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Rural business support policy and rural enterprise economy: the neoendogenous approach to entrepreneurship promotion of Common Agricultural Policy

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Abstract

This chapter introduces the neoendogenous rural development approach to serve as a lens on the rural enterprise economy and rural business support policy. The interpretation of the rural enterprise economy via the neoendogenous approach comprises three elements. First, the local embeddedness of rural enterprises consisting of the realization of the indigenous potential, like natural and human assets. The second element is the exchange of knowledge within local and extra-local networks. The third element is the politico-administrative level comprising the institutions of rural business support policy. We study how rural business support policy appears to rural entrepreneurs. The main focus is on the relationship between entrepreneur and rural authority, which is the closest policy implementer to the entrepreneur in the multi-level European Union policy governance system of the rural development programme (RDP) in the second pillar of the common agricultural policy (CAP). We illustrate the interpretation of rural enterprise economy with an analysis of empirical data consisting of 12 semi-structured interviews of Finnish entrepreneurs who had received financial support for their business activities from the RDP. We underline the tensions between administrative bureaucracy and broad support of entrepreneurial discovery of enterprises as a function of rural authorities. The findings show that the success of the policy actions depends on using the full potential of neoendogenous approach, including local

amenities and emerging local and extra-local networking. Accordingly, entrepreneurs should be treated as equal participants with rural authorities.

Keywords: rural business support policy, neoendogenous development approach, rural entrepreneur, Common Agricultural Policy

1. Introduction

Rural businesses make a broad contribution to the regional and national economies of which they are a part (Atterton *et al.*, 2011). We are interested in how a rural business support policy can assist the rural enterprise economy by enhancing the innovativeness of rural enterprises. Our focus is on the European Union (EU) and the company subsidies implementing the rural development programme (RDP) of the common agricultural policy (CAP).

The rural areas are significant in the EU: according to the standard definition more than 91 per cent of its territory is rural, and over 56 per cent of the population in its 27 Member States live in rural areas (McElwee and Smith, 2014). However, the localities and their preconditions vary in European rural areas. The RDP is the second pillar of the CAP supporting the economic viability of rural communities and rural enterprises (European Commission, 2019) where the first pillar supports agriculture. Second-pillar measures have been co-financed by the Commission and the Member States since their beginnings in the *Agenda 2000* CAP reform (Dwyer *et al.*, 2007; Berkhout, Hart and Kuhmonen, 2019). CAP is a complex system (e.g. Kuhmonen, 2018), and the RDP has evolved as a complicated

multi-level governance system with a lot of EU and national regulation. The RDPs direct a lot of expectations to entrepreneurs as employers securing, maintaining, and developing the livelihood of rural regions. Still, the bureaucratic character of the support might influence the enterprises not applying for subsidies or assessing the process to be too bureaucratic (Dwyer *et al.*, 2007). Indeed, according to the evaluators, rural business support is insufficient to foster the development of rural entrepreneurship (North and Smallbone, 2006; Avramenko and Silver, 2010).

Scholars have studied different aspects of rural entrepreneurship (e.g. Pato and Texeira, 2014; Gaddefors and Andersson, 2019) and rural enterprise support policy in general (Meccheri and Pelloni, 2006; North and Smallbone, 2006; Klofsten *et al.*, 2019). There is also emerging literature on the impacts of the RDP, which focuses either on agri-environmental measures directed at farms (the main target of the RDP) or on the LEADER approach (Navarro, Woods and Cejudo, 2016). Some studies focus on rural development impacts beyond the agricultural sector, such as regional well-being or vitality of rural areas (Bakucs, Ferto and Benedek, 2019; Mack and Fintineru, 2018), or like the study of Michalek, Ciaian and Di Marcantonio (2020) on the impact of the RDP on the food processing sector in Poland.

We believe that it is vital to understand and study the design and implementation of the rural business support of the pillar II CAP. First, because the RDP accounts for one quarter of the total CAP budget (three quarters is allocated to agriculture), and the CAP for one third of the Common European budget. Second, the development programmes aim to affect rural well-being by enhancing the rural enterprise economy, which is the subject of this book. Third, regarding the importance of enterprises in rural development and business subsidies as a

means of developing entrepreneurship, there is relatively little research on the practices of the rural business support system. The national authorities have organised *ex-ante*, interim, and *ex-post* evaluations of the impacts of RDPs according to the framework given by the EU Commission. Nevertheless, there is a need for different approaches to this program, and especially from the experiences of the entrepreneurs.

We aim to respond to this research need using the neoendogenous approach to rural development in studying the RDP subsidies as they appear to the enterprises. We are interested in the ways in which entrepreneurs consider their localities, local resources, networks, and the multi-level governance system of the CAP. The neoendogenous development approach has been used in studies of rural development and especially in the LEADER programmes (Bosworth *et al.*, 2016; Dax *et al.*, 2016), and in research on rural enterprise (Atterton *et al.*, 2011) but not in studying the promotion of entrepreneurship in the context of the RDP. Ray (2006) distinguishes three planes of neoendogenous development approach. The first level is based on local resources and local participation. The second level is characterized by dynamic interactions between local areas and their wider environments, and the third level is the politico-administrative system, which in our case is the multi-level EU policy governance. We state that even though business support is an exogenous opportunity in rural development, it could be fully exploited for the benefit of the rural economy by using the neoendogenous approach (see Ray, 1999). Accordingly, the research question of this chapter is:

How does the neoendogenous approach manifest in the rural business support policy from the perspective of the rural enterprise economy?

We approach the research question by considering rural economic development from the perspective of both enterprises and rural development policy, especially the business support policy of the second pillar of the CAP. The neoendogenous approach emphasizes both the local, bottom-up development of enterprises and more centralized, top-down policy in the form of EU and national regulation. Since the rural enterprise economy is a new notion it is useful to explore it from different perspectives like neoendogenous rural development.

The following section outlines this chapter's conceptual framework. First, we discuss the elements of neoendogenous development derived from rural entrepreneurship studies. Second, we introduce the neoendogenous development approach as a lens on the rural enterprise economy. The third section illustrates our interpretation by outlining the data and method employed. The fourth section describes the findings of the analysis of the empirical data comprising 12 semi-structured interviews of Finnish entrepreneurs who had received financial support for their business activities from the RDP of the second pillar of the CAP. The final section comprises a discussion and the conclusions.

2. Conceptual framework

2.1 Entrepreneurship studies and rural areas

Rural areas are diverse, extending from the near-urban to remote wilderness. Rurality has been defined, for instance, through population density, the rate of population loss or gain, settlement size, local economic structure, and the landscape. Rurality offers a diverse

entrepreneurial milieu for enterprises (Avramenko and Silver, 2010; Makkonen *et al.*, 2020). Many rural areas face difficult challenges for sustained growth and development posed by accessibility and marginalization; however, rural areas can also have advantages over urban areas based on the available resources (Bosworth and Bat Finke, 2020). Experience of a rural place is subjective, culturally contingent, and dependent on the market position. Rural regions differ in their economic performance and development depending on their historical and institutional backgrounds. The local culture and history of rural areas influence the ways in which enterprises and other actors mobilize local resources (Lang, Fink and Kibler, 2014; Gaddefors, Korsgaard and Ingstrup, 2020).

Entrepreneurship in terms of the creation of businesses or the modernization and expansion of existing ones is a critical element of rural development (Baumgartner, Pütz and Seidl, 2013) and positively influences levels of employment (Labrianidis, 2006) and welfare.

Entrepreneurship has often meant innovation in terms of novel products, services, processes, and ways of organizing activities. Rural enterprises create something new, for instance, by linking the uniqueness of the local to emergent global values (Anderson, 2000).

Entrepreneurship can be seen as a process consisting of the discovery, evaluation, and exploitation of opportunities. Rural enterprises need support in this process. Since the environment of enterprises is more open and networked, the support should be broader than financial subsidies alone.

Rural entrepreneurship studies have dealt with the role of local resources in entrepreneurial processes, the embeddedness of enterprises, and local and extra-local networks for the entrepreneurial process. The entrepreneurs have used local resources to develop unique rural

products and services, like activities related to nature conservation (Anderson, 2000). The physical nature resources, including landscape, and cultural heritage, are embedded in the local context and form a sense of place. The notion of amenities refers to the natural and cultural opportunities for living and entrepreneurship offered by the rural environment (see OECD, 2006: 69–78).

Rural entrepreneurs do not operate in isolation and are instead part of their social and local context, which is encapsulated through the concept of embeddedness meaning the nature, depth, and extent of entrepreneurs' ties to a location (Atterton *et al.*, 2011). According to Granovetter (1985), economic activity requires social relations, which play an essential role in terms of generating the trust for that permits economic activity to occur. Indeed, rural entrepreneurs are often embedded in different communities, which are based on shared convictions, values, or expertise (Nordberg, Mariussen and Virkkala, 2020).

Local networks can be informal links among actors forming a community promoting endogenous development. Cooperation supports the economic activities of rural enterprises and is an essential stimulus for innovation. While local networks are critical, extra-local connections can supplement local embeddedness and resource bases. The combination and mutual reinforcement of local and extra-local networks seem essential aspects to ensure successful enterprises (Korsgaard, Ferguson and Gaddefors, 2015; Dubois, 2016).

There is a diverse range of support functions, organizations, policies, programmes, and measures that stimulate and support various forms of rural entrepreneurship (Gretzinger *et al.*, 2018). In this support constellation, we focus on rural authorities, which are regional state

implementers and part of the multi-level governance system of the EU rural policies. Rural authorities are expected to stimulate entrepreneurship in rural regions (North and Smallbone, 2006). In the ideal situation, the rural authority is an enabler supporting the exploitation of local resources, and local and extra-local networking among the rural enterprises. The authority contributes to the entrepreneurial process through its knowledge of the RDP and the business environment. The interaction between rural authorities and entrepreneurs is characterized as cooperation, reciprocity, and knowledge sharing (Kujala, Virkkala and Lähdesmäki, 2021). We frame the rural authority as an enabler of entrepreneurship with the help of approach of neoendogenous rural development (Bock, 2016; Lowe *et al.*, 2019).

2.2 Rural enterprise economy through the lens of the neoendogenous approach

The neoendogenous development approach emerged in the early 2000s as a synthesis of endogenous (bottom-up) and exogenous (top-down) theories containing elements of both views (Ray, 2006). The neoendogenous approach seeks to promote local and extra-local connections that will strengthen the terms on which local people deal with the outside world (Atterton *et al.*, 2011; Lowe *et al.*, 2019). Extra-local networks, like rural-urban and local-global relationships, enable knowledge exchange that facilitates development potential and the exploitation of amenities in rural areas (Gkartzios and Lowe, 2019). The elements of neoendogenous development were suggested by an OECD report (2006) and are also in line with place-based development, a policy central to EU cohesion policy (Barca, 2009). Furthermore, EU rural development policies have transitioned towards a more place-based approach (Zasada *et al.*, 2015; Vasta *et al.*, 2019).

The neoendogenous development approach is a loose framework, “an effort to rationalize what was actually happening on the ground, a way of thinking about how things work in practice” (Gkartzios and Lowe, 2019). The approach is still developing and can be interpreted differently. This chapter uses the neoendogenous development approach as a lens on the rural enterprise economy. We apply the approach in studying both the enterprises and rural business support policy that is part of the multi-level governance system of the second pillar of the CAP. The multi-level governance system encompasses institutions like the EU, the Member States, regional authorities, municipalities and LAGs and their relations (Bosworth *et al.*, 2020).

Viewing the rural enterprise economy through the lens of neoendogenous development implies that local resources are the main building blocks for a rural enterprise economy. Accordingly, the realization of the indigenous potential of the rural enterprise economy can occur with the help of the extra-regional networks. Our interpretation of the neoendogenous development approach to the rural enterprise economy comprises three levels (Figure X.1). The core issue is rural entrepreneurs and their networks, which are the drivers of development. Those entrepreneurs are embedded in the local community and their local context, which is the lower level in the figure. The upper level is a politico-administrative level which supports rural enterprises through, for example, RDPs, and thus affects the rural enterprise economy. The main actors in the politico-administrative system are national policymakers like ministries and state agencies, regional policy implementers, which in the Finnish case study are regional state offices (ELY Centres) and which (with LAGs) have the authority to finance investments in rural enterprises to implement the regional or local strategic plan within the framework of the national RDP. The European Commission

approves and monitors the RDPs. Entrepreneurs are clients of the administration, but at the same time, the practical implementers of the RDP (Kujala, Virkkala and Lähdesmäki, 2021). The most important relationships are those between policy implementers and enterprises.

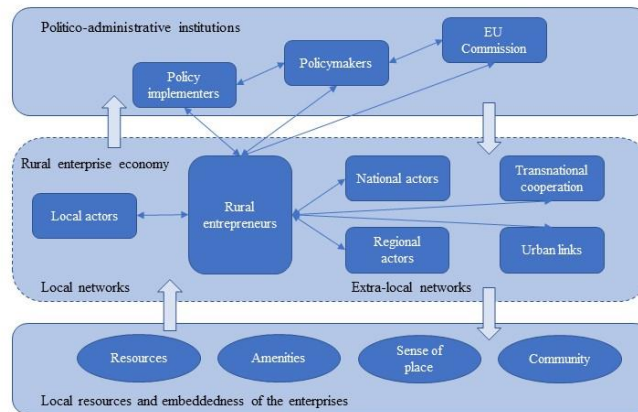


Figure 9.1. Rural enterprise economy and entrepreneurship promotion interpreted by neoendogenous approach

3. Research methodology

This chapter is based on the analysis of 12 semi-structured interviews of entrepreneurs, part of a research study conducted in the form of 38 interviews in Finland in 2016. The interviewed entrepreneurs had received financial support for their business activities from the RDP. The other interviewees were national rural policymakers, regional policy implementers, executive managers of LAGs, representatives of local municipalities, as well as evaluators of the RDP programmes 2007–2013 and 2014–2020, and members of the Finnish Parliament.

The interviews were conducted face-to-face on the premises of companies in four regions in Finland: South Ostrobothnia, Häme, Lapland, and North Karelia, representing core countryside, rural areas close to urban areas or sparsely populated rural areas March 2016–January 2017. The interviewed entrepreneurs were active businesspeople and were chosen according to a purposeful sampling strategy (Patton, 2015) to capture the experience of applying for subsidies. The enterprises were involved in rural tourism, multidisciplinary rural tourism with a reindeer farm, a food business, and the service sector. The interview themes covered the path to becoming an entrepreneur, the motivation to apply for business support from the RDP, the challenges of the business support application process, and the knowledge shared between an entrepreneur and a policy implementer in the innovation process. Besides, the interviews focused on two major themes of the business location. First, we were interested in the meaning of the location of an enterprise from a business point of view, and second, how the managing authorities improve the business environment.

To find out how the neoendogenous approach manifests in the rural business support policy from the perspective of the rural enterprise economy, we analysed the transcribed data based on directed content analysis (Hsieh and Shannon, 2005). Our interpretation of neoendogenous development (see figure 9.1) is the framework of empirical analysis. First, we examine the role of the rural places of the enterprises. We assume that the local embeddedness of rural enterprises influences their activities. Second, we examine the role of local and extra-local cooperation for the enterprises. Third, we discuss the impressions of the rural entrepreneurs who received business support from the RDP of the politico-administrative system of the

CAP. We analyse features of both rural enterprise and the business support policy reported by the entrepreneurs.

4. The neoendogenous rural development and rural business support experienced by entrepreneurs

4.1 Local resources and embeddedness

Each entrepreneur interviewed had their own story of the place (see Korsgaard, Ferguson and Gaddefors, 2015). The place was understood both as a concrete site or estate and as the local environment of the entrepreneur. For example, the place of the enterprise was an old family estate, a company purchased that became familiar through work, or entrepreneurs had purchased an estate that felt like their own. The entrepreneurs were satisfied with and proud of their location and considered the place of the enterprise to be a platform for creative thinking and innovation. Entrepreneurs had succeeded in transmitting their sense of place to their customers, which was considered the basis of good service. The place as the enterprise's local environment consisted of those material and non-material amenity factors that bind an entrepreneur to a site and create continuity for entrepreneurship.

The entrepreneurs highlighted that rural business support had made it possible to start and develop a business. In many cases, there was no equity, so subsidies were required to facilitate financing. Entrepreneurs also welcomed joint negotiations with local banks and business support experts on finance. Business support was considered useful, if only because

the application process requires entrepreneurs to undertake economic planning. One interviewee stated that business support

...has created jobs in the countryside and allowed estates to exist in such a way that it continues to make a livelihood in the countryside possible. There are no animals in the barn, but other things occur with human beings. The barns are used as banquet rooms or otherwise. [Interviewee 2, rural tourism]

Even the remote location of an enterprise was not a significant barrier to entrepreneurship as it had once been. Many interviewees felt that digitalization facilitated new ways of placemaking. However, they confirmed the finding of Avramenko and Silver (2010) that rurality can be seen as an enabler or a constraint, depending on the perspective. In the words of an entrepreneur in a sparsely populated area: *'The sense of remoteness does not exist when we are in the middle of the forest'* [Interviewee 11, service sector].

The entrepreneurs had often based their business idea on local resources and had relied on active local business contacts to help start the business. The core community of entrepreneurs consisted of their family members, company employees and an established customer base. Family members were the most significant collaborative network and employees for many companies. However, the workload of companies had increased, so most of the companies had hired employees. Consequently, entrepreneurs also wondered why useful measures had not been maintained to aid the development of businesses. For example, entrepreneurs recalled business support for the hiring of the first employee, which had been a successful

measure offering a significant incentive to boost employment. Hiring the first employee had often boosted revenue and encouraged the hiring of more staff.

The crucial resource for rural businesses is accessibility, which is sometimes problematic in rural areas. Entrepreneurs highlighted that the poor condition of the roads was a significant disadvantage to their businesses. Public transport was also no longer universally accessible. Local conditions had created some confusion among the customers of rural tourism:

I reply that unfortunately, we don't have local traffic. Well, tourists say that they come to the "city centre" bus station, so how do they get to our company? No problem, I pick them up in my car, and they still have some pretty confusing facial expressions when they come from the bus to the shop yard. [Interviewee 9, rural tourism]

Entrepreneurs appreciated education, and thus professional competence. A few entrepreneurs had obtained qualifications in entrepreneurship when they started the business. In their view, there was sufficient suitable, tailored training available. Above all, entrepreneurs stressed that the entrepreneur gives a face to the company, emphasizing the entrepreneurial spirit of the interviewees, as one of them stated: *"When an entrepreneur has the desire, the will, and the ability, then he/she will be able to do anything."* [Interviewee 14, food business entrepreneur]

4.2 Local and extra-local networks

The entrepreneurs interviewed had created networks with surrounding actors, and with the help of digitalization, the entrepreneurs had acquired national and global networks (see Dubois, 2016). Networks surround entrepreneurs, but the border between local and extra-local has transferred and is currently porous for the entrepreneur. The change is a potential advantage for a rural enterprise economy.

The local networks reported mostly comprised local municipalities, financing and accounting services, business advisers, NGOs, and other enterprises. The role of the municipalities was considered to be key, especially in building the enterprises innovation environment.

Intermediators, like business advisory services now serve larger areas due to declining populations in rural areas, thus, entrepreneurs considered those services essential.

Cooperation with local entrepreneurs like joint meetings, training, and study tours often took place through local business associations.

The companies had quite an extensive network of supporting organizations whose duties included visiting the enterprises on site. That was something the companies expected of rural authorities because entrepreneurs found face-to-face meetings essential, even if they generally used electronic means of communication with policy implementers. One entrepreneur reflected the need:

I have such a habit that a person who gets involved in one way or another in my business, so the first compliment is that he/she comes to the spot so he/she will get inside a bit of what is planned. [Interviewee 3, rural tourism]

The entrepreneurs interviewed nevertheless identified many challenges regarding their locality. The lack of local services, which would help their own business, was undeniable in sparsely populated areas. Rural tourism companies, for example, would have liked to join with local foodservice enterprises, but there was no longer any foodservice in the neighbourhood.

Digital channels were crucial for entrepreneurs in accessing knowledge and communication. However, when it comes to digital connectivity, many areas still had severe shortcomings, and many entrepreneurs were still learning how to exploit electronic channels. The entrepreneurs collaborated with the village associations, among others, as part of attempts to improve the infrastructure of the business environment.

Entrepreneurs created versatile connections to develop their business. They had a pervasive extra-local network consisting of regional development organizations, educational institutions, urban links, national business agencies, political actors, interest organisations, companies, and transnational organizations, among others. One interviewee stated:

We know entrepreneurs everywhere in Finland, and we have become good friends over the years. We work together, especially with entrepreneurs who have different markets. That way we do not compete, but we can benefit from cooperation. [Interviewee 2, rural tourism]

Some tourism entrepreneurs had used top designers on their interior room plans and a food business entrepreneur designed packaging with an advertising agency. Entrepreneurs cooperate with retail trade alongside research institutes in food product development.

Entrepreneurs were actively involved in nationwide business associations and, by extension, were influencing the development of their industries. The entrepreneurs included policy implementers like rural authorities in their networks, and they also maintained contact with national policymakers and MEPs to exchange knowledge on political issues.

Transnational cooperation was widespread among entrepreneurs. Entrepreneurs networked while visiting fairs, on study tours, or visiting companies overseas, and especially those involved in rural tourism had foreign customers. Some entrepreneurs exported their products abroad and, accordingly, also imported goods from abroad. Many entrepreneurs emphasized that in principle, the ideas for development come for the most part from abroad.

4.3. Cooperation with politico-administrative institutions in rural business support

When asked about the effect of business support and related legislation, the entrepreneurs considered it generally favourable and as having a value-adding function, but nevertheless some felt that the spirit of the law was not being upheld when it filtered down to entrepreneurs. The rural business support policy system was considered bureaucratic and laden with checks stemming from the CAP regulation, the EU Commission, and the national level. The entrepreneurs stated that the payment of business support was overregulated and governed by detailed checks, and the inspectors were fearful of misuse of the business subsidies. One concrete manifestation of the top-down approach was thorough inspections and treating the beneficiary with suspicion.

I will give you an example of the bureaucracy. I think it's a good thing that there is some monitoring but...in the support application we said that we'll buy a fridge for our customer kitchen. But later we thought a fridge-freezer would suit us better and we bought that instead. It was a little cheaper than a fridge we planned to buy. Still, they didn't approve the fridge-freezer because it was not stated in the application. For me, this feels like a miscarriage of justice. [Interviewee 9, rural tourism]

From the perspective of rural enterprises, there are many obstacles, and the long chain of implementation influences practice so that the rules of the business support in the RDP become restrictive rather than enabling, especially during the payment stage. However, rural authorities belong to the EU-wide multi-level administrative system of rural development policy. They must follow the national and EU-level regulations, which might explain their cautious approach to policy implementation. This is a feature of the exogenous rural development model in the operation of business support of the CAP.

Rural authorities as policy implementers, however, act as a hub for the knowledge exchange related to local information, enterprise activities and business support regulation. Although the entrepreneurs viewed the implementation of the RDP as bureaucratic and replete with top-down regulation, the interviewees were quite satisfied with the advice and support from the individual civil servants who allocated the company subsidies. Entrepreneurs expected high levels of expertise from rural authorities. While entrepreneurs also had considerable knowledge, that created a requirement that policy implementers must maintain their competence, as one entrepreneur stated: *"It's unfortunate, if there is such a feeling that which*

of us knows more, the authority or me, when there are sanctions for foolish things”

[Interviewee 7, rural tourism with a reindeer farm]

Most of the entrepreneurs described the cooperation between themselves and the policy implementers as marked by mutual understanding and a willingness to seek solutions to the entrepreneurs’ concerns. The entrepreneurs expected continuity, predictability, clarity, timeliness, simplicity, and pragmatic support mechanisms for the subsidy and data systems. Entrepreneurs also expected the cooperation of the authorities in developing innovation. The process of innovation is not a smooth linear one (Cowie *et al.*, 2019) and the entrepreneurs stated that building some flexibility into the business aid application system, for instance permitting changes to plans, would be an important step towards innovative businesses. However, the institutional culture appears to still be “conservative, preoccupied with regulation and control, not appropriate to stimulate or support local aspirations” as Dwyer *et al.* described it in 2007 (p. 880). Furthermore, entrepreneurs and the rest of society expect the budget allocated to be used effectively. Nevertheless, the success of the business support policy is often still measured by the fact that all allocated money has been spent (see Bosworth *et al.*, 2020).

5. Conclusion

This chapter contributes in two ways through its response to the research question on the neoendogenous approach to the rural enterprise economy and business support policy. The first contribution is to expand on the studies of rural business support of the RDP by adding a

neoendogenous development approach. Second, the chapter links the definition of a rural enterprise economy to the rural development and development policy approach.

The neoendogenous approach is a loose framework emphasizing multi-sectoral and multiscale development, as well as the integration of economic and governance perspectives. In our view, the neoendogenous development approach is suited to describing the rural enterprise economy. In addition to taking account of the embeddedness of entrepreneurs in the wider environment, it also explains the significance of the rural business support of the RDP of the second pillar of the CAP, which belongs to the politico-administration system. Therefore, the neoendogenous approach can be used in a normative way as an ideal model. The success of the policy actions depends on using the full potential of the neoendogenous approach, including local amenities and emerging local and extra-local networking. In an ideal case, policy implementers offer broad support to enterprises in their entrepreneurial process, including the discovery, evaluation, and exploitation of opportunities, and feedback on their business ideas (Kujala, Virkkala and Lähdesmäki, 2021). They also support rural enterprises in connecting them to extra-local networks, in line with the neoendogenous development model (Ray, 2006; Bosworth *et al.*, 2016). Continued improvement depends strongly on persuading entrepreneurs to get involved in rural development activities so that the focus is on the development according to the spirit of the RDP, and not on complying with detailed rules and controlling practices. In addition to the allocation of subsidies, rural authorities could act as advisers to entrepreneurs and a partner in the rural enterprise economy characterized by neoendogenous development. That step could ensure the rural enterprises as implementers of the RDP, become the central actors in rural development even in the politico-administrative system.

In order to ensure business support is used improve the rural enterprise economy, the administrative burden should be reduced for both entrepreneurs and authorities. That might be achieved by changing the culture of the implementation of development programmes from a restrictive form to an enabling one (Adler, 1999). An enabling rural authority would support the entrepreneurial process broadly by fully utilizing the opportunities of the RDPs to the benefit of the entrepreneur (Kujala, Virkkala and Lähdesmäki, 2021) to support neoendogenous rural development. The policy implication of our findings relates to the broad support of entrepreneurial discovery among enterprises as a function of the rural authorities. Such a policy would enable entrepreneurs to be equal participants alongside rural authorities.

This study also has limitations. First, the neoendogenous interpretation of rural enterprise economy was constructed based on the enterprises which have applied and received rural business support. However, rural enterprise economy moreover consists of enterprises which have not applied rural business support. Second limitation is that the influence of digitalisation on the implementation of rural business support policy has not been analysed very closely. Nevertheless, our findings reveal that when entrepreneurs use the knowledge available through digital channels, they can become stronger and more equal players alongside the authorities. These limitations indicate the need for future research.

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