

# Authorities as Enablers in Rural Business Support Policy Regime – Case-Study Finland

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## Abstract

This article focuses on rural business support as a policy regime of the second pillar of the Common Agricultural Policy (CAP). We examine the relationships present in the regime to find out how authorities become enablers in the entrepreneurship promotion process. A rural business support regime is considered as a government policy network, consisting of dynamic collaboration and interaction between the European Commission, policymakers, policy implementers and rural entrepreneurs. Based on 38 interviews of rural development actors in Finland, our case-study identifies four properties in the relationships, namely trust, learning, discretion and creativity that are crucial factors in enabling interactions in the rural business support regime. As a contribution, we develop a model for enabling rural authority. We conclude the article by presenting implications for the legitimacy, coherence and durability of the rural business support regime in Finland and in the EU, as we argue that enabling action affects these policy impacts.

## Key words

CAP, enabling, interaction, policy regime, rural authorities, rural entrepreneurship

## Introduction

**E**ntrepreneurship – understood as the creation of new firms and development of small firms (Pato and Teixeira 2014) – is seen as an essential element of growth-oriented regional and rural policies aiming to turn peripheral weaknesses into core business assets (Anderson 2000). Accordingly, there are high political expectations of entrepreneurship for the indigenous economic growth and development of rural areas in European countries and beyond (Pike *et al.* 2006). Rural development policy – especially through subsidies – aims to guide rural entrepreneurs to meet these expectations of policymakers and society (North and Smallbone 2006; Niska and Vesala 2013; Pato and Teixeira 2014).

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*Sociologia Ruralis*, Vol 0, Number 0, October 2020

DOI: 10.1111/soru.12326

Previous literature has suggested that high political expectations of the role of entrepreneurship may nevertheless not be met because of the low interest of entrepreneurs in support and assistance measures identified in many countries (Meccheri and Pelloni 2006; Audet and St-Jean 2007; Niska and Vesala 2013). The excessive bureaucracy has been acknowledged as one explanation that hinders entrepreneurs' interest in business development measures (North and Smallbone 2006; Niska and Vesala 2013; Stępień and Czyżewski 2016; Kujala 2019). Similarly, it has also been claimed that entrepreneurs' reluctance to apply support may stem from a problematic relationship between the policymakers and entrepreneurs (e.g., Niska and Vesala 2013; Klofsten *et al.* 2019). Accordingly, previous research has suggested that the role of authorities in the business support is crucial, but calls for more elaboration since their actions in the business support have received little attention (Pysiäinen and Vesala 2013).

To meet these research needs, our aim in this study is to find out how authorities can become enablers so that the dysfunctional aspects of bureaucracy are as low as possible (see Merton 1968; Papadopoulos 1997; Navarro *et al.* 2016). By adopting the distinction between enabling and coercive type of bureaucracy (see Adler and Bryan 1996; Adler 1999, 2012), we argue that rural authority as an enabler supports the entrepreneurial process broadly by utilising the opportunities of the rural development programmes (RDPs) in full for the benefit of the entrepreneur.

We examine the authority-entrepreneur relationships in the rural business support process within the second pillar of the Common Agricultural Policy (CAP). The policy is implemented through RDPs in every European Union (EU) Member State. We agree with Pressman and Willdovsky (1984) that the understanding of the simple sequences of events depends on complex chains of reciprocal interaction. Similarly, Grant (2010) emphasises that there is a need for an analysis of relations between policy actors. Therefore, we study the relationships in the rural business support process by conceptualising the rural business support of the second pillar of the CAP as a policy regime (see Wilson 2000; Howlett 2009; Sheingate 2012; May and Jochim 2013; Kuhmonen 2018a). We will illustrate the structure of the institutional arrangements of the regime and its functioning by analysing the links, interaction and feedbacks between the different administrative bodies and the entrepreneurs applying for the support. We suggest that the properties of the relationships between rural authorities and rural entrepreneurs in this regime influence whether authorities act as enablers. Accordingly, our research questions are:

1. How does the institutional arrangement of the rural business support policy regime appear as interaction between the actors of the regime?
2. Which factors affect the interaction between actors in the business support policy regime so that the rural authority becomes an enabler?

In order to respond to these research questions, rural business support policy will be examined with the help of a case-study of the Finnish rural business support regime showcasing the relationships between the European Commission, national policymakers, regional policy implementers and rural entrepreneurs.

Based on inductive data analysis on the relationships in the regime we found four properties – namely, trust, discretion, creativity and learning – and the crucial factors that potentially facilitate rural authorities to become enablers in entrepreneurship promotion. We formed a model of an enabling rural authority which contributes to existing policy–entrepreneurship literature on CAP and other development programmes (e.g., North and Smallbone 2006; Shucksmith 2009; Pato and Teixeira 2014). Our results further demonstrate that these factors have implications for legitimacy, coherence, and durability (mentioned by May and Jochim 2013) of the rural business support regime. We suggest that the analysis of the interactions between the bodies in government and the rural entrepreneurs reveals the dysfunctions of the policy regime, which in turn will help improve the design of rural development policy and accordingly increase the impact of business support.

The article is structured in six sections. In the next section, we discuss the conceptual framework of the article by first explaining the idea of rural authorities as enablers. Second, we describe the interaction between rural authorities and entrepreneurs with the notion of a policy regime, and third, illustrate the rural business support system serving as a policy regime lens within the EU. After that, we address our research methodology and introduce the Finnish case-study. In the fourth section, the empirical findings and the model of enabling rural authority will be presented. Finally, we provide a discussion and conclusions.

## Rural entrepreneurship promotion as a policy regime

### *Rural entrepreneurship and enabling rural authorities*

Entrepreneurial ventures in rural areas can emerge out of traditional activities like agrifood, be new ways to use locally embedded resources (e.g., North and Smallbone 2000; Stathopoulou *et al.* 2004), or have a looser character in which the rural location is the home area of an entrepreneur (e.g., Avramenko and Silver 2010; Anderson *et al.* 2016). Even if rural entrepreneurs actively discover and exploit business opportunities, they have several barriers for success like distance from major markets, smaller pools of local labour, limited business diversification, and poor availability of external funding (Cowie *et al.* 2019). Rural enterprises often need development agencies, or intermediaries linking the entrepreneurial initiatives to rural authorities that support business activities (Smallbone *et al.* 2003; OECD 2014, pp. 95–112; Klofsten *et al.* 2019). Accordingly, rural authorities are expected to make specific efforts to catalyse entrepreneurship in rural regions and it should be expected that these efforts would be fully exploited (North and Smallbone 2006).

Current entrepreneurship literature emphasises entrepreneurship as a process and the role of opportunity within it (Shane 2003; Heinonen and Hytti 2016). The entrepreneurial process consists of the discovery, evaluation and exploitation of opportunities. Entrepreneurs need support in the discovery process and feedback on their business ideas, but entrepreneurship promotion often concentrates only on business ideas formulated in proposals (Heinonen and Hytti 2016). This is a narrow approach because formulated proposals often are a limited part of the entrepreneurship

process. In the ideal situation, the rural authority broadly supports entrepreneurs, including the discovery and evaluation of entrepreneurial opportunities. In this article, we define this activity of a rural authority as enabling entrepreneurship processes.

We approach the issue of rural authority as an enabler for entrepreneurship by applying the findings of entrepreneurship studies (North and Smallbone 2006; Baumgartner *et al.* 2013; Korsgaard *et al.* 2015) in the context of rural authorities supporting entrepreneurship and studies on neo-endogenous rural development, which is based on local resources and participation but also characterised by dynamic interactions between local areas and their wider environments (Schucksmith 2009; Gkartzios and Scott 2014; Bock 2016; Bosworth *et al.* 2016; Lowe *et al.* 2019) as follows:

An enabling rural authority has the ability and motivation to support the entrepreneurial process particularly in the discovery process in broad terms and is not confined to acting upon a clearly defined business proposal. As part of this broad support, the interaction between rural authorities and entrepreneurs is characterised as cooperation, reciprocity and knowledge sharing. Rural authorities can exploit their knowledge of the RDP and the business environment and thus contribute to the entrepreneurial process. The interaction between rural authorities and entrepreneurs enhances the capabilities of enterprises to develop and utilise new knowledge and useful networks in the discovery process, which is emphasised especially in the networked or neo-endogenous rural development approach.

The interaction between rural authorities and enterprises does not work in a vacuum, instead it is a part of the rural business support regime of the second pillar of the CAP. The next section will introduce and conceptualise the features of the rural business support regime.

### *Rural entrepreneurship promotion as a policy regime lens*

In this paper, we define a regime as a network of policy actors and their relationships by applying the concept of policy regimes (Stone 1993; see also Rhodes 1997, 2000). According to Kuhmonen (2018a, p. 849) policy regimes are as 'meso-level, problem-related, dynamically stable, multidimensional governance arrangements configured by substantive and institutional elements'. A meso-level concept stands for programme level operationalisation (Howlett 2009), in our approach, the representatives of the organisations and the relationships between them. The rural business support regime and its functioning is thus described through the relationships of the actors constituting the regime.

Because of the complexity of the relationships, they can either enhance or limit the structural possibilities of governance. Like May and Jochim (2013), we further acknowledge policy regimes as governing arrangements for addressing a set of problems, accompanied by the ideas, institutional arrangements and interest alignments (see Sheingate 2012; Kuhmonen 2018a). Starting with problems allow for the 'consideration of the various combination of multiple laws, rules, and administrative actions that together constitute relevant governing arrangements' (May and Jochim 2013, p. 429).

The notion of a policy regime provides us with an approach through which to study how and what kind of means legitimacy, coherence, and the durability of a specific

policy can be achieved (May and Jochim 2013). A legitimacy crisis occurs when political leaders challenge the rationality of the existing regime and people lose confidence in the old regime 'persuading people that existing arrangements are no longer legitimate, or inevitable and that alternative arrangements are possible and feasible' (Wilson 2000, p. 265). The absence of policy coherence sends confusing messages to potential target groups – such as entrepreneurs in our case – on the importance of their concerns and will limit the impact of the policies (North and Smallbone 2006; May and Jochim 2013). Howlett (2009) emphasises that successful policy design requires policy aims and policy tools to be coherent and consistent. Policies that fail to achieve their public purpose or that have adverse, unintended side effects can undermine the regime by turning supporters into opponents (May and Jochim 2013). Sheingate (2012) highlights that the feedback effects of regime components reveal how the legitimacy and coherence of a policy regime are essential factors in explaining its durability.

### *A business support regime as a part of pillar II of the CAP*

The second pillar of the CAP supports the economic viability of rural communities and rural enterprises through rural development measures (European Commission 2019). Second-pillar measures have been co-financed by the Commission and Member States since their beginnings in the Agenda 2000 CAP reform and the subsidiarity principle implies that policymaking should be undertaken at Member State level (Burrell 2009).

The problems the business support regime was formed to address include lack of employment and vitality, rural deprivation, marginalisation, and selective out-migration from rural areas (e.g., Pato and Teixeira 2014; Klotfen et al. 2019). The agenda tackling rural problems has been set at the EU and national levels, based on the idea that the problems can be solved with more enterprises and enterprise support. The vitality of the countryside is related to the maintenance of the economic and social fabric in the rural areas (Kuhmonen 2018b, p. 688). Accordingly, while the goals of the RDPs are the same for every Member State, they can be flexed to emphasise goals in their own way and institutional arrangements may vary between the Member States.

However, the problems and challenges of the CAP are strongly reflected in the rural business support regime. The CAP is formed within a multilevel regional government structure and displays strong elements of path dependency (Kay 2003; Kuhmonen 2018a) and resistance to change (Grant 2010). The CAP has been marked by considerable complexity since its inception (e.g., Kay 2003; Grant 2010). Accordingly, the debate on the need to simplify the CAP has long been taking place (European Commission 2005, 2019; Aakkula et al. 2006; Burrell 2009; Grant 2010; Kuhmonen 2018a, 2018b).

## **Research methodology**

### *Case-study*

In order to understand the rural business support regime under the CAP, we follow a case-study methodology (Stake 2000). A case is 'a specific, a complex, functioning

thing' which can be seen as an integrated system having a boundary and purpose (Stake 2000, p. 2). According to Stake (2000), a case study is both a learning process on the research object and the product of learning. The researcher has an interpretive role in the process of understanding the case; reality is seen as multifaceted and subjective, based on different meanings and understanding.

Our case is the Finnish rural business support policy regime under the CAP containing relatively stable arrangements that span several administrations (see Mossberger and Stoker 2001). Our focus is on the main actors of the regime and their relationships. The Finnish Parliament acts as the national legislative body, the Ministry of Agriculture and Forestry acts as the managing authority and the Agency for Food Affairs (previously Rural Affairs) as a paying agency. Together these form the group *National Policymaker* in our case-study. Regional Centres for Economic Development, Transport, and the Environment (ELY centres) and Local Action Groups (LAGs) form the group *Regional and Local Policy Implementer*. Fifteen ELY centres and 54 LAGs have the authority to finance the investments of rural enterprises to implement the regional or local strategic plan within the framework of the national RDP. The ELY centres are decision-makers on matters of law. The LAGs assess whether applications targeted to them are appropriate to their local development strategy. A significant number of Finnish enterprises (42 per cent) are located in rural areas and thus are potential beneficiaries of the business support available under the CAP. Entrepreneurs are clients of the administration, but at the same time, the practical implementers of the RDP and the last actor of the business support regime. They form the group *Rural Entrepreneur*. The *European Commission* approves and monitors the RDPs.

Our case-study is intrinsic, it does not represent other cases of rural business support regimes under the CAP. Instead, it illustrates some issues of the studied phenomenon (Stake 2000), namely the relationships between the bodies and actors in the regime. The case-study is generalised as a model of enabling authority.

### *Data and analysis*

The study relies on 38 semi-structured interviews conducted in Finland (Table 1). Key informants were identified using a purposeful sampling strategy and in the case of MPs, through snowball sampling (see Patton 2015). The interviewees were national policymakers, regional and local policy implementers, and rural entrepreneurs, who had received financial support for their business activities. In addition to those informants, programme evaluators and local municipality authorities were interviewed to acquire a diverse picture of the functionality of the policy regime. Local municipality authorities act mainly as advisers to entrepreneurs in the context of business support. The interviewees were chosen on the assumption that they either knew as much as possible of the practices of the business support process or had experience of the process of diverse organisations.

The interviews were conducted at the national level and in the regions of four ELY centres, face-to-face on the premises of companies or organisations March 2016–January 2017. The interviews were recorded and transcribed verbatim, except for one interview, which was recorded in the form of notes. In addition, the evaluation reports

Table 1: *Categories of interviewees*

The interviewees	n	N
<b>National Policymaker</b>		<b>9</b>
Members of Finnish Parliament	2	
Ministry of Agriculture and Forestry	4	
Agency for Rural Affairs (Agency for Food Affairs)	3	
<b>(Regional and Local) Policy Implementer</b>		<b>10</b>
Centres for Economic Development, Transport and the Environment (ELY)	6	
Executive Managers of Leader groups (LAGs)	4	
<b>Rural Entrepreneur</b>		<b>12</b>
Entrepreneurs who received subsidies from the rural development programme	12	
<b>Evaluator and advisor</b>		<b>7</b>
Evaluators of the rural development programme	3	
Local municipality authorities	4	
<b>Total</b>		<b>38</b>

of the RDPs 2007–2013 and 2014–2020 were used as secondary data in the contextualisation and interpretation of the case-study.

The interview themes were the same for all the interviewees, but we differentiated the perspectives of the questions according to the interviewee group. The themes covered the feelings as a rural authority or entrepreneur when the fourth EU funding period was underway in Finland, the motivation to work, identifying a eligible business idea and the administrative burdens of promoting entrepreneurship in the framework of the RDP. We were also interested in what kind of information is shared between an entrepreneur and a policy implementer to find solutions to the potential barriers of innovation.

We conducted an inductive content analysis (Hsieh and Shannon 2005; Thomas 2006) with the help of NVivo-software. Accordingly, during the first phase of the analysis, we read the transcript and identified the relationships between the main actors in the regime. We studied what kind of interactions take place in each relationship. Then we coded the text for phrases that were meaningful in terms of smooth interaction or ones limiting the promotion of entrepreneurship. After categorising the codes, we identified four key properties of enabling relationships: trust, discretion, creativity and learning. We then proceeded with the analysis by examining the expectations and experiences of each respective actor of trust, discretion, creativity and learning in the relationships of the regime (see Virkkala *et al.* 2017). The process meant we acquired a more detailed view of how these properties were emphasised

in each relationship and that view enabled us to determine eight crucial factors of enabling authority.

## Analysis of the rural business support regime in Finland

### *Institutional arrangement of rural business support policy regime*

This section describes each of four identified relationships of the business support policy regime, namely those with the Commission, policymakers at national level, policy implementers at regional and local levels, and rural entrepreneurs (Figure 1) to answer the first research question.

First, there is a relationship between entrepreneurs and policy implementers, who meet when an entrepreneur submits a business support application, and a policy implementer evaluates and then approves or rejects the application. The electronic enterprise support application system significantly reduces the face-to-face contact between entrepreneurs and decision-making authorities. The entrepreneur and the policy implementer meet face-to-face when the payment inspector visits the enterprise to conduct control of the payment of the subsidies prior to paying the subsidies. The implementers stated that they want to cooperate with entrepreneurs, but at the same time, limit the social proximity within the authority role.

Second, the relationship between policy implementers and policymakers is guided by the governance and management principles stemming from the national culture, but also from the CAP guidelines provided by the Commission. Interaction between policy implementers and policymakers takes place through face-to-face trainings, meetings, video conferencing and via email and telephone. Laws, regulations and guidelines prepared by policymakers guide implementers' decisions on business support and payments. In addition, policymakers prepare performance guidance and steering to the policy implementer.

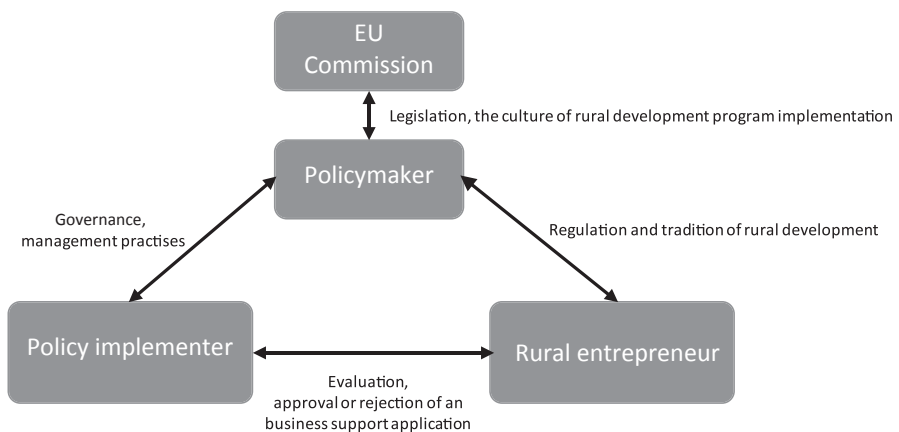


Figure 1: *Institutional arrangements in the rural business support regime (see Csikszentmihalyi 2014 according to Koski 2001)*



The third relationship deals with the relations between rural entrepreneurs and policymakers and can be seen in the regulations derived from the CAP as well as national business and policy traditions. Interaction between entrepreneurs and policymakers takes place mainly through business support controls and policymaking. In everyday life, entrepreneurs viewed policymakers as very distant partners, but were aware of their importance in promoting business conditions. Entrepreneurs also stressed that individual entrepreneurs are often not involved in the design of development programmes but are represented by the interest organisations of entrepreneurs.

Fourth, the relationship between policymakers and the Commission is crucial for the preparation of the legislation for business support measures. In this relationship, a culture of the implementation of business support is formed. Interviewees emphasised that the interaction with the Commission mainly occurs between the Ministry of Agriculture and Forestry and the Commission. Communication takes place through bilateral meetings, face-to-face consultations, emails, and electronic queries. The policy implementers stated that their collaboration with the Commission occurred through the controls of the Commission which was, however, seen as a somewhat constructive way of interacting.

### *Analysis of relationships*

The analysis reveals four key properties of four relationships in the rural business support regime: trust, discretion, creativity and learning; and on closer examination of our data, we concluded with eight crucial factors that allow a rural authority to become an enabler of entrepreneurship promotion (Figure 2). According to the empirical analysis, four relationship properties are interrelated, even though we have treated them as analytically separate. Discretion and creativity but also creativity and learning are two sides of the same coin. Trust between the administrative bodies permits individual and collective actors application of discretion and discretion is necessary for creativity and learning.

**Trust.** The interviewees stressed two factors concerning trust, mutual trust and predictability. Mutual trust between the actors has been identified to be one of the significant preconditions for successful governance increasing the efficiency of regime (see Cook and Schilke 2014; Cline and Williamson 2020), thus, enhancing learning and successful innovation processes (King *et al.* 2019). Definitions of trust usually contain a belief or confidence that others will behave in a predictable manner that overrides pure self-interest (Luhman 1979). Even though trust has predominantly been examined in the context of individuals and groups, a broad stream of literature emphasises that people can develop trust in public institutions as well (Doney and Cannon 1997). In our study, institutional trust emerged as trust in the government system as such, mainly meaning that subsidy payments are determined by regulations and money is not lost anywhere in the business support regime. The situation is elucidated upon in the following interview excerpt:

I remember that during the first programme period there was an inspection in our region by the Commission and they inspected the cash flows and followed the money chains

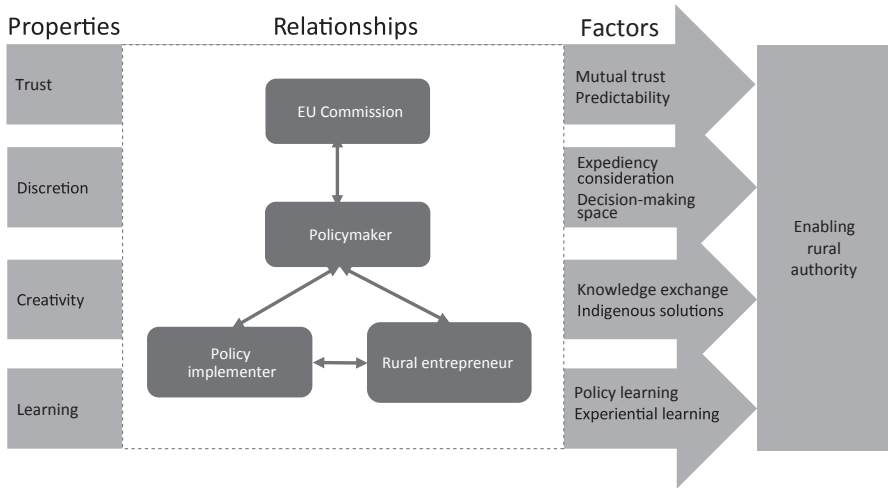


Figure 2: *The relationships and the properties: enhancing factors of enabling authority (authors' own compilation)*

from ministry to the policy implementer and from there to entrepreneurs. Moreover, the biggest surprise to them was that the money was not lost anywhere in the chain. ('Policy Implementer')

In the relationship between entrepreneurs and policy implementers, trust was described as a mutual understanding and willingness to seek solutions to entrepreneurs' problems. Since the relationship builds on a certain power asymmetry, entrepreneurs are to an extent wary of misfeasance. In such an asymmetric relationship, trust is supported by the unilateral obligation of the trustee to act in the other's interest (Thomas 1998). In our data, the entrepreneurs reinforced this idea by expecting honesty of the implementers. Nevertheless, trust was still undermined by entrepreneurs' experiences of applications for support payments, which were perceived as restrictive and even precluded by the implementers. These included detailed inspection, the fear of misconduct by the authorities and suspicion of the beneficiary. It was thought that Finland often goes to extremes in the implementation of rules, which slows down or even hinders the smooth preparation and implementation of programme measures.

There are quite a few new, young people among inspectors and they want to do the so-called perfect job, and the potential for cheating must be minimised. They do not think what it causes for the opposite side, if there are these checks for buns that cost 40 cents. All this creates a lot of fuss in the whole support chain. ('Policy Implementer')

In the relationship between policy implementers and policymakers, a sense of mistrust stemmed from the interviewees' experience of a lack of shared understanding about the objectives and implementation of the RDP. The implementers expected an open discussion with the policymaker, but it was not realised in their opinions.

This is exemplified in the following interview excerpt describing an implementer's experience.

For me it seems like the policymaking authorities are sitting in an ivory tower, giving us instructions on what to do. And if we don't listen. I thought that we already passed that time and now it would be time for interaction and trustful conversation. [...] Just try to shoot at the tower and it will get back at you. ('Policy Implementer')

In the relationship between entrepreneurs and policymakers, the entrepreneurs expected continuity, predictability, clarity, timeliness, simplicity and pragmatic support mechanisms for the subsidy and data systems. The experience of the entrepreneurs was that delays to the start of the EU funding period and processing applications had weakened the trust in the whole RDP. Furthermore, the interviewees considered that the implementation of the RDP is built on the needs of the administration, the authority serves the administration, and an administrative focus has captured Finland and all of Europe. Thus, instead of the entrepreneur, other authorities or stakeholders were generally perceived as the clients of policymakers. Accordingly, a change was called for.

In my opinion, the governance for citizens and entrepreneurs, taking the right attitude and practical knowledge, they are the three key things we need to do. This is, where the change must take place. ('Policymaker')

Respondents reporting on the relationship between policymakers and the Commission highlighted trust as a good conversational atmosphere. The issues are negotiated and, according to the interviewees, Finland is heard in the Commission. However, the policymakers stated that confidence is undermined by the Commission's ongoing interpretations of legislation, particularly at the beginning of the programming periods. Furthermore, respondents also indicated that confidence suffered from the Commission's checks. Even small errors in Member States were considered to lead to excessive control measures by the Commission.

**Discretion.** Discretion is traditionally divided into consideration involving matters of law and expediency considerations. However, according to Mäenpää (2008), the strict division has become irrelevant and it would be better to speak about the degree of discretion between the two extremes. Mäenpää (2008) highlights that policy-oriented solutions aiming to achieve a politically relevant goal can be distinguished from purely legal considerations. An expediency consideration can be defined, therefore, as decision-making where the managing authority chooses one of a variety of legal alternatives to identify the optimal and appropriate solution in each case. In our data, the interviewees highlighted the expediency consideration and the space in which the policy implementer can decide whether a specific project proposal can be supported.

In the relationship between entrepreneurs and policy implementers, experiences on the limited exercise of expediency consideration were particularly evident in the detailed checks on the payment of business support. The entrepreneurs stated that

the implementers did not dare to exercise the existing discretion but acted confidently so that no mistakes were made.

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. ('Entrepreneur')

In the relationship between policy implementers and policymakers, the emphasis was on the compliance with implementation guidelines and administrative practices. With respect to discretion, the emphasis was on legality, which left little scope for the application of the expediency consideration because the legislation was so detailed. The implementers expected a broader margin of discretion for the regional implementers. The evaluators highlighted that there is little room for manoeuvre when making support decisions, as the criteria for support and selection dominate.

That seems to be like a by-the-book method, it's tightly framed what type of business is ok, and there is little room for interpretation. ('Evaluator and Advisor')

In the relationship between policymakers and entrepreneurs, the limited scope of discretion was evident in the policymakers' narratives when they highlighted the interpretation of the spirit of the law in promoting entrepreneurship. Business support and related legislation was understood as a positive thing and business support itself was seen as adding value. However, the experience was that the spirit of the law does not come into play when it filters down to entrepreneurs. Indeed, the respondents reported many obstacles and challenges because the chain of implementation is so long that guidance and practice fail to be enabling and become too restrictive.

In the relationship between policymakers and the Commission, while the policymakers highlighted that the Commission should streamline its activities; the Member States should also take advantage of their own knowledge of their circumstances and use their discretion in making sensible national legislation. Nevertheless, the experiences reported included caution in the exercise of discretion and asking the Commission for guidance. Most of the interviewees stressed that the aim is to ensure that things are going right from the EU perspective, thus neglecting the right to exercise national discretion. The underlying motive was told to be the fear of inspections by the Commission and claims for the recovery of the paid support.

In Finland, remarkably often, this is what the ministries do, they leave the question before legislating whether we can do it or not. Then an official in the EU gets the question and, for certainty, gives a strict answer. The ministry gets a strict answer and it gets even stricter and the result is that we do not exercise discretion. ('Policymaker')

**Creativity.** In addition to discretion, creativity was seen to be needed particularly for the rural authorities to support entrepreneurs broadly. The interviewees recognised knowledge exchange and indigenous solutions as the key factors of creativity.

Askay and Spivack (2010, p. 3) highlight that 'creativity is a social process, one that comes about through people and their interactions and the exchange of knowledge'. Creativity produces indigenous and useful solutions in the course of the activities of entrepreneurs and rural authorities (Koski 2001), and thus has an impact on business development. Creativity is often seen as an input for innovation (Amabile 1998; del-Corte-Lora *et al.* 2015). Thus, creativity is a central precondition for innovation, which is one of the horizontal objectives of RDPs.

In the relationship between entrepreneurs and policy implementers, the implementers considered that their role in the process of business support had changed over the EU programme periods. More specifically, the implementers thought that the opportunity to discuss issues with entrepreneurs was limited, because they felt they were prohibited from advising entrepreneurs due to the new business support selection practices. They, therefore, highlighted that they were not able to utilise all their skills and knowledge in the process, and accordingly, the possibility of creative thinking was considered very limited. This is demonstrated in the following interview excerpt, where an implementer considers the changes to work tasks:

If entrepreneurs were a little lost with their business ideas, we used to visit them and make evaluations based on our own knowledge and expertise. But, currently, we are prohibited from doing that. Previously we were able to take care of entrepreneurs' application process more comprehensively. [...] So it brings us back to creativity, it has become increasingly narrow. ('Policy Implementer')

At the time of the interviews, it was very rare for the policy implementers to be involved in constructing a business support application. Nevertheless, the entrepreneurs expected that the implementers would have the courage to comment on their plans and provide advice concerning the application, as they had become accustomed to during previous programme periods.

When I visited this 'implementer', and told him about the business idea, he helped me. He was always prepared to organise assistance, but still, he didn't take any decisions that wouldn't be in line with the legislation. ('Entrepreneur')

Some of the policy implementers had the motivation and ability to use creativity in the space of available discretion to support the entrepreneurs in their discovery processes widely. This enabling had taken place by combining the knowledge of the implementer and the entrepreneur creatively, illustrated by an experienced implementer:

Well, my professionalism has increased, and I can say that I know the legal and operational framework related to the business support. Therefore, I'm able to navigate in that environment and find creative solutions on how to promote business ideas and support enterprises in my own area. ('Policy Implementer')

In the relationship between policy implementers and policymakers, creativity was combined with the planning of the goals and measures of the RDP as well as the courage to find new solutions in the implementation, within the framework of laws and regulations. The interviewees emphasised that nobody dares to use creative

thinking even though the RDP promotes innovation and the culture of experimentation. Anyhow, a policymaker highlighted the use of creative thinking in his narrative:

However, now ELY is considering whether the application is OK or not. We wish that they could use creativity, but they don't really dare to use it, they just grab a phone or send an email and ask what do I do now? Do you have any instructions? ('Policymaker')

Nevertheless, the subject of creativity prompted some mixed discourses among the policymakers. Accordingly, while some creativity was mainly seen to enhance the interaction, some interviewees considered creativity a challenge for the functionality of the regime. For example, a policymaker underlined that '*using creativity would get us in big trouble*'. Instead of using creativity, some policymakers, therefore, wanted to see clear and unambiguous programme priorities and measures, without any room for subjective interpretation.

In the relationship between entrepreneurs and policymakers, creativity was underlined mainly as an encouragement to experiment boldly with the business development even though monitoring and sanction practices were especially perceived to restrict risk-taking. Creativity was not considered a very visible feature either in the relationship between policymakers and the Commission. The policymakers stressed that while the RDP is an enabling programme, the exploitation of opportunities is often caught up with authorities' interpretation and their way of looking at the world. In governance processes, this means the exercise of discretion on the part of the authority.

**Learning.** The rural business support regime is a dynamic system with many actors, and there is potential to learn in different phases of the support chain (see Pressman and Wildavsky 1984). Accordingly, the interviewees emphasised both experiential learning and policy learning. Experiential learning requires giving and receiving feedback, and the possibility of making mistakes (Morgan 2017). The feedback process in the public sector can, however, face many obstacles, which might relate, for instance, to power, status, hierarchy, fear and ambition.

Although learning has taken place as entrepreneurs' knowledge of how to establish and develop a business with external support has grown during the EU funding periods, the official language was still considered difficult. The implementers stressed the importance of getting feedback from entrepreneurs to improve programme governance practices but thought that there was not enough of that feedback. One reason offered was an assumption that entrepreneurs felt uncertain particularly regarding how any critical feedback would affect their future actions.

Entrepreneurs are careful when they offer feedback because they are afraid of what will happen next time when they are applying. ('Policy Implementer')

A significant obstacle to learning was created by a strong cultural tradition and the goal of having a flawless administration. More specifically, failures were not seen as an opportunity for learning and a chance to improve performance (see Morgan 2017). For example, the entrepreneurs considered that subsidy recoveries and sanctions for unintentional errors were often disproportionate. To avoid mistakes, the entrepreneurs often used a consultant to assist in filling out the support application, which the entrepreneurs considered an expensive option.

The reports on the interaction between policy implementers and policymakers particularly emphasise the clarity of legislation and implementation guidelines. This was reflected, for example, in the policymakers' views that at the beginning of the new EU funding period, joint training sessions concentrated more on studying the details of legislation, leaving no time for discussion of the content of the promotion of entrepreneurship. The fourth funding period in Finland was underway and the delay in launching the programme had adversely affected interactions in all relationships and trust between the actors involved in the policy regime.

It's just like going into this EU funding period, every period is starting from zero, and then practising for the first two, three years and only after that they are able to start working. ('Entrepreneur')

Both the policy implementers and policymakers considered that the results of the ongoing evaluation had not been used to any great extent during the previous EU funding period, which could have, however, facilitated policy learning. Learning was also called for when drafting legislation and in the preparation of data systems. Complex legislation and several measures were considered for the main reasons for the delay in the data system, which had also been the case with the previous change-over of the programming period. The delay caused tension between the actors and delayed processing of entrepreneurs' applications for support.

Those who are implementing should be heard more – what you want to support should be considered in the legislative work. We should have an assessment of digitalisation in legislation. Bending legislation to digitalisation is not the same as the paper process. ('Policymaker')

The importance of the knowledge of the regions was highlighted widely in the relationships between regime actors. The policy implementers suggested that work experience in local or regional administration should be a requirement to work as a policymaker since learning always comes partly through experience. The entrepreneurs expected policymakers to be familiar with rural conditions, but in their experience, policymakers' understanding of rural conditions and rural entrepreneurship was rather poor. Some policymakers recognised this themselves.

What worries me is the dwindling practical knowledge of the countryside in our civil service, in our politics, everywhere in the society. This is perhaps one of the biggest problems for rural development. ('Policymaker')

In the relationship between policymakers and the Commission, learning first and foremost involved simplifying the practices of support implementation. The aim – simplification – was shared, but the experience was that the practices involved, and particularly regarding support payments and controls, were still complicated.

### *Model of enabling rural authority*

Based on the results of our case-study, we compiled the model of enabling rural authority presented in Figure 2. Our case-study revealed four properties and eight

factors describing the ideal situation between the interaction of business support policy regime actors: high trust, which is divided into mutual trust and predictability; discretion for authorities, meaning an expediency consideration and space for decision-making; readiness to use creativity and exchange knowledge leading to indigenous solutions; and learning manifesting as experiential learning and policy learning. Accordingly, we suggest that an enabling rural authority supports the entrepreneurial process broadly, not only by approving or rejecting the completed applications received.

In order to achieve this ideal situation, authorities need to be encouraged to exercise their expediency consideration and to use creativity in their relationships with entrepreneurs. That state of affairs could be promoted by building mutual trust between actors. Even more importantly, the central role of experiential learning should be acknowledged in RDPs. Failures should be acknowledged as part of learning and the tolerance of failure by the authorities needs to be increased. Giving and receiving feedback is a crucial aspect of broadly supporting entrepreneurs, and of policy learning throughout the whole regime. Using creativity to simplify regulation that is ever more complex is also needed.

## Discussion

In the ideal situation, a rural authority acts as enabler in the enterprise support policy regime. Even if enabling authorities cannot solve all the CAP problems (see Kuhmonen 2018b), they can better attract the entrepreneurs to apply and utilise the business supports. However, this can be achieved only when the enabling factors function properly. We found problems hindering the smooth and effective interaction in the regime, which might limit the policy outcome. The expediency consideration of the rural authority is narrow and the authorities, owing to a fear of making mistakes, have not even used the existing space for discretion. The authorities were not able to utilise all their skills and knowledge in the business support process, which restricted the possibility of their engaging in creative thinking and led to the situation in which they did cease to develop entrepreneur's business idea (see Lowe *et al.* 2019). The interviewees considered that the strong cultural tradition and objective of having flawless administration created an obstacle to learning, since failures were not seen as an opportunity for learning and a chance to improve performance (see Adler 1999). Although there was high institutional trust among policy regime actors in the case-study, the suspicion of the beneficiary (enterprises) and the restrictions on the payments have diminished the trust of the entrepreneurs in the rural business support policy regime.

Based on the detailed findings of the case-study, we discuss and reflect the micro-level results on relationships between the actors to the meso-level rural business support regime with the characteristics of legitimacy, coherence, and durability highlighted by the evaluators of the CAP (e.g., Grant 2010; Alons and Zwaan 2015; Kuhmonen 2018a, 2018b). Legitimacy refers to desirable, proper or appropriate regime, coherence to the functionality of multilevel governance and the clarity of the roles of different bodies in the regime, and durability to the sustainability of the regime.



Bouckaert (1993, p. 146) highlights that the problem with legitimacy in the public sector is the widening gap between *administrators* and *administrated*, which was also evident in our case-study. While the interviewees expected that the authorities would serve entrepreneurs, the experience was that the administration is being built for authorities, not on the needs of entrepreneurs. In a legitimate business support regime, all actors, including entrepreneurs, should feel that they have a meaningful role in implementing the goals of the policy regime (Stone 1993). An administration that considers clients needs improves legitimacy while at the same time improving efficiency (Bouckaert 1993). However, the interviewees reported the dysfunctions of bureaucracy, like being too slow, lacking predictability and being too complicated, which creates distrust and accordingly, influences legitimacy (see Grant 2010; Kuhmonen 2018a; Berkhout *et al.* 2019).

Coherence is a challenge for the regime since the CAP decision-making is so complex that nobody can govern the whole as Grant (2010) and Kuhmonen (2018a) have also argued. The interviewees were unsure of who was leading the whole rural development policy regime when ambiguous programme goals led to detailed interpretations. When no one manages the policy regime, then no one takes real responsibility for the implementation of the programme. This has led to the problems of coherence of the regime, which can be evaluated, from the viewpoint of functionality of multilevel governance and the clarity of the roles of different bodies. According to our findings, the spirit of the business support legislation law does not come into play when it filters down to the entrepreneur, while instead of guidance, the emphasis is on restrictions. As our case-study confirms, the national institutions need to address the development of policy-specific administrative skills, technical knowledge, and management attributes related to negotiations both at the Council of Agriculture Ministers (CoAM) level and national government level and implementation rules (see Kay 2003), instead of operating the rural business support policy smoothly.

The CAP has been a highly path-dependent policy regime, with the problems of extensive regulation and bureaucracy. Even if the rural business support regime has been long-lasting with regular evaluations, the case-study findings indicate some recurring problems with durability. First, the change of programme periods has been more problematic than earlier. Even though there have been significant efforts to expand digitalisation there were major delays at the beginning of the implementation. Second, the bureaucracy and the emphasis on legality by the authorities have not left room for the use of creativity to exploit new development opportunities (Dwyer *et al.* 2007; Burrell 2009). The limited expediency consideration, scarce creativity, and low tolerance of failure and reflection might have had unintentional impacts by weakening the results of business support especially in the remote rural areas, where employment and sustainability are needed most (e.g., North and Smallbone 2006). That fact may affect the sustainability of the outcomes of the whole rural business support regime, especially as they relate to the diversification of rural economies in the EU. The implication is that the complex support practices make the goals of the programmes very difficult to achieve (see Shucksmith 2009). In addition, the development functions of rural authorities have decreased during the EU programme

periods. Instead of the level of support offered (see Bosworth *et al.* 2020), the concern should be with the dysfunctions of the bureaucracy and the improvement of the practices.

## Conclusion

In this study, we defined the concept of enabling authority in the context of rural entrepreneurship support. We utilised the notion of a policy regime to examine how the institutional arrangement of rural business support actors appears as an interaction between policy actors. We identified four relationships, and studied which factors affect the interaction between actors in the business support policy regime so that rural authority becomes an enabler. The main contribution of our inductive study is a model for enabling rural authority.

Accordingly, our study contributes to the knowledge of entrepreneurship promotion in rural areas by suggesting that identification of the relationship properties – trust, discretion, creativity and learning – and also the factors that allow rural authorities to act as an enabler, improve the potential impact of the effective use of rural business support instruments. More trust in the beneficiaries, broader discretion for implementation, enhanced opportunities for creative thinking and more feedback and acceptance of mistakes as a source of learning both at the individual and the regime level are necessary. Therefore, we suggest that the influence of the business support policy regime should be considered when discussing the relationships between the rural authorities and the entrepreneurs. In addition to that the CAP implementation needs to be simplified to best serve the needs of rural entrepreneurs (see also Niska and Vesala 2013).

Our study has certain limitations that indicate the need for further research. The empirical data for our research were gathered solely in the Finnish context. While rural business support regimes can vary between countries, there are also common elements stemming from the EU rural development policy and the CAP. For this reason, the results of our study can improve the understanding of the challenges involved in the promotion of rural business support beyond the national context in question. Since the interviews were not conducted at the EU level, the role of the Commission is based only on national-level views, which as such, is valuable for the preparation of EU policy. Future research could focus on the relationship between the national policymaker and the Commission and their possible shared view of the client of the development programme and future CAP. Problem definition and solution proposals are usually included in policy preparation. In our study, we have supposed that the enabling rural authority has significant impact on rural development; however, more research is required to define its concrete influence.

### *Data Availability Statement*

Data available on request from the authors. The data that support the findings of this study are available from the corresponding author upon reasonable request.

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