

State of the Art Review

Enterprise hubs to support rural development

Authors: Ian Merrell, Jeremy Phillipson & Matthew Gorton – National Innovation Centre for Rural Enterprise, Newcastle University

NICRE SOTA Review No 5: August 2022

Contact: ian.merrell@newcastle.ac.uk; jeremy.phillipson@newcastle.ac.uk; matthew.gorton@newcastle.ac.uk

Abstract

Rural Enterprise Hubs (REHs) are mechanisms for bringing together rural businesses. The co-location of businesses drives innovation through knowledge exchange, where face-to-face contact still matters. They provide additional opportunities to network, acquire knowledge, form new collaborations, and create synergies between tenants. REHs can also act as a platform through which business support organisations can deliver their support. This review provides an overview of what are REHs, and the academic literature on their benefits and factors affecting their performance. It identifies that hub managers play a vital role as knowledge providers, brokering collaborations and sign-posting tenants to necessary support. REHs bring multiple benefits to their tenants, some of which are economic (improvements to their businesses and productivity) whilst others are more social and psychological (improvements to well-being).

Definitions and types of REHs

REHs provide workspaces to multiple tenant businesses, which are co-located with additional services such as shared equipment, meeting rooms, co-working spaces, and business advice or support. They differ from standard business premises in terms of the provision of such services, as well as potential networking opportunities that are internal or external to the hub (Merrell et al. 2022).

There are two main types of REHs (Cowie et al, 2013):

- 'Hives' attract business to business tenants who may use each other's services.
- 'Honey pots' attract business-to-customer tenants who collectively raise footfall to the site (Merrell et al, 2021b).

Examples of honey pots include arts centres, where multiple artists can sell their work to customers. Honey pot hubs encourage people to visit the site to browse goods and provide facilities such as cafes, gallery spaces, gift shops and workshops/classes for the public, enhancing the appeal of a REHS as a leisure destination (Merrell et al, 2021b). Honey pots are often forms of creative microclusters (Velez et al, 2022) and may play a key role in fostering the creative industries in rural areas (Crawshaw and Gkartzios, 2016). They may be attached to popular tourist and/or heritage sites which already have an established footfall. In contrast, hives tend to house office-based business-to-business (B2B) tenants (such as accountants and website designers) and provide networking groups, business seminars and training opportunities.

Background and rationale

Despite a national focus on the knowledge economy, rural areas are often overlooked in policies designed to support innovative businesses. REHs may address three key problems faced in rural development:

- Many rural areas lack appropriate workspaces for businesses to develop and grow.
- Rural businesses have proven difficult and more costly for support agencies to reach and deliver advice to due to large geographic distances and dispersed locations.
- Networking is considered vital for developing rural economies, yet there is lack of physical nodal points for this to occur.

REHs may address these problems and provide both economic and psychological benefits to tenants. Economically, REHs can stimulate 'clustering benefits' that occur when greater geographical proximity between businesses is achieved (agglomeration). For honey pots, agglomeration benefits come from offering potential customers a greater variety of products and services in the same destination. Hives stimulate greater business to business interactions, aiding innovation, and inter-firm collaboration.

Psychological/social benefits may also be important. A high proportion of rural businesses are home-based. Recently, the Covid-19 pandemic shone a spotlight on the negative effects of long-term homeworking in isolation. REHs allow people to pursue flexible work patterns, whilst still connecting to a wider community. Moreover, many people have reported increases in well-being from not having to commute to nearby towns/cities every day and REHs can shorten this commute and give people the opportunity to work in environments closer to their homes and family. A new wave of REHs and coworking spaces is therefore anticipated (Bosworth et al, 2022).

Evidence

REHs are highly diverse, and their structure often depends on how remote their location is (Merrell, 2019). Hubs range from small units (with five tenants) in very remote communities, to much larger (50 tenants) places. Ownership models are also diverse, with private, public and third sector hubs all viable. Third sector-run hubs tend to be in more remote places which are harder to serve by the public and private sectors. Hubs also vary in terms of their sectoral composition, with some hubs having a sectoral focus (particularly the arts and crafts sector) whilst others have a mix of businesses from different sectors.

Hubs provide their tenants with additional benefits compared against working from home or in traditional office accommodation. These benefits have been understood using self-determination theory (Merrell et al, 2021a) and through a proximities framework (from economic geography) (Merrell et al, 2022). Self-determination theory has three categories

which are considered essential to someone's well-being: competence, autonomy, and relatedness. Moving from home-based to a REH, improves tenants' competence, autonomy, and relatedness. Competence increases in tenants as they achieve a better work/life balance, avoid distractions, access more networks, and can hire additional members of staff more easily than if a home-based business. Autonomy increases as REHs enable tenants to work more flexibly and more conveniently, helping to avoid long commutes to city centres. Relatedness increases as tenants find themselves part of a community of other business owners in similar situations.

In the agglomeration literature, physical proximity generates multiple 'clustering' benefits to co-located businesses. Specifically, bringing businesses together physically spills over to enhance other forms of proximity:

- Organisational proximity – Small businesses find the use of hub and tenants' services useful, improving their businesses and allowing them more time to focus on their core activities.
- Social proximity – Connections are formed between tenants.
- Cognitive proximity – Tenants share their knowledge and experiences
- Institutional proximity – Hubs bring tenants closer into the institutional landscape by giving them direct access to business support organisations.
- Communicational proximity – Hubs provide broadband connections and in some cases access to wider knowledge and connections, for example through exhibitions or events in honey pots, or training events at hives (Merrell et al, 2022)

However, the degree to which physical proximity generates these positive spill-over effects varies across REHs. In maximising spill-over effects, hub managers play a crucial role. Hub managers can play a critical brokerage role in facilitating business connections. They can increase tenants' entrepreneurial knowledge both informally (day-to-day conversations) and formally (through organising learning workshops/seminars). The best hub managers have experience of managing and growing businesses, which they can draw on in mentoring tenants.

Practical and policy recommendations

- REHs can address key problems that affect many rural areas (lack of appropriate workspaces for businesses to grow, poor connections of rural businesses with support agencies and low inter-business collaboration).
- REHs offer both economic but also psychological/social benefits to tenants. These benefits are particularly strong for businesses which were previously home-based. The provision and design of REHs to suit home-based businesses that are looking to grow is important.

- Hubs not only increase the stock of quality workspaces in rural areas, but also provide a range of different options and sizes of business accommodation, which facilitates growth. Provision of 'micro-spaces' for start-up enterprises is a priority.
- The skills of the hub manager to assist the growth of tenant businesses, through the provision of services and expertise, is critical. Development agencies should seek to improve the competencies of hub managers through training, networks, and mentoring programmes.
- Hub managers should look to increase the quality and effectiveness of the support services they provide. Specifically, they should play an active role in brokering knowledge exchange and synergies between tenants.

Acknowledgement

This work was supported by the Economic and Social Research Council, North East Rural Growth Network [grant number ES/J500082/1 1506282], Interreg Europe (INNOGROW project on regional policies for innovation driven competitiveness and growth of rural SMEs) and Research England (National Innovation Centre for Rural Enterprise).

References

- Bosworth, G. and Salemink, K., (2021). All hubs and no spokes? Exploring the potential of hubs to sustain rural and regional development. *Local Economy*, 36(7-8), pp.543-550.
- Bosworth, G., Whalley, J., Fuzi, A. and Merrell, I. (2021). Rural coworking: "It's becoming contagious". *Regions*, 10. [zine] Available: <https://regions.regionalstudies.org/ezone/article/rural-coworking/?doi=10.1080/13673882.2021.00001096>
- Cowie, P, Thompson, N, and Rowe, F (2013). Maximising the potential of rural enterprise hubs. Centre for Rural Economy Research Report: Newcastle: CRE.
- Crawshaw, J. and Gkartzios, M. (2016). Getting to know the island: artistic experiments in rural community development. *Journal of Rural Studies*, 43, pp.134-144.
- Merrell, I., (2019). Rural Business and Knowledge Exchange: The Contribution of Rural Enterprise Hubs. Doctoral Thesis, Newcastle University.
- Merrell, I., Füzi, A., Russell, E. and Bosworth, G., (2021a). How rural coworking hubs can facilitate well-being through the satisfaction of key psychological needs. *Local Economy*, 36(7-8), pp.606-626.
- Merrell, I., Phillipson, J., Gorton, M. and Cowie, P., (2022). Enterprise hubs as a mechanism for local economic development in rural areas. *Journal of Rural Studies*, 93, pp.81-91.

Merrell, I., Rowe, F., Cowie, P. and Gkartzios, M., (2021b). 'Honey pot' rural enterprise hubs as micro-clusters: Exploring their role in creativity-led rural development. *Local Economy*, 36(7-8), pp. 589-605

Rundel, C.T., Saleminck, K. and Strijker, D., (2020). Exploring rural digital hubs and their possible contribution to communities in Europe. *Journal of Rural and Community Development*, 15(3).

Velez, J., Siepel, J., Hill, I. and Rowe, F., (2022). Mapping and examining the determinants of England's rural creative microclusters. NICRE Research Report, 7. Newcastle University.

Other SOTA Reviews are available on the NICRE website www.ncl.ac.uk/nicre/research/publications The views expressed in this review represent those of the author and are not necessarily those of NICRE or its funders.

For further information about NICRE:

Email: nicre@newcastle.ac.uk

Visit: www.ncl.ac.uk/nicre

Twitter: [@NICRErural](https://twitter.com/NICRErural)

LinkedIn: [National Innovation Centre for Rural Enterprise](https://www.linkedin.com/company/nicre)

Facebook: [@NICRErural](https://www.facebook.com/NICRErural)

Founding research partners:



Funded in partnership with:



Founding business partners:

