of entrepreneurship (Korsgaard *et al.*, 2015): a) entrepreneurship in the rural represents entrepreneurial activities with limited embeddedness enacting a profit-oriented and mobile logic of space; b) rural entrepreneurship represents entrepreneurial activities strongly rooted in rural contexts: consequently, coherent with the new rural development models.

Under the second perspective, territorial anchoring is fundamental as farming activity is entrenched in rural areas. Therefore, the analysis of entrepreneurial anchoring is strategic in order to activate "coherent" models of ecological entrepreneurship. The way through which building up a consistent territorial anchoring is the exit of entrepreneurial activities. Recent literature has deeply analysed diversification paths at farm level in rural areas and how these strategies are territorially linked. However, the intensity of the links and the way entrepreneurial profile boosts higher or lower levels of embeddedness has been just touched upon. Consequently, this paper tries to fill this gap in literature, by providing a first preliminary study in a rural context of Italy.

With the purpose of providing a contribution by filling this gap in literature, we adhere to a constituent perspective of rural embeddedness, where constructivist approaches are at stake (Sonnino, 2007) and where the role of the entrepreneur in building up levels of embeddedness must be explored (Uzzi, 1996). To this end, we point out that embeddedness is a strategy to be implemented in rural contexts, through processes of reterritorialization grounded on local resources, bringing about different kinds of embeddedness.

Recently, Methorst *et al.* (2017) delineate three-fold embeddedness:

1. Societal embeddedness, which makes reference to the societal (that is, cultural, political, etc.) background.
2. Network embeddedness, which describes networking skills (Rudmann, 2008) of the entrepreneurs, for example the network of actors a person or organization is involved in.
3. Territorial embeddedness, which considers the extent to which an actor is 'anchored' in particular territories or places.

In this paper we posit that the process of embedding and the success of a strategy based on embeddedness depends on the entrepreneurial profile. Consequently, placial embeddedness may not be the only winning strategy, in account of different patterns of rural entrepreneurship, involving "*a deep consideration of how entrepreneurs' embeddedness in spatial contexts as well as their bridging across local and non-local contexts enables entrepreneurial activities*" (Korsgaard *et al.*, 2015, 578). Therefore, "*the entrepreneurs are actively seeking the best of two worlds, first by exploring and developing the use of locally bounded resources, and then by reaching beyond the local context to secure locally deficient but strategically vital business resources in non-local specialized networks*" (Korsgaard *et al.*, 2015, 575). In what follows we will try to explore territorial embeddedness, as entrepreneurial strategy carried out by farms located in a remote rural area of Italy.

### 3. Methodology

Area under study is localised in central Italy, in an extremely rural context marked in recent decades by outmigration processes and marginalisation. In the last years more than half of farms, above all small farms, ceased their activity. In order to survive in the new competitive scenario, strategies of qualification and valorisation of agricultural products have been recently carried out. Most of them are grounded on the links between the farm and the territory, then originating mechanisms of territorial anchoring and rural embeddedness.

With the purpose of testing degree of farm's embeddedness and entrepreneurial orientation, we put forward an in-depth qualitative research (Yin, 2008) based on a questionnaire submitted to a sample of rural entrepreneurs (32 valid respondents). The questionnaire is articulated in three main parts:

1. The first part deals with the characteristics of the farm, through a segmentation framework, aiming at exploring (McElwee, Smith, 2012):
  - Personal characteristics of the farmers.
  - Business characteristics.
  - Business activities and processes.

2. The second part, investigates the threefold embeddedness (Hess, 2004; Methorst *et al.*, 2017) as follows:
  - Societal embeddedness.
    - Constitution of the farm (*ex novo* farm, inherited farm, bought farm) and family background.
  - Network embeddedness.
    - Links with other agrifood firms.
    - Types of links: bridging, bonding, linking ties (Woolcock, Sweetser, 2002).
    - Temporal continuity.
    - Performance (degree of satisfaction) of the links.
  - Territorial embeddedness.
    - Effects of the origin on the product quality.
    - Variables affecting product quality and their territorial anchoring.

The degree of embeddedness has been classified according to a 5-points Likert scale, as in the following table 1:

3. The third part tries to specify the entrepreneurial identity of farmers (McElwee, 2008), by analysing both individual and economic values (Vesala *et al.*, 2007). Individual values rely on personal characteristics of the farms, like optimism and personal control; economic values refer to farmer’s aptitude towards risk taking, innovativeness and growth orientation.

Data collected have been processed through a quantitative analysis, more precisely a cluster analysis is carried out through the Wald method (ascendant hierarchical). The following active and illustrative variables have been considered to classify the farms:

- Active variables (3 variables, 8 modalities)
  - Territorial embeddedness
  - Societal embeddedness
  - Network embeddedness
- Illustrative variables (25 variables, 115 modalities)
  - Characteristics of the farms
    - Sociodemographic variables (e.g. sex, family composition, age, education, etc.)
    - Economic variables (farm’s size, employees, turnover, exports, etc.)
  - Entrepreneurial profile
    - Individual values
    - Economic values

## 4. Results

Comino Valley is a remote rural area located in the region Lazio of Italy, more precisely in the National Park of Abruzzo, Lazio and Molise. It is made up of 14 municipalities, with 29,223 inhabitants, a low population

**Table 1:** Likert scale to measure embeddedness

	<b>lacking</b>	<b>weak</b>	<b>average</b>	<b>strong</b>	<b>very strong</b>
Territorial Embeddedness					
Societal Embeddedness					
Network Embeddedness					

A case-study in a remote rural area of Italy density of 119 inhabitants / km<sup>2</sup>. Agricultural activity is relevant in this area; however, due to the topology of the territory, where mountainous areas prevail, price-costs squeeze of the ‘productivist’ agriculture has dramatically revealed its effects in the last decades (van der Ploeg *et al.*, 2000). In the last years, farms have dramatically reduced. As a matter of fact, according to the last two census of the Italian agriculture (table 2), between 2000 and 2010 more than half of farms ceased, while surface remained substantially stable (-3.2%). Consequently, the smallest farms ceased their activity, above all in the animal production, where the percentage of smaller farms ceasing their activity reached 90% in specific sectors.

As a consequence, necessity diversification has been the answer, alongside the emergent rural development paradigm, which pushed many of these farms to engage along new trajectories of development (Bosworth *et al.*, 2015). As a matter of fact, in order to countervail price-costs squeeze many farmers have adopted processes of boundary shift (Banks *et al.*, 2002), marked by the attempt of starting up new activities, oriented towards both qualification of agricultural products (e.g direct selling, organic farming) and diversification of agricultural activity into non-agricultural activities (agritourism, bioenergy production, didactic farming etc.). This has brought about a diversified set of farming styles, coherently established along the line of multifunctional agriculture (van der Ploeg, 1994). Against this background, different strategies emerge, with reference to territorial anchoring of farming, synthesized in the concept of rural embeddedness.

### 4.1 Cluster analysis

The application of cluster analysis has been effective in designing different trajectories of territorial anchoring and entrepreneurial orientation. As a matter of fact, four homogeneous clusters of farms have been extracted, with similar characteristics related to rural embeddedness, but with high differences in entrepreneurial orientation (EO):

1. 19 farms with high levels of each one of three levels (3 L) of embeddedness (59.4%);
2. 6 farms with average levels of territorial and societal embeddedness (18.8%);
3. 4 farms with low levels of both societal and network embeddedness (12.5%);
4. 3 farms with low levels of each type of embeddedness (9.4%).

**Table 2:** Farms and utilised agricultural surface in the last census of agriculture

	<b>2000</b>	<b>2010</b>	<b>% var.</b>
<b>Farms</b>	3,101	1,355	-56.4
<b>UAS</b>	13,882	13,429	-3.2

Source: Italian Institute of Statistics.

Entrepreneurial orientation is not homogeneous among these farms, with high/medium/low levels of EO within the same homogeneous group of farms. Therefore, a variety of entrepreneurial patterns emerges, ranging among three poles:

- three-fold embeddedness (coherent with Methorst *et al.*'s results) as source of competitive advantage;
- entrepreneurs leveraging their 'placial embeddedness' and non-local strategic networks to create opportunities (coherent with Korsgaard *et al.*'s results);
- Entrepreneurs with no embeddedness.

The consideration of farmer's entrepreneurial profile engenders a big variety of situation and farm's performance, where 3 L embeddedness is not always associated to high performance. A significant part of the 3 L farm shows good performance, so confirming rural embeddedness as winning strategy, but only if associated with high entrepreneurial orientation. On the other side, a less intensive placial embeddedness may bring about higher performance, in account of higher levels of entrepreneurship boosting farm's competitiveness.

## 5. Conclusions

The specificity of rural enterprise's strategy is at the basis of this paper, aiming at embedding farming activity in rural context and demonstrating how paths of rural competitiveness may be grounded on rural local resources. Under this point of view, this paper may offer a contribution and lets to positively answer to the initial McElwee and Smith's question (*rural enterprise can be framed as a distinctive category of entrepreneurship theory*).

Nonetheless, before saying we have banished every doubt about it, we stress that our analysis has to be considered as a first step towards a deeper comprehension of entrepreneurial mechanisms at stake in building up strategies of rural embeddedness in remote rural areas. As a matter of fact, the analysis presents limits that require further investigation, in that a limit of the empirical analysis is the reduced number of farms interviewed, which calls for further researches to confirm these results.

Nonetheless, on the basis of our results, we can affirm that multifunctional agriculture has been the right root to relaunch agricultural sector in remote rural areas, by letting so many farms to escape the price-costs squeeze, which has to be considered as a clear consequence of the modernisation paradigm. On the other side, the specification of different levels of embeddedness casts some doubts on how possible lock-in negative effects may come around. As a matter of fact, empirical analysis shows that higher levels of embeddedness are usually, but not always, associated with good economic performance. In fact, farms with lower embeddedness reveal good performance, thanks to their ability in networking outside the rural context. More precisely, the relevance of bridging ties, with respect to the bonding ones, confirm literature on the strength of weak ties (Granovetter, 1973) in performing farming activity, by making it more competitive on extra-local networks. However, good results of farms in clusters where both bonding and bridging of ties are at works, underline recent literature suggesting that "*bonding and bridging social capital may not be mutually exclusive but may instead be two aspects of the same process*" (Townsend *et al.*, 2016). Moreover,

our paper adds further insights concerning the role of entrepreneurship literature in farm management. As a matter of fact, our analysis backs up that embeddedness is a necessary but not sufficient condition for boosting farm's performance, in account of the relevant role played by entrepreneurial profile.

Consequently, if, on the one side, embeddedness may be a winning strategy if linked to high levels of entrepreneurship, on the other side it is also true that: *Rural entrepreneurs mix what we refer to as placial embeddedness – an intimate knowledge of and concern for the place – with strategically built non-local networks, i.e. the best of two worlds* (Korsgaard *et al.*, 2015, 574).

Policy implications are also evident, at the beginning of the new programming period for rural development 2021-2027, where measures for boosting higher territorial anchoring and entrepreneurship will be surely provided. Under this perspective the new keywords, distinctiveness, would be recalled to promote endogenous rural development, by emphasising local specificities and local economies as relational assets (Storper, 1997). Contextualisation of entrepreneurship (Welter, 2011) addresses new instances for a diversified typology of rural areas, by suggesting an articulated set of targeted measures aiming to raise all levels of rural embeddedness. How better accessing these policies and how these policies are contributing to empower higher entrepreneurial anchoring should be also questioned in future researches.

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