

Conceptual framework for rural business models

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Abstract. *Business models have been developed to contribute to rural economic development, being used to create, deliver and capture economic and social value. The aim of this paper is to conceptualize the context of developing business models in rural areas, how these have evolved over time and what is the impact on future strategies in community development based on rural entrepreneurship. The increasing focus and attention on business model innovation has been seen among researchers in the last two decades, and several studies have been conducted to define the concept of business modeling. However, variations in business model definitions are noticeable and opinions regarding its components, structure and relationships inside a business vary as well. The literature review provided significant definitions on the key concepts on business models in rural entrepreneurship. The results of the research are to contribute in developing a framework on the understanding of various terms, such as business model, rural entrepreneurship, community development, and innovative entrepreneurship, with reference to shedding some light on conceptual meaning, purpose, methodology and scope of application. Capturing the existing trends in economic development in rural areas could be performed, based on the literature reviewed in this paper, in order to analyze the potential for diversification of economic activities, by finding the business models already implemented in the rural communities and measuring the impact they had on community development. In this way, a structure for a business model and an emphasis on business opportunities for the rural areas of interest could be developed.*

Keywords: rural entrepreneurship, community development, rural area, business models, social entrepreneurship, social economy.

Introduction

We are living in a world where priorities change over and over again, and the most focused you remain on your goals, the easier is to find new solutions to the problems you may encounter. Why? Because no matter how difficult the context becomes, there is something more difficult than what you are facing, another problem for which it could have been found a solution. So, there has to be a solution for you as well.

This is what happens in the context of rural communities over the world. There are places where people become too scared of their poor situation and about their way of living, only by looking at what others have, in more developed areas of this world. Their status and the gap in between their living conditions in comparison with what media often shows, make them froze their minds and think they will not be able to go over what they have now. And they stop fighting! This is sad, as we know that everyone can do more than we can know, and can become more than we are.

Rural entrepreneurship has become a great solution to the problems stated before. It was seen that, over the passing years, there existed people that realized the fact that they can change the world in a better place for the people facing living difficulties: entrepreneurs. As a definition in many business dictionaries, entrepreneurship was often seen as the act of developing a business or businesses while building and scaling it to generate a profit. Thus, the priority was to gain something out of all the activities performed in the business. However, priorities have changed over time, and the entrepreneurship definition led to the

concept of transforming the world by solving problems. And by linking this with social problems and community development, this has become the concept of social entrepreneurship.

The principle standing at the basis of social entrepreneurship is helping socially disadvantaged people to improve their way of living. Its contribution to fighting against social exclusion, unemployment and poverty, as well as working with people living in underdeveloped areas has determined over time the development of social economy. The poor situation of rural area has determined social entrepreneurs to involve in the society's wellbeing, after seeing the need to address social problems. Rural entrepreneurship could contribute a lot more in integrating people into society economic development, by producing added value and active participants in community development. Many rural areas have just to be encouraged and be given a chance to contribute to creating a sustainable economic development. This is how the social environment of rural areas can become favorable to stimulating people's interest in involving themselves in social growth.

However, community development strategies go beyond theories and involve more practical implications than just theoretical aspects. These practical implications lead to creating business models. In the same context of social entrepreneurship versus commercial entrepreneurship, it is important to understand how rural entrepreneurship business models are perceived and how can they be developed in order to facilitate the community development strategies.

Business models structuring may impose a knowledge basis of other concepts, and entrepreneurs should be aware of such existing terms that could bring added value to their strategies. Awareness and attention to the theoretical part of a business plan is important as for the plan to be clearly defined and to reduce risk of failure in developing strong and valuable plans and objectives. Practically, creating business models could be more challenging and riskier without a theoretical background, besides the other challenges that could negatively affect the social impact of rural entrepreneurship.

Thus, knowing that the lack of information could produce undesired effects on community development, the aim of this paper is to conceptualize the context of developing business models in rural areas, how these have evolved over time and what is the impact on future strategies in community development based on rural entrepreneurship. The results of the research are to contribute in developing a framework on the understanding of various terms, such as business model, rural entrepreneurship, community development, and innovative entrepreneurship, with reference to shedding some light on conceptual meaning, purpose, methodology and scope of application.

As a further application of the conceptual framework on rural business models, results of this research are subject to being the basis of shaping new strategies for the development of business models in specific rural areas of interest. Moreover, enhancing knowledge on the concepts stated in this paper will represent a starting point for researching and evaluating existing rural entrepreneurship business models, improving strategies and finding new opportunities for application. The major objective is to be able to fully understand the concepts and theoretical terms such as to construct valuable analysis of the current situation and to be able to apply the knowledge in building strategies for sustainable development through innovation and reshaping ideas.

Literature review

Defining social entrepreneurship

The concept of social entrepreneurship has grown in importance in the last years, as a new and innovative field of research. There is an increasing number of publications that focus on investigating more on the subject, being often associated with academic studies and managerial interest. It has gained a dominant position in all studies developed on entrepreneurship; however, it is quite complex and difficult to clearly define the concept, due to its various implications and scarce empirical studies on the subject.

Definitions of social entrepreneurship have emerged from previous work on entrepreneurship, starting from researches in the business sector and trying to conceptualize the new concept of social entrepreneurship. In the business environment, entrepreneurship is constructed around the idea of developing activities that generate profit and wealth. In this idea, Eckhardt and Shane (2003) have defined the concept of entrepreneurship as the identification, evaluation and exploitation of opportunities to creating new products or services, to be sold at prices higher than their cost of production. Shaw and Carter (2007) have also stated that the outcome of business entrepreneurs can be explained as profit maximization and shareholder maximization.

In the same time, social entrepreneurship is based as well on identifying, evaluating and exploiting new opportunities, and involves profit generation just as entrepreneurial activities do. However, social entrepreneurs search for the opportunities that focus on creating social value, and not on personal or shareholder wealth. Indeed, opportunity recognition stands as the basis for both traditional and social entrepreneurship; however, social entrepreneurship seeks for different opportunities (Austin et al. 2006).

Social value creation and social problems are two concepts that shape the definition of social entrepreneurship. Social value concerns the fulfillment of basic and long-standing needs such as providing food, water, shelter, education, and medical services, rather than profit generation (Certo and Miller, 2008). Several studies gave credit to the positive outcome of social entrepreneurs in creating social impact by finding solutions to social needs of people (McMullen, 2011). Finally, the priority of social enterprises is to integrate both profit generation and social value creation in their organizational strategies.

Switching to rural entrepreneurship

Rural entrepreneurship involves new value creation by making use of the resources from a given environment (Müller, 2013; Anderson, 2000; Anderson, 1998). Studies have shown that the entrepreneurship context is strongly related to culture differences, as well as to spatial context (Müller and Korsgaard, 2018). Theoretically, space would not be a reliable factor, and rural entrepreneurship would not be different from entrepreneurship in urban areas.

However, spatial issues in entrepreneurship has a high importance, and its meaning cannot be related only to matters of ventures, capital and resources concentration in spaces, and it may not refer strictly to the quantitative meaning, as an agglomeration. Space involves much of a qualitative meaning, through enhancing the need of creating value, and developing the quality of life in a specific rural area, as well as the putting value in the local existing resources (Müller et al., 2015). In this way, it is emphasized that entrepreneurs, both traditional and rural, should show interest in valuing the spatial aspects of entrepreneurial activities.

When it comes to quality of life, we clearly see the difference in between urban and rural areas in any country. Social entrepreneurship aims to improve the wellbeing and health of vulnerable people living in developing areas through innovative solutions that can contribute to diminishing the gap in between quality of life and life expectancy (Balakrishnan, 2016). Entrepreneurship in rural areas can be highly influenced by economic conditions and from this context can emerge various challenges, such as specific constraints and conditions that could influence the efficient development of rural communities and entrepreneurial solutions to community issues (Dragoi et al., 2017).

Several researchers have given some definitions to rural entrepreneurship and rural entrepreneurs. For example, Hoy (1983) stated that a rural entrepreneur is someone who is “independent, risk-taking, achievement-oriented, self-confident, optimistic, hardworking and innovative”, and he emphasized the fact that entrepreneurship in a rural context is focused upon creating new employment opportunities in rural areas, through generation of new businesses. At his turn, Wortman (1990) also sees the rural entrepreneurship as the creation of a new organization that develops a new product, serves or creates a new market, or utilizes a new technology in a rural environment. However, to say more about rural entrepreneurship definition, he enhances the importance of innovation and creation that can be expected to bring added value to the community development in which the entrepreneurial activities are performed.

In the context of social value creation, and a result of due to the fact that the term rural is not very well defined any more, due to changes occurring faster, research should shift its focus onto territories in rural locations and marginalized social groups living in rural locations (Ray, 1999). In this respect, a rural entrepreneur is someone living in a rural location. There is a difference between rural and urban entrepreneurs that refers to the effects of rural concept on the entrepreneurial process, and the scope of the entrepreneurs’ development strategies.

Authors put a great importance on the concept of being embedded in the rural life. They believe that the integration of a rural entrepreneur in the rural environment is another distinctive characteristic of entrepreneurship in rural location, which carries both opportunities and challenges for entrepreneurs. According to Granovetter (1985) this concept is defined as a strong relationship between an entrepreneur, and her/his location. It creates trust resulted from social relationships of entrepreneurs, as well as connections with regional network of businesses. Trust within such networks indicates embeddedness (Leeuwen and Nijkamp, 2006). Other studies show that the desirability of entrepreneurs to create a business is strongly related to social stability and feasibility of the business (Păunescu et al., 2018). These two factors could be more emphasized if the entrepreneur is locally involved in the community. All in all, being embedded in the rural life brings opportunities to create resources by using local assets, finally resulting in bringing more customers and new markets (Akgün et al., 2010). These directions will stimulate success of entrepreneurs and positively affect rural areas.

Business modeling in rural entrepreneurship

Business models have been developed to contribute to rural economic development, being used to create, deliver and capture economic and social value. The entrepreneurs strive to develop business models and adapt to the context of the community in which the venture is operating (Ausrtod et al., 2017).

Business models are constructed around the idea of building competitive advantage through strong business structure, external and internal relationships, and the way the enterprise operates entirely. The increasing focus and attention on business model innovation has been seen among researchers in the last two decades, and several studies have been conducted to define the concept of business modeling. However, variations in business model definitions are noticeable and opinions regarding its components, structure and relationships inside a business vary as well.

Table 1 presents some definitions having as a common point among researchers the value creation and competitive advantage as the core concepts in business modeling. In fact, business modeling concerns value offering (the value a company offers to its customers), value creation (company's key resources, activities and partnerships), value delivery (channels for creating, promoting and delivering value), and value capturing (cost optimization and revenue maximization).

Table 1. Business model definitions

| Articles | Definition |
|----------------------------------|--|
| Amit and Zott (2001) | Depicts the design of transaction content, structure, and governance so as to create value through the exploitation of business opportunities. |
| Chesbrough and Rosenbloom (2002) | Blueprint of how a network of organizations cooperates in creating and capturing value from technological innovation. |
| Morris et al. (2005) | Concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets. |
| Morris (2009) | Description of a whole system, a combination of products and services delivered to the market in a particular way, or ways, supported by an organization, positioned according to a particular branding that, most importantly, provides experiences to customers that yield a particular set of strong relationships with them. |
| Demil and Lecocq (2010) | Refers to the articulation between different areas of a firm's activity designed to produce a proposition of value to customers. This involves static and dynamic view. The static view details the blueprint for the coherence between core business model components. The dynamic view refers to a more transformational approach, using the concept as a tool to address change and innovation in the organization, or in the model itself. |

Source: (Goyal et al., 2017).

In social entrepreneurship, business models are designed by entrepreneurs that go beyond capturing economic values and prioritize social value. A broad definition as a common statement in many studies is given, that of solving social problems or meeting social needs, assuming an objective understanding of social issues, problems and dilemmas, and the need to give a hand in finding solutions and generating positive outcomes for the society (Păunescu et. al, 2016). Social entrepreneurs behave in accordance with the values they have and their actions are focused on prioritizing them in order to achieve their goals. There are three main value priorities that social entrepreneurs take into account: creating social value, maximizing social impact, and accountability to different stakeholders (customers,

employees, etc.). These priorities differentiate the scope of a conventional by a social business model (Răzvanță, 2017).

Going further to rural entrepreneurship, the basic idea is to develop innovative business models with significant potential that could generate added value, social cohesion and job creation. These are factors that lead to rural development, the goal that any rural business should seek for. The development of rural areas depends also on the rural businesses capability to have a successful cooperation to form efficient value chains which will deliver value for sustainable community development. Rural economic environment provides opportunities for value creation, so the objective of business modeling in rural areas should be to empower rural communities to take advantage of these opportunities.

Methodology

This paper's main objectives are theoretical, meaning acquiring specific knowledge on the subject of matter. It is wanted to emphasize some basic concepts concerning business models in rural entrepreneurship, specifying certain specific characteristics of the terms that are used in this research. The aim is to design an overview of business modeling, by showing the importance this concept has in the context of rural entrepreneurship.

Literature review is the methodology used to identify and choose the most appropriate and relevant literature and research studies on social value creation as the base of this paper. It was wanted to conduct a thoroughly research on business modeling in rural entrepreneurship, and to relate certain concepts to the main subject.

Qualitative research was conducted for literature review findings. The main focus during selection of articles for review has been on finding relevant studies, consecrated and contemporary, having as the main selection criteria the relevance of works. The approach has been kept simple to ensure the quality and relevance of the research articles. The articles were selected upon the keyword-based research among online databases comprising the large collection of published articles in business related disciplines, with the restriction on articles and journals published in English. The following keywords for electing the relevant articles were used: rural entrepreneurship, community development, rural area, business models, social entrepreneurship, and social economy.

Results and discussions

In a changing economic and social environment, community development has become a priority for entrepreneurship, and social value creation is a subject treated by the emerging businesses aiming to create a better life for the people in under-developed regions. Through social innovation, defined as a shift from the classical engagement in social issues, to strategic and systematic investments, we focus more on the society rather than on the business benefits.

In the European Union, entrepreneurship is seen as a solution to development of rural areas and an opportunity to create job offers, to develop new business models and to enhance the usage of European funds in this respect. The European rural development policies should contribute to the development of rural areas, to sustain strategic programs and social value and economic creation (Mauro, 2016). Studies from the field have shown that social entrepreneurship differs from one country to another in the European Union. The main factors are the different social and economic context, as well as the development status of the

social economy. However, the common purpose of social entrepreneurship programs is to integrate vulnerable groups in the society, to have a contribution to develop their life in the community they live in (Stanescu, et al., 2013).

Literature review defined in this research has demonstrated the variety of definitions regarding entrepreneurship, social entrepreneurship, business models and rural entrepreneurship. These concepts have been developed over time, once with the increasing number of researches. This research's results focus on emphasizing how importance of entrepreneurship has switched from conventional, economic focus, to a more social approach and on community development rather than on wealth and economic benefits of a business.

Starting from the first meaning of entrepreneurship, that of an organization that organizes all its efforts to gain profit, we have found a definition of entrepreneurship as a three-stage sequential process, as seen in Figure 1: *stage of conception* (activities performed by the entrepreneur to discover or create new economic opportunities), *stage of business establishment* (entrepreneurial decision to follow the opportunities discovered in stage one and to develop the business), and the *stage of evaluation* (entrepreneurial evaluation of business performance by comparing achievements to business targets and objectives).

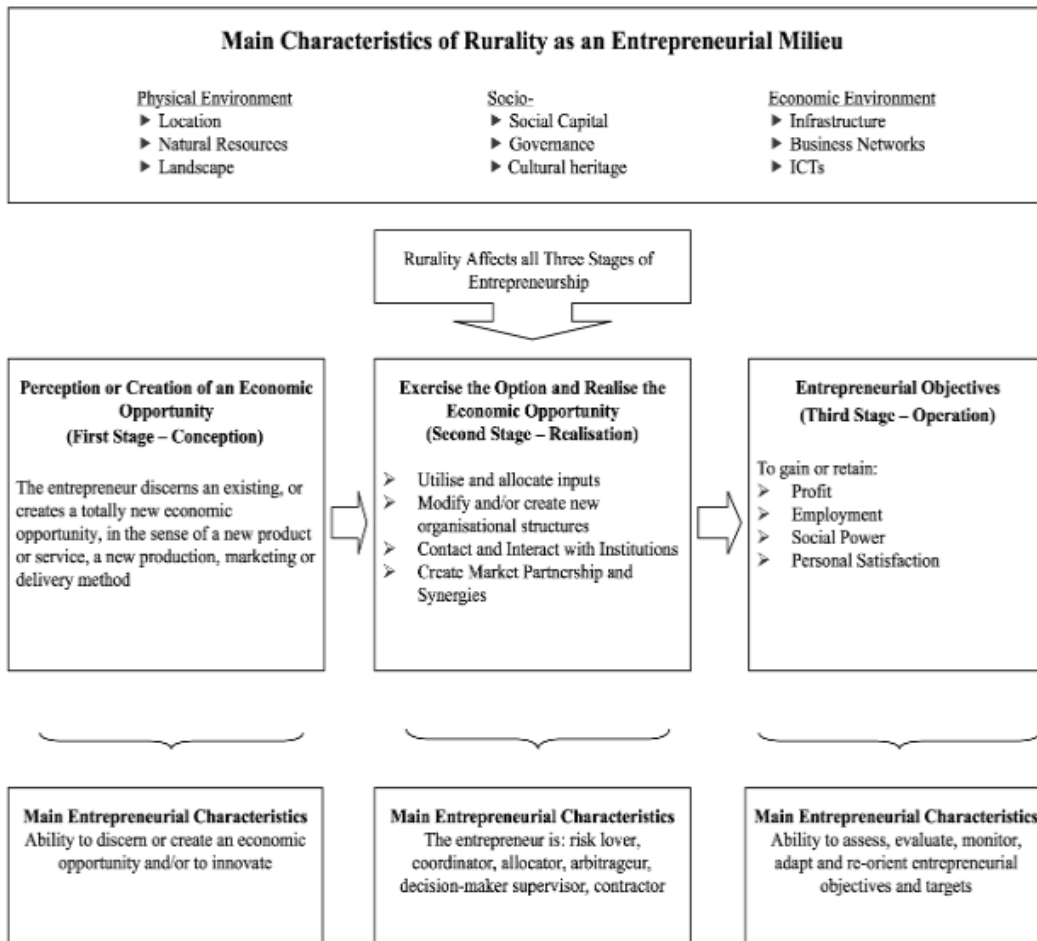


Figure 1. Entrepreneurial process

Source: (Stathopoulou et al., 2004).

In the context of rural entrepreneurship, the entrepreneurial process changes in the idea that the outcomes may differ, as comparing the conventional entrepreneurship. The focus will be on finding opportunities for community development, using the resources existing in the rural area, and creating value for the community, as an outcome. So, the final stage of the entrepreneurial process will be the evaluation of the impact the business had on the rural community. Finally, rural entrepreneurship characteristics will affect all the stages of the entrepreneurial process. Here intervenes the concept of being embedded, which shifts the entrepreneurs' interest from personal wellbeing and wealth, to the satisfaction of creating value for him and for the community he lives in.

It is emphasized that entrepreneurs, both traditional and rural, should show interest in valuing the spatial aspects of entrepreneurial activities. When developing a business plan in the context of rural entrepreneurship, spatial characteristics have a great importance. Here we can speak about two main factors influencing rural businesses, space and place, and the relationships in between them. To succeed in its goals, rural entrepreneurship has to consider developing a system that combines and interconnects the two factors, in order to deliver impact on community development. First, entrepreneurs extract value from the place by recombining local resources, involving a process of *codification*, which makes the resource combinations transferable and comprehensible in non-local markets and/or settings. Secondly, recombination and codification transform the resources and they need to be revalued. *Re-valorization of place* can be understood as a process of utilizing the local potential and qualities of a place to create new rural products and services and add value to them in a way that ultimately positively feeds back into the local place (Figure 2).

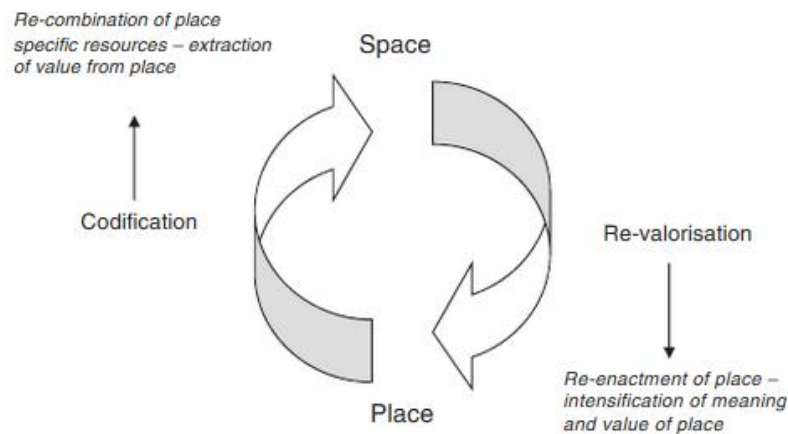


Figure 2. Interrelationship between space and place in rural entrepreneurship

Source: (Goyal et al., 2017).

Finally, developing business models in rural entrepreneurship requires first an understanding of the conventional business models in economic context, but also a switch of focus from regarding its objectives. The stages of the entrepreneurial process remain the same; however the business model has to consider all the key resources in the rural area and the final outcome, so that it will deliver valuable impact on community development.

Conclusion

This research paper's main objective was to acquire specific theoretical knowledge about concepts such as business model, rural entrepreneurship, and innovative community development, to facilitate the understanding of the concepts, to emphasize their importance and to relate them with the practical outcomes of following research studies. Also, this paper can participate in changing the perspectives on rural regions development and the perception among the entrepreneurs on the community issues, by making them aware of the impact that rural entrepreneurship could have, through delivering qualitative information to any interested party in the research.

This study can be further improved by researching on the regional development areas on which the study will be carried out, to define the rural areas of interest, with all the relevant development specificities that stand behind rural businesses. A practical further implication will be to establishing the set of criteria and indicators relevant to highlighting the social-economic potential of the chosen regions, in order to define the general and specific directions for rural entrepreneurship and to further develop business models specific for those regions. Capturing the existing trends in economic development in rural areas could be performed, based on the literature reviewed in this paper, in order to analyze the potential for diversification of economic activities, by finding the business models already implemented in the rural communities and measuring the impact they had on community development. In this way, a structure for a business model and an emphasis on business opportunities for the rural areas of interest could be developed.

The literature review provided significant definitions on the key concepts on business models in rural entrepreneurship. However, the study is limited in giving more specific definitions as regards the business model components, as well as a more detailed practicability in rural areas. All in all, the research is to be improved by adding value to the impact business models can have in rural entrepreneurship.

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