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**A Study of Rural Micro-enterprises; Increasing
Understanding through a Dynamic Capability Lens**

Karen Wilson

A thesis submitted to the University of Huddersfield in partial
fulfilment of the requirements for the degree of Doctor of
Philosophy

The University of Huddersfield

September 2019

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Abstract

This research investigates rural micro-enterprises, analysing them through the lens of dynamic capability. Rural micro-enterprises are a vibrant, heterogeneous sector within the UK economy (Faherty & Stephens, 2016). Increasing understanding about how rural micro-enterprises develop dynamic capabilities and evolve could contribute towards improving the sustainability of rural communities, encouraging a diverse business base and ultimately helping rural communities survive (Paddock & Marsden, 2015). This research contends that a deeper understanding about how change is manifested within rural micro-enterprises and whether dynamic capabilities (Eisenhardt & Martin, 2000; Teece, 2007; Teece, Pisano & Shuen, 1997) are present within rural micro-enterprises is beneficial to increase understanding of how such business evolve (Kelliher & Reinl, 2009). Increasing such knowledge will help extend develop dynamic capability theory into the rural micro-enterprise domain.

A review of extant literature highlights a knowledge gap concerning dynamic capabilities, rural enterprise and micro-enterprise, with dynamic capability research rarely venturing into the realm of micro-enterprises (Kevill, Trehan, Easterby-Smith, & Higgins, 2015) and seldom into the rural micro-enterprise arena. Context is an important consideration for this research because the majority of dynamic capability research has been conducted within large organisations (Adner & Helfat, 2003), such organisations being intrinsically different from micro-enterprises in their operations. It is anticipated that this empirical research's findings will contribute to the development of a framework to understand how rural micro-enterprises develop dynamic capabilities and which micro-foundations underpin the identified dynamic capabilities.

This research adopts a qualitative approach. Nineteen narrative interviews were conducted with rural micro-enterprise owner-managers during 2018 across three geographies. This data was supplemented by photographs and an interview with a council policy maker responsible for rural development.

The findings of this research indeed suggest that dynamic capability theory exhibits different attributes in rural micro-enterprises, with a blurring of the lines demarcating individual-level and organisational-level dynamic capabilities. In addition, due to the influence of the owner-manager, the construct 'owner-manager faculty' plays an important role as a micro-foundation of dynamic managerial capability. In some rural micro-enterprises these dynamic managerial capabilities directly influence the business to achieve performance advantage rather than solely acting as a micro-foundation of organisational-level dynamic capabilities. From a rural perspective the findings of this research question extant literature pertaining to rural space/place and the notion that rural micro-enterprises add value to the rural economy. This research finds in some cases rural micro-enterprises may be negative contributors to rural economic sustainability due to the actions and choices made by the owner-managers. Such owner-managers are classified a 'parasitical' in a fresh taxonomy framed by their dynamic capability orientation and rural embeddedness.

It is anticipated that this increased understanding about dynamic capabilities within rural micro-enterprises will help inform policy makers what specific support is needed to enable rural micro-enterprises to establish themselves, grow and thrive within the rural economy to the benefit of rural communities. From a practice perspective, by starting to explore the gap in understanding about dynamic capabilities within rural micro-enterprises insight has been generated which can help rural micro-enterprise owner-managers to better understand how to manage change within their business and compete more effectively within the UK and global marketplace.

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1. Introduction

1.1. Introduction

The motivation for this research is to increase understanding about the role dynamic capabilities play within the heterogeneous rural micro-enterprise sector in the UK. The rural micro-enterprise context has received limited attention from dynamic capability scholars despite the strategic importance of rural micro-enterprises to the sustainability of the rural economy (Tehrani & White, 2003) and the likelihood that organisations with dynamic capabilities are more likely to achieve a performance advantage compared to peer organisations without dynamic capabilities (Easterby-Smith, Lyles, & Peteraf, 2009; Teece, 2007). Extant dynamic capability literature is largely situated within the large organisation context (Mulders, Berends, & Romme, 2010). This is problematical due to the contextually sensitive nature of dynamic capabilities (Helfat et al., 2007) and the potential challenges of applying theory developed within the large organisational context to micro-enterprises (Kelliher & Reinl, 2009).

This introductory chapter establishes the background and context for this research. The chapter continues with a discussion and justification of the aim, objectives and research questions pertinent to this research; concluding with a synopsis of the remaining chapters within this thesis.

1.2. Background and context of the research

Despite being one of the most densely populated countries within Europe, over 85% of the land area within England is classified as rural according to the 2011 census data. However, only c17% of the population are living within a rural area (DEFRA, 2019). Howkins (2003) suggests that the early 20th century's need for rural social and economic change has informed rural policy which has shaped today's rural economy. The Department for Environment, Food and Rural Affairs (DEFRA) was established in 2001 to raise the profile of rural affairs within government. Despite commissioning many reviews and repetitive proclamations by successive governments of investing in the countryside the standard of rural services continues to decline, for example closures of bank branches, post offices, village pubs and shops. Instead, the focus of DEFRA has been upon managing the many unforeseen disasters such as foot and mouth disease, flooding and the financial crisis (House of Lords, 2019).

Accessibility of services is more difficult in rural areas, for example the distance to hospitals, GPs, schools, grocery stores, post offices and larger employers. This can be partly attributed to the aforementioned decline in local services and partly geographical remoteness. In rural areas people travel almost twice as far as those in urban environments, with over 86% of these journeys made using a car; potentially to access services (DEFRA, 2019). The use of the car likely resulting from the poor public transport infrastructure within the rural.

The rural population demographic has been widely discussed in rural literature. Likewise the challenges attributed to outward and inward migration, see articles by Stockdale (2016) and Gieling, Vermeij and Haartsen (2017). The percentage of people aged over 65 is higher in rural, 24.8% compared to 16.8% in urban areas, this underpins the average age of 44.7 years in rural areas, 5.6 years greater than urban area. This population age disparity is fuelled by the outward migration of 15 -19 year olds, possible as they leave home for higher education or work. Between 2001 and 2015 rural areas have seen a decrease in residents aged 10-14 and 30-44. However, rural inhabitants considered themselves less anxious, happier and more satisfied with life than those living in other areas. They consider themselves living in a more inclusive neighbourhood, where they know and trust their neighbours and are more likely to feel safe. This consideration is supported by lower crime rates reported in predominantly rural areas than in urban ones (DEFRA, 2019) and could be indicative of a society with close ties and strong networks.

Steiner and Atterton (2014) proclaim that the economic landscape within rural England is changing, becoming increasingly diverse. This heterogeneity being driven by the decline of traditional rural businesses such as farming and agriculture, coupled with an increase in the number of specialist enterprises, homeworking and growth in the service industry (Deavers, 1992; DEFRA, 2019; Henry, Rushton, & Baillie, 2016; Warren-Smith & Jackson, 2004). These changes reinforce Paddock and Marsden's (2015) viewpoint that new businesses are needed for rural communities to survive. In fact, DEFRA (2018) states 88.3% of all the businesses with a rural setting are micro-enterprises, supporting Tehrani and White's (2003) suggestion that new rural businesses are likely to be micro-enterprises; either diversified from existing farming business or wholly new ventures, with owner-managers typified by their lack of business experience.

One source of funding to encourage and support new rural businesses is the Rural Development Programme for England (RDPE) which provides funding to grow the rural economy. The RDPE focusses upon improving the rural environment and

productivity. One element of the RDPE is LEADER (from the French *Liaison Entre Actions de Développement de l'Économie Rurale* which translates as *Liaison among Actors in Rural Economic Development*). LEADER funding is accessible via local submissions to regional LEADER groups across the UK. The EU and UK government are committed to honour RDPE funding until the end of 2020.

After exiting the EU a potential funding gap opens up despite the government creating the Shared Prosperity Fund (a domestic fund with an element of the funding ring-fenced to ensure the rural receives a fair share of investment) to replace RDPE and LEADER. There are other types of support available when starting a new enterprise such as seed investment schemes, new enterprise allowance, start-up loans and tax reliefs. However, these are available to both rural and urban businesses unlike LEADER where a specific track focusses upon supporting micro- and small rural businesses.

The conceptualisation of rural used throughout this research, which will be explored in chapter 2 section 2.10.1, allies with the Rural-Urban Classification (RUC) typology provided by Bibby and Brindley (2013) following their analysis of the 2011 census data; rural being defined as 'predominantly rural' (DEFRA, 2019b; ONS, 2015). It is anticipated that this research will contribute towards improving our understanding about rural micro-enterprises within the rural economy. This research will focus upon exploring the development of dynamic capabilities within rural micro-enterprises. Comprehending how dynamic capabilities are developed within rural micro-enterprises will increase understanding about how such enterprises evolve, compete within and support the rural economy.

Whilst there is no universally agreed definition of a micro-enterprise (Kelliher & Reinl, 2009), as discussed in chapter 2 section 2.9, a commonly used definition provided by the European Commission (2016) will be applied throughout this research. The European Commission (2016) define a micro-enterprise as an enterprise employing fewer than 10 people which has an annual turnover or annual balance sheet of less than or equal to €2m. The definitions of the key terms used throughout this thesis are summarised in appendix A.

Jaouen and Lasch (2015, p. 413) contend "micro-firms are increasingly important with respect to competitiveness, employment and growth". The significance of the micro-enterprise sector to the UK is emphasised upon consideration of the contribution they make to the economy. They generate c£808m turnover (29.1% of total UK private sector business turnover) and provide c8.8m jobs (32.6% of total private sector jobs in the UK (DBEIS, 2018)). The micro-enterprise sector is

a dynamic force within the UK economy responsible for c95.5% of the number of private sector businesses and c96.8% of the growth in the number of business in England since 2008 (DBEIS, 2018). In rural locations, the importance of micro-enterprises to the local economy is amplified with c32.9% of all employment attributable to micro-enterprises compared to c20.0% in urban locations (DEFRA, 2018).

However, for rural micro-enterprises to succeed they need to develop the ability to change and adapt their businesses to navigate dynamic market conditions resulting from globalisation, technological development and the continuing impact of Brexit. This research contends one way rural micro-enterprises can succeed is by understanding how they develop dynamic capabilities. Dynamic capabilities being professed by Helfat et al., (2007) as a potential source of performance improvement for organisations which have developed them compared to their peer organisations without them. Therefore, if a rural micro-enterprise develops dynamic capabilities, this research contends, it is more likely to be able to make a series of incremental changes to its resource base over time and shift its centre of gravity. Changing the rural micro-enterprises' asset base is likely to help the business maintain its competitiveness.

For rural micro-enterprises to prosper this thesis considers investing in developing and maintaining dynamic capabilities could be beneficial for rural micro-enterprise survival due to the dynamic nature of the rural economy. The rural economy is changing. It is under pressure from macro- influences such as global competition, technological development (Halseth, Markey, & Bruce, 2009) and political uncertainty. These external influences could stimulate volatility within the rural economy. In fact, this thesis anticipates that developing dynamic capabilities could help rural micro-enterprises survive the aforementioned market volatility and enable them to continue contributing to the sustainability of the local community.

Acknowledging that dynamic capability is an ambiguous and contested term with no definitive definition (Easterby-Smith et al., 2009), the conceptualisation of dynamic capabilities used throughout this research allies with Helfat et al., (2007, p. 4) as "the capacity of an organization to purposefully create, extend, or modify its resource base" where the word "organization" incorporates organisational processes and management decisions which at conception are unlikely to be routinised processes. The concept of dynamic capability emerged within the large firm context (Barreto, 2010). However, dynamic capability can be considered contextually specific (Kuuluvainen, 2012) and closely aligned within the changing

and heightened dynamic perspectives present within the external business environment.

The dynamic capability theoretical lens is chosen for this research because, as advised by El Akremi, Perrigot, and Piot-Lepetit (2015), it is a lens which can be used to increase understanding about aspects which influence change, especially when the change is focussed around knowledge and learning. The lens enables consideration of the ability of rural micro-enterprises to reconfigure their assets, resources and capabilities to achieve competitive advantage. Torres, Sidorova, and Jones (2018) support El Akremi et al's., (2015) position, agreeing that a dynamic capability lens enables the understanding of organisational performance to be sought by considering the ability of a business to reconfigure its resources. In the view of this researcher, dynamic capability is an active, actionable construct which when developed by an individual or business enables the business to change. Dynamic capabilities are discussed in detail in chapter 2.

Dynamic capability research has rarely ventured into the domains of rural enterprises or micro-enterprises (Kevill, Trehan, & Easterby-Smith, 2017). Whilst agreeing that micro-enterprises do differ from larger organisations, this thesis does not support Inan and Bititci's (2015) premise that dynamic capability development is not relevant for micro-enterprises. Development of dynamic capabilities by micro-enterprises is likely to enable them to more easily effect change within their business and compete more effectively in the marketplace, achieving a performance advantage against peer organisations which have not developed dynamic capabilities. It is also considered more likely that individual owner-manager's actions rather than the organisation's actions will influence business strategy due to the smaller size of the businesses and the potential intertwining of the owner-manager with the rural micro-enterprise, rather than them being distinct entities. Inan and Bititci (2015) advocate further research into the nature of dynamic capabilities within micro-enterprises is desirable, especially pertaining to the impact of the micro-enterprise owner-manager. Their call for more research fits well with the objective of this study to understand if dynamic capabilities are present and how they develop within rural micro-enterprises.

Empirical studies exploring dynamic capabilities tend to have been located within large organisations (Kevil et al., 2017; Uhlaner, Stel, Duplat, & Zhou, 2013; Zahra et al., 2006). The lack of dynamic capability knowledge is amplified when considering dynamic capabilities within rural micro-enterprises. Only one study has been identified within this arena, Grande (2011). Grande's (2011) study is based upon three Norwegian rural micro-enterprises. The lack of focussed

research about dynamic capabilities within UK rural micro-enterprises is problematical due to the previously mentioned contextually specific nature of dynamic capabilities. To facilitate bridging this identified gap in dynamic capability knowledge, this research seeks to explore the presence of dynamic capabilities within the context of the rural micro-enterprise.

Fundamentally, there is a lack of extant dynamic capability research taking account of the unique micro-enterprise context. The need to undertake future research into dynamic capabilities within micro-enterprises and specifically rural micro-enterprises is necessitated in order to explore how dynamic capabilities develop in the rural micro-enterprise context and which micro-foundations underpin the identified dynamic capabilities. This research is important because the rural micro-enterprise context differs from the larger organisation context. Rural micro-enterprises are smaller, likely to have fewer resources, skills and capabilities than large organisation, be financially constrained and significantly influenced by the owner-manager. In a larger organisation, for example, it is probable that more resources and skills are available to drive business strategy. It is also likely that the influence of the business owner or chief executive officer (CEO) upon the organisation's operation is diluted. This dilution results from layers of management between the owner or CEO and the employees. It is the employees who action the day to day business activities and follow established business processes to ensure the consistent running of the business. It is differences such as those outlined above which lead to the expectation that dynamic capabilities within rural micro-enterprises will differ from dynamic capabilities within large organisations. The empirical nature of this research answers the call from Kelliher, Kearney and Harrington (2018) for more micro-enterprise empirical research sited in contexts outside the UK hospitality industry to increase understanding about dynamic capability theory within micro-enterprises.

Micro-foundations of dynamic capabilities as defined by Eisenhardt, Furr, and Bingham (2010, p. 1263), are the "underlying individual-level and group-level actions that shape strategy, organization, and, more broadly, dynamic capabilities, and lead to the emergence of superior organization-level performance". Micro-foundations are discussed further in section 2.5. Throughout this research micro-foundations are conceptualised as the distinct skills and actions underpinning individual-level and organisational-level processes which lead to rural micro-enterprise performance advantage (Eisenhardt et al., 2010; Teece, 2007). Wilden et al., (2013, p.89) call for research to "investigate additional aspects of context dependencies for the performance impact of dynamic capabilities". Indeed, by

exploring the micro-foundations of the dynamic capabilities and investigating where within the rural micro-enterprise dynamic capabilities reside, attention being given to the influence of the owner-manager upon the development of dynamic capabilities, this research responds to the call of Wilden et al., (2013). Undertaking this research will help increase theoretical understanding about dynamic capabilities and micro-foundations of dynamic capabilities within rural micro-enterprises. Increased understanding is needed because extant theory is predominantly informed from research studies conducted in large organisations. Such organisations differ from rural micro-enterprises therefore a focussed study of rural micro-enterprises is needed to extend dynamic capability theory into the rural micro-enterprise domain.

With a deeper understanding of dynamic capabilities within rural micro-enterprises the gap in theoretical understanding about how dynamic capabilities develop within the rural micro-enterprise context can start to be bridged. Furthermore, increasing understanding about dynamic capabilities within the rural micro-enterprise context can be used to inform policy and practice; thus, enabling rural micro-enterprises to more effectively navigate the challenges inherent within the rural economy and to remain sufficiently agile to cope with ever changing environmental ecosystems. This understanding could help rural micro-enterprise owner-managers manage business change and compete more effectively in the marketplace. Consequently, improving the agility and performance of rural micro-enterprises could have a significant positive impact for the wider rural economy. By influencing policies which enable rural micro-enterprises to become established, the businesses are more likely to grow and thrive in the rural economy thus benefiting rural communities.

A qualitative methodological approach, comprising data collection methods of narrative interviews and visual images is being undertaken for this research. This methodological approach will enable the research questions outlined in section 1.5 to be answered and the research finding to contribute to furthering dynamic capability theory. The research output is also anticipated to contribute to current debates within extant rural enterprise literature, especially pertaining to the significance of rural place and space when the owner-managers are establishing their rural micro-enterprises.

1.3. Aim of Research

This exploratory research aims to improve understanding about the nature and presence of dynamic capabilities, dynamic managerial capabilities and their micro-foundations within rural micro-enterprises in the UK. Dynamic capability theory is becoming recognised and accepted as a theory for evaluating the ability of an enterprise to create, attain and sustain business success, enabling it to achieve competitive advantage.

It has been suggested by Skerratt (2013) that a diverse business base including manufacturing, agricultural and service sector businesses is required to achieve and maintain a sustainable rural economy. A dynamic, heterogeneous business base is more likely to support a sustainable rural infrastructure including job creation, provision of public services and thriving rural communities (Tehrani & White, 2003), this is why understanding the nature of the diversity within the business base within the rural economy is important.

The influence of managers is a particularly interesting notion considering the focus of this research is about understanding the role dynamic capability plays within rural micro-enterprises given the anticipated influence the rural micro-enterprise owner-manager exerts over the running of their business. Part of this research will focus upon recognising the capabilities of the owner-managers and how these capabilities influence the micro-enterprise (Kelliher & Reinl, 2009) as micro-foundations of dynamic capability. This thesis submits that rural micro-enterprise owner-manager character attributes warrant attention from scholars due to the contextual differences between rural micro-enterprises, SMEs and larger organisations. Owner-managers' character attributes may have greater influence upon business strategy and performance in micro-enterprises than larger organisations due to their flat organisational structures where their impact of their character attributes is less likely to be diluted.

The characteristics of rural micro-enterprise owner-managers will be documented during data collection and their influence as micro-foundations of dynamic capability considered. Although exploring the cognitive ability of rural micro-enterprise owner-managers is beyond the scope of this doctoral research, Helfat and Peteraf's (2015) comment that dynamic managerial capability resides at the individual-level is relevant, as is Adner and Helfat's (2003) linkage between management ability and decision making. This relevance is due to the importance placed upon the rural micro-enterprise owner-manager as the unit of analysis. The ability of the owner-manager is though likely to influence the presence and

development of dynamic managerial capabilities and the dynamic managerial capabilities underlying micro-foundations.

Within the rural micro-enterprise, identifying at which level dynamic capabilities reside, either organisational or individual (Adner & Helfat, 2003; Helfat & Peteraf, 2015; Teece, 2007) is central to this study. By understanding the drivers of business change within rural micro-enterprises effective consultation can occur between rural support networks and micro-enterprise owner-managers regarding the nature of business support and rural infrastructure developments required to enable rural micro-enterprises to thrive.

The anticipated contribution of this research encompasses adding insight to academic knowledge by providing new information about dynamic capabilities and the micro-foundations of dynamic capabilities within rural micro-enterprises; deeming this study original because it is exploring a gap rarely investigated within extant academic scholarship. By increasing understanding about the dynamic capabilities residing within rural micro-enterprises, this research aims to construe if developing dynamic capabilities has a positive effect upon the rural micro-enterprise and by extension the wider rural economy. A thriving rural micro-enterprise cohort could potentially facilitate the creation of an area of excellence within the rural economy, increasing rural sustainability and resilience.

1.4. Research Objective

The primary objective of this study is to ascertain how dynamic capability theory can be applied to the diverse rural micro-enterprise sector within the UK. Achieving this may necessitate adapting existing knowledge about dynamic capabilities gained from studies of larger organisations and considering this information within the rural micro-enterprise environment due to the contextually sensitive nature of dynamic capability. If dynamic capabilities are regarded as idiosyncratic (Teece, Pisano, & Shuen, 1997; Teece, 2016), environmentally influenced (Eisenhardt & Martin, 2000) and context specific (Easterby-Smith et al., 2009) then understanding how rural micro-enterprises develop dynamic capability will contribute to knowledge and extant literature apropos dynamic capability within rural micro-enterprises.

The primary objective of this research cascades into the following tactical objectives which in turn inform the actionable research questions detailed in section 1.5.

- a. To determine if dynamic capabilities are present within rural micro-enterprises.
- b. To understand how dynamic capabilities develop within rural micro-enterprises and investigate which micro-foundations underpin the identified dynamic capabilities.
- c. To define what is meant by a rural business within the context of this research.
- d. To review existing rural business classifications and, as a result of the primary research, consider the creation of a revised taxonomy of rural business, specifically rural micro-enterprises.

1.5. Research questions

This research is driven by the following research questions which emanate from the research objectives outlined in section 1.4.

- a. What barriers to growth are influential within rural micro-enterprises?

This research will analyse the experiences of rural micro-enterprise owner-managers to understand the barriers to and drivers of growth facing their micro-enterprises. Barriers to success have been widely documented in rural enterprise literature, see articles by Lyee and Cowling (2015) and McElwee (2006). A recent literature review by Álvarez Jaramillo, Zartha Sossa, and Orozco Mendoza (2019) identifies 175 barriers SMEs face when pursuing a sustainable development agenda with the most commonly occurring barriers being cost and lack of experience.

By identifying and understanding rural micro-enterprises' barriers to growth "best practice" (Eisenhardt & Martin, 2000, p. 1106) could be identified and shared amongst rural micro-enterprise owner-managers. Sharing best practice could help rural micro-enterprise owner-managers increase their chance of succeeding within the market (Smith & Barrett, 2016). To succeed in a challenging and changing environment, this research anticipates that rural micro-enterprises may need to look at addressing the challenges they face. It is likely these challenges are in part due to their rurality. It may also provide relevant insight to inform support policy and aid policymakers to target resources where they are most needed to enable rural micro-enterprises to survive.

- b. Which micro-foundations underpin the dynamic capabilities residing within rural micro-enterprises?

If dynamic capability is present within rural micro-enterprises, it is important to establish how it evolves (Teece et al., 1997). When seeking to identify the presence of dynamic capabilities within rural micro-enterprises, this research looks for the presence of regularly enacted and repeatable processes. These processes will act as a marker indicating that dynamic capabilities may be present and residing within the business. Once the presence of dynamic capabilities is established this research will ascertain at which level within the rural micro-enterprise the dynamic capabilities reside. Given the low number of employees and anticipated dominance of the owner-manager it is important to establish if dynamic capabilities develop and resides at the individual-, meso- or organisational-level. Consideration being given to the actuality of the meso-level and the potential impact upon dynamic capability development within the rural micro-enterprise should no evidence of this level be found. Establishing whether dynamic capabilities resides at the organisational-level (Teece et al., 1997) or within the owner-manager at the individual-level as dynamic managerial capabilities (Adner & Helfat, 2003) within rural micro-enterprises will influence the nature of the dynamic capability and potentially its degree of influence upon the performance of the rural micro-enterprises.

Assuming rural micro-enterprises have developed dynamic capabilities, it is important to understand which micro-foundations are underpinning the dynamic capabilities identified (Felin, Foss, Heimeriks, & Madsen, 2012; Teece, 2007). One of the aims of this thesis is to explore which micro-foundations underpin the dynamic capabilities identified in the rural micro-enterprises studied. This is an important objective because exploring the micro-foundations will improve understanding about how dynamic capabilities develop within rural micro-enterprises, especially the influence of the individual owner-manager upon dynamic capability development as a potential micro-foundational influence. Identification of the character attributes of owner-managers and their role as micro-foundations of dynamic capability are considered within the parameters of thesis.

This thesis submits the lack of focussed research into understand micro-foundations within a rural micro-enterprise context is problematic because of the contextual differences between rural micro-enterprises and large organisations. This research contributes to answering Abell, Felin, and Foss's (2008) call for further research into micro-foundations enabling the individual-level micro-

foundations of dynamic capability to be better understood. Adding to the growing body of micro-foundations literature will improve understanding and help explain the development and impact dynamic capability has upon business performance.

The findings gained by answering this question will enrich academic knowledge about dynamic capability and the micro-foundations of dynamic capability within rural micro-enterprises. Understanding how rural micro-enterprises develop dynamic capabilities is likely to contribute towards extending academic theory concerning rural micro-business strategy. Micro-foundations can be considered contextual. The relevance of context as stated by Barney and Felin (2013) is pertinent to this study because micro-foundations of dynamic capabilities unique to rural micro-enterprises may be identified, potentially due to the small size and direct influence of the owner-manager upon the business.

c. How can rural micro-enterprises be classified in a taxonomy?

Taxonomies are important because they enable a name to be attributed to a category based upon commonalities (Jaouen & Lasch, 2015). Taxonomies were originally prominent within the natural science domain; over time they have become a useful classification tool within social science (Neilsen, 2016). Being "based upon common patterns or relationships identified in the data," Hanks, Watson, Jansen, and Chandler (1993, p.13) contend that analysis based upon empirical data informs the construction of a robust taxonomy.

Taxonomies continuously evolve because the economic landscape is dynamic, rendering existing static taxonomies out of date and requiring regular reviews. The findings from this PhD aim to underpin a revised taxonomy of rural micro-enterprises. This new, revised taxonomy being informed by previous taxonomies such as those of Jaouen and Lasch (2015) and McElwee and Annibal (2010). Developing a taxonomy incorporating rural micro-enterprises is important because it will help to define rural micro-enterprise groups; providing a fresh perspective to existing taxonomies within academic literature. It could also provide the rural micro-enterprise population with an identity; enabling policymakers and support groups to streamline and more effectively target support to the micro-enterprise clusters where it is most needed.

1.6. Structural overview of the thesis.

The remaining chapters of this thesis are organised in the follows manner. The next chapter is the literature review. Being a multi-faceted research project, the literature review is subdivided into three sections; namely dynamic capabilities, micro-enterprises and rural enterprise. Chapter 3 details the methodological design for this research. The findings from the research are presented in chapter 4 and chapter 5 outlines the key discussions emanating from the findings. Chapter 6 synthesises the key findings and concretises the contributions to knowledge, practice and policy in the concluding chapter of this thesis. The Appendix contains a summary of the research questions and objectives, glossary of key terms and additional information relating to data analysis,

1.7. Summary

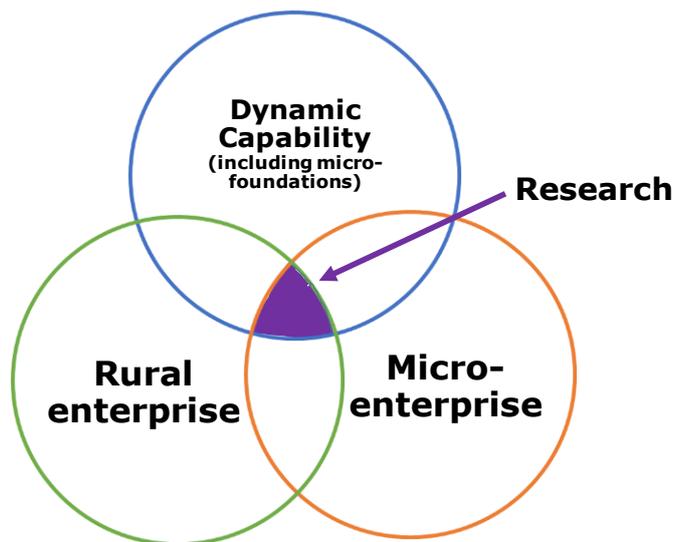
This introductory chapter to the thesis started by outlining the background and context of this research which aims to increase understanding about the role of dynamic capabilities within rural micro-enterprises. It continued to discuss the research aims, objectives and questions this research seeks to answer. Concluding with a brief overview of the structure of the remaining chapters of the thesis. The thesis will now progress to chapter 2 where the literature informing this research project will be critically reviewed.

2. Literature Review.

2.1. Introduction

The aim of this chapter is to provide a critical evaluation of the extant literature pertaining to this PhD research. Three bodies of literature are explored namely dynamic capability, including micro-foundation literature, micro-enterprise and rural enterprise literature. By reviewing extant literature, the necessity for this research is established. The locus of this research is clearly situated within the knowledge gap pertaining to dynamic capability understanding within the rural micro-enterprise context, an area dynamic capability research has rarely ventured. The knowledge gap sits at the overlap between these three fields as depicted below in figure 1

Figure 1: Academic domains informing this research



The tenet of this research maintains that the rural micro-enterprise dynamic capability knowledge gap is problematical and needs to be reversed due to the importance of rural micro-enterprises to the sustainability and resilience of the rural economy. In order to explore this knowledge gap, this thesis seeks to increase understanding about the level dynamic capabilities reside and which micro-foundations underpin any dynamic capabilities identified within rural micro-enterprises. Assimilating these insights will lead to the extension of dynamic capability theory into the important rural micro-enterprise domain. Thus, the need to undertake this research to increase understanding about how rural micro-enterprises develop dynamic capabilities is established.

This chapter begins with a critical review of extant dynamic capability literature, advising that much of the dynamic capability research relates to large organisations, thus a knowledge gap relating to dynamic capability within rural micro-enterprises is identified. Continuing, micro-enterprise literature is reviewed, touching upon the significant influence the owner-manager extends across their micro-enterprise. The chapter concludes with a consideration of the changing landscape within the rural economy, specifically relating to rural micro-enterprise.

2.2. Dynamic Capability

This section starts by reviewing dynamic capability theory and its evolution from the resource based view of the firm (RBV). It continues with a discussion about the contrasting conceptualisations of dynamic capability, progressing to consider the nature of dynamic capabilities, discussing their idiosyncrasies, conceptualisations as routinised processes and the influence of the external environment upon them. Consideration is subsequently given to the micro-foundations of dynamic capabilities and the levels which dynamic capability resides within an organisation before concluding with a discussion about the influence of dynamic capabilities upon enterprises.

2.2.1. Introduction to dynamic capabilities

The study of dynamic capabilities is context specific and closely aligned to the changing and heightened dynamism present within the external business environment. Across the field of strategic management, scholars endeavour to understand how one organisation outperforms another thus gaining sustainable competitive advantage. Dynamic capabilities add something extra to ordinary capabilities and are inherently placed within the context of firms which need to renew and adapt to the changing business environment. The very nature of dynamic capabilities denotes change. In fact, Collis (1994) refers to dynamic capabilities as governors of the rate of change of ordinary capabilities. It is important to note that the dynamic capabilities framework is not claiming change can only happen if an organisation has dynamic capabilities but rather that dynamic capabilities are the most important consideration to facilitate change. Winter (2003), for example, contends whilst there are many ways to change, the study of dynamic capabilities maintains the most sustainable, competition-

oriented forms of change are underpinned by the presence of dynamic capabilities within the organisation.

Underpinning the concept of dynamic capabilities is the contention that in order to gain sustainable competitive advantage firms must be able to exploit existing internal, organisational-level capabilities whilst simultaneously developing new ones. This idea was initially developed in the work of Penrose (1959), Teece (1982) and Wernerfelt (1984), with thoughts being related to how an organisation should, and can, build distinctive, inimitable advantages.

It was as recently as the mid-1990s that researchers began to focus upon how a firm might be able to develop organisational-level capabilities specifically allowing it to respond to the dynamics within its business environment more effectively than another. Dynamic capabilities can help explain how firms pursue organisational efficiency by adopting a resource based perspective with a "focus on strategies for exploiting existing firm-specific assets" (Teece et al., 1997, p. 514) as proposed in the RBV theory (Barney, 1991; Barney, Wright, & Ketchen, 2001). Ambrosini and Bowman (2009) opine that valuable, rare, imperfectly imitable and non-substitutable resources (VRIN), when acted upon by dynamic capabilities are likely to continue to deliver superior returns for a business. Barney and Felin (2013) claim competitive advantage is a mixture of serendipity, luck and unique attributes which could afford an opportunity for superior performance. Whereas, Teece (2012) argues for an organisation to maintain superior performance change should be a constant process. Dynamic capabilities could be the difference which helps organisations successfully change and evolve. It should be noted that although Pezeshkan, Fainshmidt, Nair, Lance Frazier, and Markowski (2016) affirm there is a positive association between dynamic capabilities and firm performance this is not so in all cases. Scholars such as Jantunen, Tarkiainen, Chari, and Oghazi (2018) suggest the relationship between dynamic capabilities and firm performance is nuanced, influenced by improvements in operational capabilities, organisational efficiencies and contextual factors such as market dynamism (Eisenhardt & Martin, 2000; Fainshmidt, Pezeshkan, Lance Frazier, Nair, & Markowski, 2016; Schilke, 2014).

The concept of dynamic capabilities first came to prominence in Teece et al's., (1997) paper as a theory to evaluate an organisation's ability to create and sustain competitive advantage. Extant dynamic capability theory has emerged from research sited in large organisations (Barreto, 2010). A paucity of dynamic capability research has emerged from the rural micro-enterprise domain; hence,

this research is ideally placed to explore the applicability of dynamic capability theory to the important rural micro-enterprise context.

Helfat and Peteraf (2009, p. 91) describe dynamic capability theory as an ambitious and complex topic spanning "strategy process and content, and involves multiple levels of analysis, from managerial decision-processes, to organizational routines, to competitive inter-actions and environmental change". This can be summarised by Teece's (2018) description of dynamic capabilities as multi-faceted. Furthermore, Sternad, Jaeger, and Staubmann (2013) consider dynamic capability an abstract concept with scholars having limited understand of what dynamic capability really is, beyond that of a change enabling routine. This thesis supports Schlemmer and Webb's (2008) observation, agreeing extant literature provides limited understanding about how dynamic capabilities develop and Adner and Helfat's (2003) position that the influence of managers upon dynamic capability development could be significant. Adner and Helfat's (2003) perspective is especially relevant to this study of rural micro-enterprises because it is anticipated that the owner-manager is likely to exert significant influence over their business's strategy.

Dynamic capability is proposed as a proficiency used by a firm to achieve competitive advantage by developing "high-performance routines operating inside the firm" (Teece et al., 1997, p. 528). Teece (2014) declares organisational routines are at the heart of dynamic capabilities, these routines enable the organisation to change (Dixon, Meyer, & Day, 2014; Easterby-Smith et al., 2009; Prieto & Easterby-Smith, 2006; Teece, 2014). However, dynamic capabilities may also reside within the leadership and senior management of an organisation. This aspect is recognised by the concept of dynamic managerial capabilities (Adner & Helfat, 2003); discussed further in section 2.6.

2.2.2. Resource based view of the firm

Barney (1991) asserts an organisation requires a combination of appropriate VRIN resources and capabilities to achieve sustainable competitive advantage. Furthermore, firms are unable to use the open market to buy-in sustained competitive advantage but must achieve competitive advantage by using resources controlled within the firm (Barney, 1991).

The limitation of the RBV was a key catalyst inspiring the original conceptualisation of dynamic capabilities by Teece et al., (1997). Boccardelli and Magnusson (2006),

concur, advocating in turbulent market conditions previously valuable and rare resources can fade, becoming worthless assets needing renewal. Dynamic capabilities enable the renewal of organisational resources (Helfat et al., 2007; Teece et al., 1997). This renewal could be an important consideration for rural micro-enterprises in the changing economic climate. The ability of rural micro-enterprises to reconfigure their resource base could be beneficial and contribute to their long-term success by improving efficiency thus leading to increased contribution and business success (Priem & Butler, 2001).

Reflecting upon the evolution of the RBV and dynamic capability theory, Barney et al., (2001) suggest the traditional logic informing RBV is contradictory to the logic underpinning the concept of dynamic capability (i.e. to achieve competitive advantage an organisation must be continually reforming and changing its resources and routines). Stating that dynamic capabilities are "simply capabilities that are dynamic" (Barney et al., 2001, p. 630) and the application of a dynamic capability is itself a capability, suggesting the concept of dynamic capability is vague and tautological (Barney et al., 2001; Prieto & Easterby-Smith, 2006). This viewpoint contradicts the finding of Eisenhardt and Martin (2000) who do not consider dynamic capabilities vague or tautological but specific processes, strategic routines and resources to develop organisational strategy by reconfiguring resources such as knowledge, capital and manufacturing capability thus improving organisational performance.

Barney et al., (2001, p. 630) confirm "resources, dynamic capabilities and knowledge are closely interlinked" despite previously questioning the existence of dynamic capabilities as an entity. They also proffer that "people are strategically important to a firms' success" (Barney et al., 2001, p. 627), especially entrepreneurs due to their ability to identify and exploit business opportunities (Barney et al., 2001). Their opinion that people make an important contribution towards the success of a business is particularly relevant for this thesis because rural micro-enterprise success may be dependent upon the owner-managers' character attributes and abilities due to the small scale and informal structures inherent in micro-enterprises and the influence of the owner-manager upon business strategy.

Revisiting the RBV twenty years after it first came to prominence, Barney, Ketchen, and Wright (2011, p. 1300) claim the RBV has established itself as "one of the most prominent and powerful theories for describing, explaining and predicting organisational relationships". There are indications that the RBV, though an antecedent of alternative theories such as dynamic capability (Prieto &

Easterby-Smith, 2006; Teece et al., 1997) has entered its maturity phase. Contemporary RBV research seeks to explore its micro-foundations from behavioural, cognitive and neuroscientific perspectives (Barney et al., 2011).

The RBV, upon which the dynamic capabilities framework is built, whilst offering a strong central platform, faces its own criticisms (Hoopes, Madsen, & Walker, 2003). A key criticism is the assertion that the scope of the RBV is too broad (Costa, Cool, & Dierickx, 2013; Priem and Butler, 2001). This criticism is compounded by Porter's (1991) viewpoint that the RBV is overly introspective in its approach. In light of these criticisms attention has been directed towards the extent dynamic capabilities offer an extension that builds and improves upon the RBV thinking. In fact, Teece et al., (1997) suggest RBV implementation in isolation is insufficient for an organisation to achieve competitive advantage. They advise a business may be carrying obsolete or redundant competencies as well as valuable and unique ones (such as historically accumulated knowledge which is difficult for a new market entrant to replicate). Therefore, an organisation needs to regularly renew its competencies to achieve and maintain sustainable competitive advantage.

2.2.3. Definitions of dynamic capabilities

Since the original broad definition of dynamic capability "the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments" (Teece et al., 1997, p. 516) the concept of dynamic capability has evolved, attracting significant academic interest and consideration (Easterby-Smith et al., 2009; Helfat & Peteraf, 2009) resulting in a variety of definitions. Multiple definitions of dynamic capability are afforded by different authors (Bleady & Ibrahim, 2018; Schilke, Hu, & Helfat, 2018).

A representation of the varying definitions of dynamic capability are included in table 1. They all have aspects of alignment with the original definition provided by Teece et al., (1997) due to its breadth (Easterby-Smith et al., 2009; Helfat & Peteraf, 2009) but they contain subtle variations due to market dynamics (Eisenhardt & Martin, 2000), perspectives about patterned routines (Zollo & Winter, 2002) or the role of ordinary capabilities (Winter, 2003). As scholarship within dynamic capability research matures, Bleady and Ibrahim (2018) notice contemporary authors such as Rice, Liao, Galvin, and Martin. (2015) and Makkonen, Pohjola, Olkkonen, and Koponen (2014) revert to the pioneering

academics such as Teece et al., (1997), Eisenhardt and Martin (2000), Zollo and Winter (2003) and Zahra, Sapienza, & Davidsson (2006) for their theoretical conceptualisation. In fact, Schilke et al., (2018) contend that dynamic capability research has expanded beyond its original platform as an extension of the static RBV theory and now reaches into the realms of an organisation's ability to modify its external environment.

Table 1: Definitions of dynamic capabilities

Author(s)	Definition of Dynamic Capability
Teece & Pisano (1994)	The subset of the competences and capabilities that allow the firm to create new products and processes and respond to changing market circumstances
Teece, Pisano & Shuen (1997)	The firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments
Eisenhardt & Martin (2000)	The firm's processes that use resources - specifically the process to integrate, reconfigure, gain and release resources - to match and even create market change. Dynamic capabilities thus are the organisational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve and die.
Zollo & Winter (2002)	A dynamic capability is a learned and stable pattern of collective activity through which the organisation systematically generates, modifies its operating routines in pursuit of improved effectiveness.
Winter (2003)	Those that operate to extend, modify or create ordinary capabilities
Zahra, Sapienza & Davidsson (2006)	The ability to reconfigure a firm's resources and routines in the manner envisioned and deemed appropriate by its principle decision maker
Teece (2007)	The ability to sense and then seize opportunities quickly and profitably
Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece & Winter (2007)	The capacity of an organisation to purposefully create, extend, or modify its resource base
Pavlou & El Sawy (2011)	Dynamic capabilities have been proposed as a means for addressing turbulent environments by helping managers extend, modify, and reconfigure existing operational capabilities into new ones that better match the environment.
Ludwig & Pemberton (2011)	Dynamic capabilities defined as "a set of specific and identifiable processes or a pool of [controllable] resources that firms can integrate, reconfigure, renew and transfer," p. 218.
Caniato, Moretto & Caridi (2013)	Dynamic capabilities defined as "a subset of the competences/capabilities which allow the firm to create new products and processes and respond to changing market circumstances," p. 943.
Simon, Bartle, Stockport, Smith, Klobas & Sohal (2015)	Dynamic capabilities defined as "the ability and processes of the firm to configure its resources and thus allow the organization to adapt and evolve," p. 916.

By establishing itself as an influential management theory; albeit a highly complex one, dynamic capability now extends into fields of research as diverse as supply chain sustainability (see paper by Chowdhury, Agarwal, and Quaddus (2019)), business model innovation (see paper by Čirjevskis (2019)) and history (see paper by Suddaby, Coraiola, Harvey, and Foster (2019)). An additional aspect of the proliferation of dynamic capability research is the quest to understand the

antecedents and foundations of dynamic capability. This quest has led to the emergence of the micro-foundations of dynamic capability literature which is discussed in more detail in section 2.5.

After considering many definitions of dynamic capabilities the conceptualisation of dynamic capabilities used throughout this research allies with that proposed by Helfat et al., (2007) with the nuance that dynamic capabilities within an organisation may also reside within its management team (Teece, 2014). This definition has been chosen as the conceptualisation of dynamic capabilities for this PhD because it characterises dynamic capabilities as having the purpose of enabling change within an organisation.

2.2.4. Ordinary capabilities and dynamic capabilities

Throughout extant academic literature differing terminology is applied to what Teece et al., (1997) call ordinary capabilities. They are termed first order capabilities (Zollo & Winter, 2002), zero level capabilities (Winter, 2003) and substantive capabilities (Zahra et al., 2006). This study will follow the nomenclature established by Teece et al., (1997). Table 2, adapted from Teece (2014), outlines some of the principal difference between ordinary and dynamic capabilities.

Table 2: Difference between ordinary and dynamic capabilities

	Ordinary Capabilities	Dynamic Capabilities
Purpose	Efficient function of day to day business	Adapting to customer needs in a changing environment
Attainability	Buy or build (learning)	Build (learning)
Primary functions	Operate, administrate, grow	Sense, seize, transform
Key Routines	Best practice	Signature, process
Management focus	Cost control	Entrepreneurial approach
Priority	Doing the right thing	Doing the right things at the right time
Imitability	Relatively imitable	Not imitable
Result	Efficiency	Innovation

Source: adapted from Teece (2014) p332

Ordinary capabilities describe the way in which a firm completes its core tasks as efficiently as possible across functions such as operations and administration. When ordinary capabilities are operating at an optimum level Teece (2014) counsels they can form 'best practice' within an organisation or industry and this can lead to competitive advantage. However, in line with Collis (1994), Teece (2014) suggests competitive advantage founded upon ordinary capabilities is

unlikely to be sustained. This is because ordinary capabilities are considered imitable and available to buy on the open market, hence 'best practice' can become an industry commonality leading to the erosion of competitive advantage over time. Teece (2014) maintains "ordinary capabilities are about doing the right thing" whereas dynamic capabilities are about "doing the right things, at the right time" in a dynamic environment (Teece, 2014, p. 331).

Dynamic capabilities can enable an organisation to manage frequent change. To build strong dynamic capabilities it is advisable to align organisational strategy and structure to enable changes within the external environment to be anticipated. An organisation's ability to change its ordinary capabilities to fully adapt to and optimise new environmental conditions is required when developing dynamic capabilities (Teece, 2014).

2.3. Conflicting conceptualisations of dynamic capabilities

Teece's (2007, p. 1320) conceptualisation of dynamic capability as a framework to "explain the sources of enterprise-level competitive advantage over time" is grounded in Kirznerian and Schumpeterian evolutionary theories of entrepreneurial economic change. The notion of dynamic capabilities operating at the organisational-level within an enterprise is advanced by Teece (2007) and supported by Ambrosini and Bowman (2009) who agree that the role of dynamic capabilities is about facilitating strategic change within an organisation's resource base. Ambrosini and Bowman (2009) argue the RBV and VRIN could be sources of competitive advantage if dynamic capabilities, as originally positioned by Teece et al., (1997), are an extension of the RBV including the advancement of the firm through learning and developing new skills.

This thesis allies with Bledy and Ibrahim (2018) in maintaining that arguably the most influential alternative conceptualisation of dynamic capabilities is afforded by Eisenhardt and Martin (2000) who define dynamic capabilities as

"The firm's processes that use resources - specifically the processes to integrate, reconfigure, gain and release resources - to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve and die." (Eisenhardt & Martin, 2000, p. 1107).

They reconceptualise and delimit the boundaries of dynamic capabilities (Peteraf, Di Stefano, & Verona, 2013) pursuing an alternative concept development route to the one taken by Teece et al., (1997). Differences between Teece et al's., (1977) and Eisenhardt and Martin's (2000) conceptualisations are discussed in section 2.3.1. to 2.3.3. Eisenhardt and Martin's (2000) conceptualisation has led to the emergence of an alternative platform on which dynamic capability theory developments can be built.

2.3.1. The best practice debate

Eisenhardt and Martin (2000, p. 1105) contend that dynamic capabilities are "specific and identifiable processes". These processes may be steeped in detail which are unique to an individual organisation. However, due to commonalities between organisations within an industry, these idiosyncratic processes may become replicable and transferrable between organisations within a single industry. Thus, dynamic capabilities revert to and can be considered 'best practice' across an industry, even though organisations within the industry have different and distinctive origins.

Contrary to Eisenhardt and Martin's (2000) position, Teece (2007) argues dynamic capabilities are unique, idiosyncratic processes unlikely to constitute 'best practice' over time. Teece (2018) maintains this position by reaffirming dynamic capabilities are hard to copy and can be unique. Teece (2014) considers the possibility that 'best practice' may not be prevalent within an industry, as advocated by Teece (2007), because in certain moderately dynamic markets, organisations with dynamic capabilities may have a competitive advantage over firms within the same industry who have not developed dynamic capabilities.

The position adopted for this research contends rural micro-enterprises are unique organisations and as such their processes are likely to be idiosyncratic. It is thought unlikely that the processes identified in rural micro-enterprises could reduce to "best practice" as suggested by Eisenhardt and Martin (2000) due to rural micro-enterprises' unique attributes and the potential influence of the owner-manager upon the business. The rural micro-enterprises' unique attributes include their location, the degree of embeddedness with the local community and the specific business goals of the owner-manager, more of which is discussed in section 2.9.3.

2.3.2. The environment debate

Peteraf et al., (2013) argue that both Teece's and Eisenhardt and Martin's strand of dynamic capability research have elements of cohesion such as depicting dynamic capabilities as an extension of the RBV and a common approach to the role of routines and processes. However, these two strands differ in their view about the nature of dynamic capabilities within a dynamic environment and how dynamic capabilities can enable a firm to achieve sustainable competitive advantage. Teece et al., (1997) consider dynamic capabilities effectual in a rapidly changing environment and an effective tool in the armoury of an organisation seeking to achieve sustainable competitive advantage. Whereas, Eisenhardt and Martin (2000) pose dynamic capabilities revert to simple processes within a dynamic environment. Eisenhardt and Martin (2000, p. 1110) maintain dynamic capabilities "can be a source of competitive but not sustainable advantage" due to their unstable nature, explaining sustainable advantage is not achievable because dynamic capabilities become 'best practice'.

Building upon the role of dynamic capability in a dynamic environment as discussed by Eisenhardt and Martin (2000), Barney et al., (2001) claim in a rapidly changing market the nature of resources and capabilities can shift from valuable to obsolete. Boccardelli and Magnusson (2006) support this position, agreeing that previously valuable and rare resources can deteriorate, becoming worthless assets in need of renewal, in turbulent market conditions.

Process and routine is important for both the practical and theoretical function of dynamic capabilities (Easterby-Smith et al., 2009). Easterby-Smith et al., (2009) identify the nature of dynamic capabilities change as the market environment changes. To succeed, firms need the ability to change in a turbulent environment (Ambrosini & Bowman, 2009); where change can be caused by internal or external events (Easterby-Smith et al., 2009). In a moderately dynamic market, dynamic capabilities can be considered a relatively stable, complex, linear process. However, in a highly volatile market dynamic capability changes, becoming a simple, structured routine which can become unstable and difficult to sustain (Easterby-Smith & Prieto, 2008; Eisenhardt & Martin, 2000). This position contrasts with Teece et al's., (1997) and Teece's (2007) view that dynamic capabilities operate effectively in a rapidly changing environment. Zollo and Winter (2002), upon considering market conditions also contest Teece et al's., (1997) position by asserting that in stable market environments dynamic capabilities may be unnecessary.

Dynamic capabilities are costly to maintain (Zahra et al., 2006) because they involve “long term commitments to specialized resources” (Winter, 2003, p. 993) which can lead to a trade-off against profit. The external conditions facing a firm may be an important consideration for management, specifically in this research for rural micro-enterprise owner-managers, when deciding whether to invest in learning and the development of dynamic capabilities.

Easterby-Smith and Prieto (2008) advise organisations should become sufficiently agile to cope with every potential contingency they may face because the presence of dynamic capabilities may only provide a partial hedge for the firm. Supporting this observation is Winter’s (2003) suggestion that in certain highly dynamic environments organisational change could occur without the influence of dynamic capabilities; for example, fire or flood. However, it is the position of this doctoral research by agreeing with Helfat and Peteraf’s (2009) argument that developing dynamic capabilities in a changing market is extremely important to ensure business success. This is because, as highlighted by Jantunen et al., (2018) there is a positive linkage between organisational performance and dynamic capability development.

2.3.3. Bridging the gap in conceptualisations

Teece (2014) affirms that the dynamic capabilities framework conceived by Teece et al., (1997) is an early conceptualisation; developing and refining the conceptualisation over time was anticipated. With this in mind, Teece (2014) adds to the debate apropos conflicting conceptualisations of dynamic capabilities. Teece (2014) claims that Eisenhardt and Martin’s (2000) position has a major point of difference to that of Teece et al., (1997). He believes Eisenhardt and Martin’s (2000) focus is on capabilities per se and they do not sufficiently differentiate between ordinary capabilities and dynamic capabilities. This lack of differentiation between types of capabilities is used in his explanation of why Eisenhardt and Martin (2000) assert dynamic capabilities can become ‘best practice’. In Teece’s (2014) opinion ordinary capabilities and dynamic capabilities are distinct and should be viewed separately due to their different natures and functions within an organisation.

To advance and unify future dynamic capability research Peteraf et al., (2013) affirm closer alignment between the conceptualisations of Teece et al., (1997) and Eisenhardt and Martin (2000) is needed. Peteraf et al., (2013, p. 1406) suggest

the difference between the two approaches is “one of perspective”. Given the commonalities between the two platforms, if the nature of dynamic capabilities and the dynamic nature of the environment is disregarded then “dynamic capabilities may enable firms to attain a sustainable competitive advantage, *in certain conditional cases*” (Peteraf et al., 2013, p. 1407).

Considering the incongruity between the views of Peteraf et al., (2013) and Teece (2014) a definitive conceptualisation of dynamic capabilities seems unlikely any time soon. This is due to the use of semantics in the debate by Peteraf et al., (2013) when attempting to reconcile the two factions compared with the direct critique of Eisenhardt and Martin’s (2000) conceptualisation by Teece (2014). Teece (2014) declares Eisenhardt and Martin’s (2000) position confused and flawed compared to the conceptualisation of dynamic capabilities by Teece et al., (1997) and offers no attempt at reconciliation. The lack of a definitive definition highlights the difficulty scholars’ face reconciling the varying conceptualisation. Whilst acknowledging dynamic capability is a flexible construct, a single holistic definition would be helpful to unify the field of study. However, Schilke et al., (2018) claim a consensus definition is not essential because the most frequently used definitions (see definitions by Teece et al., (1997), Eisenhardt and Martin (2000) and Helfat et al., (2007)) are complementary and build upon each other. Dixon, Meyer, and Day (2014) affirm dynamic capability theory is still evolving. Given the most recent frequently cited definition was conceived over twelve years ago the magnitude of specifying a definitive definition should not be underestimated.

2.4. Sources of dynamic capabilities

Dynamic capabilities cannot be bought but evolve over time within an organisation (Teece et al., 1997), are “difficult to identify” (Easterby-Smith et al., 2009, p. S4) and potentially specific to a firm or industry (Dixon et al., 2014). Teece (2014) suggests organisational routines are at the heart of dynamic capabilities; however, dynamic capabilities may also reside within the leadership of an organisation (Boccardelli & Magnusson, 2006). Where dynamic capabilities reside within the organisation is an important consideration for this study due to the anticipated influential role of the micro-enterprise owner-manager and the potential lack of differentiation between the owner-manager and the rural micro-enterprise.

2.4.1. The influence of organisational learning

Organisational learning is an important attribute contributing towards a firms' ability to build dynamic capabilities, improve its decision making ability and sustain competitive advantage (Ambrosini & Bowman, 2009; Prieto & Easterby-Smith, 2006). Hidalgo-Peñate, Padrón-Robaina, and Nieves (2019, p. 145) claim "knowledge may be the most distinctive and inimitable strategic asset" an organisation has. The ability of an organisation to learn, to generate and use knowledge could lead to a superior performance advantage. Learning from mistakes and experiences in a cyclical manner, which sparks ideas to improve routines and processes, can lead to dynamic capability development (Eisenhardt & Martin, 2000; Zollo & Winer, 2002). Easterby-Smith and Prieto (2008) contend that awareness of an organisation's learning process is advantageous when seeking to understand its dynamic capabilities because appreciating how a firm develops and transfers knowledge may help improve understanding about how it develops dynamic capabilities, including its ability to reconfigure its resource base to achieve sustainable competitive advantage (Bloodgood & Chilton, 2012; Winter, 2003; Zahra et al., 2006).

Zollo and Winter (2002) and Augier and Teece (2009) link learning with dynamic capabilities and the ability of an organisation to learn tasks. They advise 'learning by doing' generates organisational operational routines and the deliberate learning of knowledge leads to the development of dynamic capabilities. This linking of dynamic capability with knowledge management or knowledge based view of the firm (KBV) was expounded by Prieto and Easterby-Smith (2006) who support the notion that the evolution of dynamic capability is linked to the development of knowledge within an organisation and the on-going evolution of the organisations knowledge base.

2.4.2. The influence of managers

Prieto and Easterby-Smith (2006) consider the impact of social interaction upon the development of dynamic capabilities, finding the knowledge building skills of senior managers and their willingness to share knowledge influence dynamic capability development. The leadership within an organisation creates the vision and climate which can lead to dynamic capability development (Easterby-Smith et al., 2009).

For dynamic capabilities to function effectively, management need to build a “climate of trust” (Fainshmidt & Frazier, 2016). When a climate of trust exists in an organisation this positively influences the organisation’s capacity to change. Managers need to understand their unique roles, business processes and how people interact with each other within the culture they have established; hence dynamic capabilities can be influenced by the social skills of the organisation's leadership (Fainshmidt & Frazier, 2016).

2.4.3. The level at which dynamic capabilities resides

Historically attention has been focussed upon dynamic capabilities residing at the organisational-level, a single level which neglects the individual-level and network-level or at the individual-level, neglecting the other two levels (Rothaermel & Hess, 2007). Rothaermel and Hess (2007) caution this single level approach assumes heterogeneity at the level of investigation whilst the other two levels are assumed to be homogeneous. Such a mono-level approach could lead to a fundamental misrepresentation of reality. In practice all levels are likely to be heterogeneous. Salvato and Vassolo (2018) explore a multiple-level theory of dynamic capability connecting the micro-, meso- and macro-levels, see figure 2. Their theory puts people at the heart of dynamic capability.

Figure 2: A multi-level approach to dynamic capability

Levels	Mechanisms	Outcomes
Macro- Organisational level		
Dynamic Organisational Capability	Resource dynamization	Fitting resource dynamization Implementation of best fit approach in dynamic environment
Meso- Interpersonal level		
Dynamic Interpersonal Capability	Inter-personal participation	Intense participation Inter-personal managerial relationships enable advising and acceptance of resource base changes
Micro- Individual level		
Dynamic Managerial Capability	Individual integration	High integration Individual managers recognise if actions require resource base change

Adapted from: Salvato and Vassolo (2018, p.1734)

At the organisational-level, dynamic capability is driven by repeatable routines (Pentland, Feldman, Becker, & Liu, 2012; Salvato & Vassolo, 2018). Allied with the findings of Zollo and Winter (2002), Pentland et al., (2012, p. 1488) affirm dynamic capabilities are "learned and stable patterns of collective activities that modify an organizations operating routines" with such routines being linked to the organisation's absorptive capacity. The element of repeatability in routines can acts as a limiting determinant of individual creativity and innovativeness.

Within the meso-level, the sharing of actions across a network of employees is achieved through dialogue. Organisational-level dynamic capability development depends upon the integration of individuals and the participation of individuals in the meso-level to maintain organisational ambidexterity. The presence of the meso-level underlines the complex nature of organisational-level dynamic capability development. Whereas, at the micro-level decision making ability is usually exhibited by a few senior managers (Adner & Helfat, 2003; Teece, 2007; Helfat & Peteraf, 2015). This centralisation of decision making power by senior managers can stifle subordinate creativity (Salvato & Vassolo, 2018), an observation which may equally apply to rural micro-enterprise owner-managers if it is assumed the owner-manager exerts significant influence and control over their businesses.

This research study agrees with Pentland et al., (2012) and Rothaermel and Hess (2007) that people are complex and have unique attributes. Individuals' characters matter and should not be ignored when investigating organisational-level dynamic capabilities. Furthermore, Salvato and Vassolo (2018) grant individual characteristics such as motivation can become micro-foundations of dynamic capability and, as promoted by Pentland et al., (2012), potentially act as a conduit to connect the individual-level with the organisational-level. Individuals' actions being driven by a combination of "cognition, habit and emotion" (Salvato & Vassolo, 2018, p.1730).

Mudalige, Ismail, and Malek (2018) also advocate dynamic capabilities can reside at both the individual and organisational-level. If dynamic capability is considered a continual process for business optimisation, to drive this process Mudalige et al., (2018) contend dynamic capabilities reside at multiple levels in the organisation. They declare each level is inextricably linked to such an extent that both organisational-level dynamic capabilities and owner-manager dynamic capabilities can directly influence organisational performance. Mudalige et al., (2018) classify owner-manager dynamic capabilities as distinct from dynamic managerial capabilities which are traditionally portrayed as a micro-foundation of

organisational-level dynamic capabilities. Although this thesis respects Mudalige et al's., (2018) construct of owner-manager dynamic capabilities, for the purpose of this research, the author considers that any dynamic capabilities found residing at the individual-level will be classed as dynamic managerial capabilities, aligned with Adner and Helfat's (2003) conceptualisation of dynamic managerial capabilities. Salvato and Vassolo (2018) aver dynamic capability is not a facet that can be seen in action but an emergent configuration based upon individuals' dialogue. Synchronicity being needed across all three levels for an organisation to achieve a performance advantage.

2.5. Micro-foundations of dynamic capabilities

Research into micro-foundations is over 100 years old (Felin et al., 2012). Interest in micro-level theory gained popularity within the economic theory of the 1960s. Micro- can refer to people, processes, and interactions between structures. Teece (2007) defines the micro-foundations of an organisation's dynamic capabilities as "distinct skills, processes, procedures, organizational structures, decision rules and disciplines" (Teece, 2007, p. 1319) which underpin the business's idiosyncratic sensing, seizing and reconfiguring abilities. This definition is built upon by Eisenhardt et al., (2010, p. 1263) who delimit micro-foundations as "underlying individual-level and group-level actions that shape strategy, organization, and, more broadly, dynamic capabilities, and lead to the emergence of superior organization-level performance".

When investigating which micro-foundations underpin rural micro-enterprise dynamic capabilities, the definition of micro-foundations adopted for this research hybridises Teece's (2007) and Eisenhardt et al's., (2010) definitions. Micro-foundations being defined as the distinct skills and actions underpinning individual-level and organisational-level processes which lead to rural micro-enterprise performance advantage. This nuanced definition feels more appropriate to a rural micro-enterprise where the observation of repeatable routinised processes is considered a marker for the presence of dynamic capabilities

Becoming a feasible foundational explanation of the "general origins of capabilities or dynamic capabilities" (Felin et al., 2012, p. 1352) micro-foundations provide a causal explanation of what underpins a routine or capability. Drawing parallels with dynamic capability, Barney and Felin (2013) submit there is little consensus of what comprises micro-foundation research. It has become diverse. Micro-foundation research includes Gavetti's (2005) research about individual level

concepts and Eisenhardt et al's (2010) study into the role of structures in dynamic environments. Yet, Barney and Felin (2013) acknowledge, supporting Teece's (2007) argument, that the building blocks of a construct need to be comprehended before the construct can be understood.

This theoretical observation is an important tenet for this research. This research aligns with Felin et al., (2012) observation that many questions about micro-foundation of capabilities and routines remain outstanding and Fallon-Byrne and Harney's (2017, p. 21) view that more understanding about the "origin and evolution of dynamic capabilities" is needed.

It can be seen from extant literature evidenced in table 3 that the majority of learning about micro-foundations has taken place in a large organisation context.

Table 3: Selected micro-foundations

Authors	Micro-foundations	Context
Adner & Helfat, 2003	Human Capital, Managers Social Capital, Managers Cognition	Large Organisation
Pelaez, Hofmann, Melo & Aquino, 2009	Cognitive elements of the individual	Large Organisation
Teece, 2009	Organisational Structure	Large Organisation
Eisenhardt, Furr & Bingham, 2010	Abstract thinking	Large Organisation
Hodgson, 2012	Individuals relationships	Large Organisation
Beck & Wiersema, 2013	Innate abilities, Past experiences	Large Organisation
Winter, 2013	Technology	Large Organisation
Dixon, Meyer & Day, 2014	Knowledge Acquisition	Large Organisation
Helfat & Martin, 2015	Social Capital	Large Organisation
Helfat & Peteraf, 2015	Perception, Attention, Problem solving, Reasoning, Communication and Social Capital	Large Organisation
Inan & Bititci, 2015	Organisation learning, Organisation Culture	Micro-organisation
Bendig, Strese, Flatten, da Costa & Brettel, 2017	CEO's personality traits	Large Organisation
Fallon-Byrne & Harney, 2017	Employees perception and Employees Behaviour	Large Organisation
Kevill, Trehan & Easterby-Smith, 2017	Managers self-efficacy	Micro-organisation
Mahringer & Renzl, 2018	Entrepreneurial Initiatives	Large Organisation

Before we can increase understanding about the micro-foundations of dynamic capabilities within rural micro-enterprise a review of existing micro-foundation literature is helpful to understand where micro-foundations fit within this study. Felin et al., (2012) suggest segmenting micro-foundations of routines and capabilities into three core areas. The first of these being individuals. They contend

understanding an individual's role is important when developing knowledge about routines and capabilities, likening understanding to entrepreneurial management as discussed by Teece (2012). Furthermore, Felin et al., (2012) reason an organisation is made up of individuals and these individuals influence organisational success through their choices, beliefs, behaviour, interests, skills and characteristics.

The second area is process and interaction. Individuals implement processes, where processes are defined as a "sequence of interdependent events" (Felin et al., 2012, p. 1362). The interaction between processes and individuals can lead to the emergence of routines and capabilities. Structure is the third area. Felin et al., (2012) identify structures as a determinant for the context and interaction of a firm. Structures either constrain behaviour or enable collaboration and efficient process design. However, Felin et al., (2012) acknowledge the micro-foundations of dynamic capabilities as proposed by Teece (2007) may differ to the micro-foundations of routines and capabilities thus persisting the ambiguity surrounding dynamic capability.

Taking an alternative stance, Hodgson (2012) criticises Abell et al., (2008) and Felin et al., (2012) by declaring an organisation is greater than a collection of individuals and as such it is riddled with ambiguities. Hodgson (2012) urges an individual's motivations and psychology should be understood; opining if a micro-foundation is to be valid it should reflect more than just the reduction of an individual's motivation, psychology and processes. Barney and Felin (2013, p. 145) consider micro-foundations "pragmatic observations" achieved by discerning lower level factors to enable a better understanding of an entity or process. They caution, micro-foundations are not just about the continual reduction of constructs at the expense of individuals or borrowed concepts such as absorptive capacity but can be context specific.

Hodgson's (2012) stance is of interest to this study from the perspective that individuals are unique, have a unique influence upon the businesses they work within, such as rural micro-enterprise owner-managers and their impact upon their businesses. Nevertheless, Felin et al's., (2012) contention that individuals' capabilities can act as micro-foundations for routines and capabilities and by extension dynamic capabilities closely aligns to the conceptualisation of the role of individuals within dynamic capability theory adopted by this study. Individuals and their skills differ as does their contribution to an organisation. This individuality can influence the organisation's routines and capabilities, such as the ability to work cross functionally or adapt to new technology and learn.

A formative protagonist of the micro-foundations of dynamic capabilities is Teece (2007) in his influential paper "Explicating Dynamic Capabilities: The Nature and Microfoundations of (Sustainable) Enterprise Performance". In this paper he disaggregates dynamic capability into three foundational activity clusters relating to the sensing, seizing and transforming abilities of an organisation, see table 4. In doing so Teece (2007) articulates his conceptualisation of the architecture of dynamic capability.

Table 4: Micro-foundations of dynamic capabilities

Dynamic Capability	Foundation	Selected Micro-foundations
Sensing	Organisation and individuals ability to learn, sense, filter, shape and calibrate opportunities	Processes to direct internal R&D and select new technologies Processes to collaborate with supplier and customer innovation Processes to exploit external science and technology Processes to understand customer needs and innovation as well as identify target markets.
Seizing	Organisation structure, procedures, design and incentives for seizing opportunities	Select the decision making process Identify boundaries of the enterprise Manage the platforms Build loyalty and commitment Delineate customer solutions and the business model
Transforming	Continuous alignment and realignment of specific, tangible and intangible assets.	Co-specialisation Knowledge management Organisational governance Organisation decentralisation

Source: Adapted from Teece (2007) p1324

Teece (2012) builds upon his earlier work, suggesting that these three aggregations are the foundation blocks which underpin dynamic capabilities. The micro-foundations being distinct from the dynamic capabilities themselves. However, as is the case with dynamic capabilities it can be difficult to identify individual micro-foundations and observe them in practice. It is this sensing, seizing and transforming architectural blueprint of dynamic capabilities which this thesis adopts because by aligning the findings of this research to the sensing, seizing and transforming clusters the micro-foundations which underpin identified dynamic capabilities will be ascertained.

2.5.1. Sensing

Sensing opportunities and threats are deemed important abilities for firms. Sensing can enable organisations to maximise new opportunities in rapidly changing markets (Teece, 2007) and is summarised in figure 3.

Figure 3: Sensing



Sensing capabilities are represented by the firms processes used to scan the external environment to seek new opportunities (Jantunen et al., 2018) Opportunities can be detected by accessing new information, information residing outside the organisation and creatively evaluating existing information, information residing inside the organisation. Information accumulated through listening to customers discussing their needs, building up market intelligence then using the gleaned information to assess future opportunities which are likely to be relevant to the organisation. These opportunities need to be assessed and evaluated to shape the future of the organisation, an important ability for a rural micro-enterprise. Teece (2007) advises the sensing foundation of dynamic capability is underpinned by micro-foundations such as manager cognition and organisational research and development (R&D) activities.

2.5.2. Seizing

The seizing micro-foundation of dynamic capabilities espouses maximising opportunities ahead of the competition. Seizing activities are the firm's efforts to create maximum value from opportunities (Jantunen et al., 2018) and satisfy their existing and potential customer base. New opportunities are "addressed through new products, processes or services" (Teece, 2007, p. 1326). Figure 4 depicts seizing activities.

Figure 4: Seizing



Relationships and networking across business stakeholders is considered important when seizing opportunities. Strong relationships with partners could ensure a more holistic business design is conceived. A collaborative design is more likely to lead to opportunity maximisation because key stakeholders are embedded in the design process.

Teece (2007) suggests opportunities could include investing in upgrading resources and competencies, within a critical timeframe. The market and organisational structure need to be aligned and ready to maximise the new opportunity. If they are not aligned it is advisable not to pursue the identified opportunity because pursuing it could lead to wasted resources and failure. In micro-enterprises, which are typically resource poor this waste of resource could be detrimental to their long term success. Therefore, this means that not all sensed opportunities are seized (Teece, 2007). The seizing capability is considered by Teece (2018) to be influenced by dynamic managerial capabilities (Adner & Helfat, 2003), especially those supporting business change activities and networking.

2.5.3. Transforming

Transforming, figure 5, encompasses recombination of an organisations asset base and structures to accommodate growth and maintain organisational fitness (Teece, 2007).

Figure 5: Transforming



Jantunen et al., (2018) confirm that transformation of a firm's assets can be used to renew existing capabilities as well as building new ones. By transforming the asset base of the business, whilst maintaining alignment with the external environment the business evolves, becoming ready to optimise new market opportunities. Transforming, if underpinned by the micro-foundations of corporate governance, asset management, knowledge and learning and structural change (Teece, 2007) may lead to an organisation achieving sustained competitive advantage. Transforming capability is acknowledged as the most difficult capability for micro-enterprises to develop (Kelliher et al., 2018).

Felin et al., (2012) allege that due to the diverse nature of dynamic capabilities, different micro-foundations underpin different dynamic capabilities. Barney and Felin (2013) suggest the micro-level is influenced by the information and knowledge residing within individuals working for an organisation rather than the organisation itself. As Hodgson (2012) argues, searching to identify micro-foundations of dynamic capabilities is ambiguous because the search chooses to ignore the failure to find micro-foundations in other disciplines such as macro-economics.

However, this thesis supports Barney and Felin (2013), Abell et al., (2008), Eisenhardt et al., (2010) and Fallon-Byrne and Harney (2017) who highlight that there is insufficient understanding apropos linkages between dynamic capabilities and their micro-foundations. Such scholars call for more empirical research to build knowledge about the micro-foundations of dynamic capabilities and how they can impact and influence a firm's performance, especially if they occur due to human interactions.

2.6. Dynamic Managerial Capabilities

Teece (2007) acknowledges the importance of entrepreneurial capability to sense and shape opportunities. Pelaez et al., (2009, p. 206) support this position, suggesting "microfoundations are rooted in a cognitive approach to the mind of an individual" and the cognitive ability of the rural micro-enterprise owner-manager is important for organisational success. Entrepreneurs and owner-managers face the challenges of interpreting and co-ordination resources within an organisation, especially a rural micro-enterprise where resources tend to be scarce. If a firm is conceptualised as a set of re-combinable resources, entrepreneurs are advised to assimilate and interpret information to the best of their cognitive ability and to collaboratively interact with colleagues to recombine those resources which have

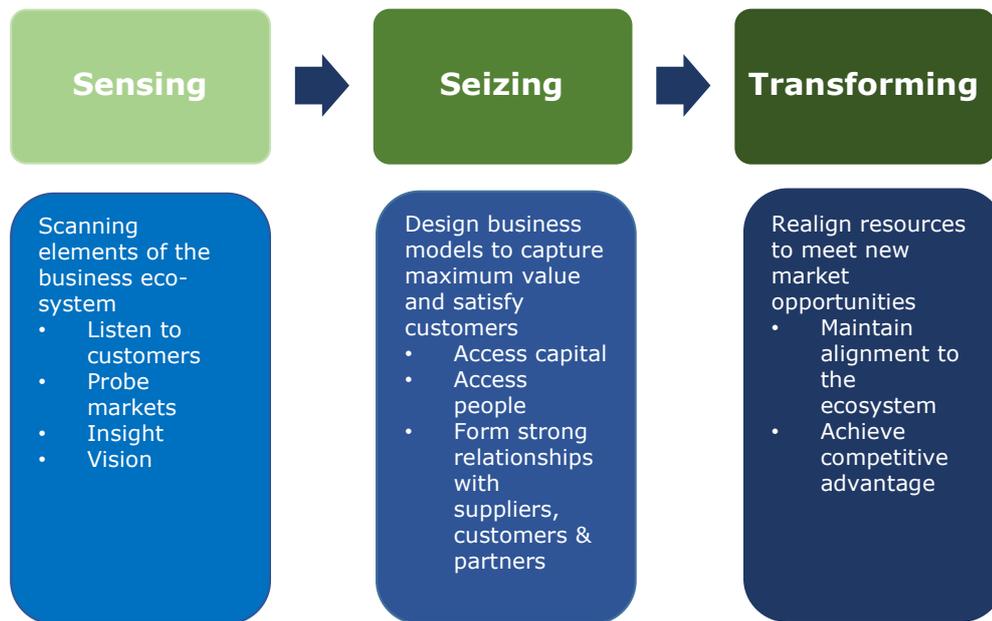
been impacted upon by the environment; thus, enabling the firm to grow (Pelaez et al., 2009).

Helfat and Peteraf (2015) argue that the true focus of Teece's (2007) research was the enterprise rather than the individual. Nevertheless, Teece (2018) concedes if dynamic capabilities reside at the individual-level they could be more difficult to imitate because they may reflect the idiosyncratic traits inherent in individual managers as well as the culture and heritage of the organisation. This evolved thinking regarding the potential for dynamic capabilities to reside at the individual as well as the organisational-level is pertinent to this research given the anticipated influence of the owner manager upon the business model adopted by the rural micro-enterprise.

Delineating where dynamic capabilities resides is a perennial challenge. For example, consider managerial social capital. Adner and Helfat (2003) identify managerial social capital as a foundation of dynamic managerial capability deeming it an individual-level construct. However, Rodrigo-Alarcón, García-Villaverde, Ruiz-Ortega, and Parra-Requena (2018) in their Spanish Agri-food research recognise social capital as being active at the firm-level, enabling knowledge transfer to aid dynamic capability development and support superior firm performance. Thus, the conceptualisation of social capital as an individual-level attribute, defining it as a micro-foundation of dynamic managerial capability places it at the individual-level whereas, conceptualising social capital as present at an organisational-level anchors it within the macro-level; neither view can be considered wrong thus accentuating the ambiguity surrounding dynamic capability theory.

Adner and Helfat (2003) claim dynamic managerial capability supports management decision making within a firm during turbulent times. They define dynamic managerial capability as "the capabilities with which managers build, integrate and reconfigure organizational resources" (Adner & Helfat, 2003, p. 1012) and advise it is underpinned by managerial human capital, managerial social capital and managerial cognition. Figure 6 highlights examples of micro-foundations which underpin dynamic managerial capabilities.

Figure 6: Examples of micro-foundations underpinning dynamic managerial capabilities



Source: Adapted from Teece, 2007

It could be argued that Adner and Helfat (2003) conceptualise dynamic managerial capability as residing at an individual-level and consider the concept analogous to dynamic capability which Teece et al., (1997) consider resides at the organisational-level. The concept of dynamic managerial capability residing at the individual-level is advanced by Helfat and Peteraf (2015) who suggest the role of the manager is an important aspect in the ability of an organisation to change. They introduce the concept of managerial cognitive capability, defining it as “the capacity of an individual manager to perform one or more of the mental activities that comprise cognition” (Helfat & Peteraf, 2015, p. 835). These mental activities include problem solving ability (the ability to creatively think of solutions to achieve goals), awareness (being aware of the environment which is a critical antecedent for perception) and perception (the ability to perceive and interpret).

Helfat and Peteraf (2015) observe that not all managers have the same skillset or mental ability hence they are not all equally competent. However, the cognitive ability of organisational leaders, functional managers and middle managers can influence firm performance. Managers’ cognition can be considered to “shape strategic decisions and outcomes” (Adner & Helfat, 2003, p. 1021) and help explain the heterogeneity of management decision making. It could be argued that management decision making is an important aspect in shaping

organisational strategy and business planning (Teece, 2018). This contention leads to the supposition that dynamic managerial capability is an important concept to explore during this research.

2.7. Dynamic capability impact upon business

Teece (2007) considers dynamic capabilities pivotal for business success particularly within large organisations. "The strength of a firm's dynamic capabilities help shape its proficiency" (Teece, 2018, p. 18). Teece (2018) asserts strong dynamic capabilities can help an organisation to profitably reconfigure its resources, ordinary capabilities and assets in response to market dynamism.

2.7.1. Influence of organisational rate of change

Helfat and Peteraf (2003) observe capabilities have a natural lifecycle, akin to the product lifecycle of growth, maturity and decline. This cycle could help explain why organisations lose competitive advantage over time. To maintain relevance, an organisation's capabilities require refining and renewing to enable a firm to continually perform at the highest possible level (Helfat & Peteraf, 2003).

Helfat and Peteraf (2009) contend dynamic capabilities can be considered a strategic approach towards understanding strategic change within an organisation. Moreover, dynamic capabilities can help drive the rate of change within an organisation (Teece, 2012). Although they are arguably only one management tool which can be deployed to elicit strategic change, alternative approaches being ad hoc problem solving (Winter, 2003) or continual improvement of ordinary capabilities.

Helfat and Peteraf (2009) and Kleinbaum and Stuart (2014) agree business strategy is influenced by the organisation's dynamic capabilities. Kleinbaum and Stuart (2014) affirm for an organisation to change it needs to undergo an internal re-configuration of its resources. If the organisation has a strong, responsive social and internal network it is more likely to respond positively to strategic change. Corporate strategic decisions are influenced by the need to change over time (Adner & Helfat, 2003). Thus, dynamic capabilities have the potential to increase understanding about strategic change, particularly relating to "sustaining a capabilities based advantage" (Helfat & Peteraf, 2009, p. 99) in a turbulent

environment. However, as with many of the studies cited in this literature review, the findings are informed by studying large organisations.

2.7.2. Organisational ability to adapt

Dixon et al., (2014) suggest within a dynamic market an organisation's competitive advantage may become eroded over time by imitation and substitution. This position opposes Barney's (1991) view that for an organisation to achieve competitive advantage their resources should comply with the VRIN framework. However, Barney (1991) states that in addition to resources complying with the VRIN framework, management analysis is needed for an organisation to maintain competitive advantage. It can be implied, if the calibre of the management analysis changes or levels of managerial cognition deteriorates, the organisation is unlikely to be able to sustain competitive advantage. To combat the loss of competitive advantage Dixon et al., (2014) introduce the concept of adaption capability. They advance adaption capability could be utilised in the short-term to support new developments and innovation capabilities which over the long-term could contribute towards rebuilding competitive advantage.

Change is needed to avoid organisations becoming complacent (Teece, 2012). Change can be costly and unsettling for the organisation's workforce. Dynamic capabilities of adaption and innovation could help an organisation respond to change within its environment (Dixon et al., 2014; Helfat & Peteraf, 2003). The disruption of change may be amplified within a rural micro-enterprise because, as theorised in this research, the workforce is small and likely to be part of a strong social network. Thus, the impact of change may have a ripple effect throughout the immediate rural community, especially if the change results in downsizing or business relocation.

2.7.3. Organisational development of dynamic capabilities

An organisation is better placed to succeed if it has developed unique dynamic capabilities over time rather than acquired them by taking-over an organisation which already had the dynamic capabilities sought by the purchasing organisation (Dixon et al., 2014). This concept of developing dynamic capabilities was promoted by Teece et al., (1997) and allies with Zahra et al., (2006) who agree that established businesses may have an advantage if they develop dynamic

capabilities; especially if the dynamic capabilities are in the areas of business strategy and marketing which can lead to organisational agility.

Dynamic capabilities can help maintain substantive (problem solving) capabilities enabling organisations to avoid certain business traps such as habitually repeating established routines, and processes. Established firms may need to unlearn traditional habits and learn to create and refine their dynamic capabilities to allow them to effectively use their existing resources and identify new ones (Zahra et al., 2006).

2.7.4. Dynamic capabilities and the entrepreneur

Entrepreneurial managers grow the business by challenging the status quo, whereas managers manage the business by seeking business stability. This is an important distinction to understand when a business is considering developing dynamic capabilities (Ambrosini & Bowman, 2009). Teece (2007) recommends having an entrepreneurial managerial approach to maintain dynamic capabilities. This approach refers the adoption of entrepreneurial behaviour traits by managers such as innovation and risk taking, predominantly present during enterprise start-up. At business start-up, managers should be identifying and grasping new opportunities, exhibiting individual entrepreneurial behaviour known as "entrepreneurial managerial capitalism" (Teece, 2007, p. 1348).

By maintaining his focus upon the organisation, Teece (2012) remains true to his original conceptualisation of dynamic capability reiterating that dynamic capability reside at the organisational-level. He suggests that senior managers' entrepreneurial managerial capital can be considered a routine process and is required to maintain the dynamic capabilities within the organisation. He continues to advocate entrepreneurial behaviour amongst individuals as critical for continued organisational success stating, "entrepreneurship is about sensing and understanding opportunities, getting things started and finding new and better ways of putting things together" (Teece, 2012, p. 1398). In fact, Teece (2018) confirms managerial leadership skills are an important block within the dynamic capability framework.

Over time some entrepreneurial traits can become embedded within organisational routines. This is positive for some organisations but in others it can lead to inertia or even cause internal turbulence (Teece, 2012). The cognitive ability of the entrepreneur is considered important for a firms' success because entrepreneurs

are challenged with understanding the environment a firm operates within (Pelaez et al., 2009). It has been debated in literature that entrepreneurial cognitive ability is an important influencing factor contributing towards organisational growth (Helfat & Peteraf, 2015; Teece, 2007; Zahra et al., 2006). If entrepreneurial cognitive ability is examined within the context of dynamic capability, it could be influential upon organisational process development and resource configuration (Wright & Stigliani, 2013).

Boccardelli and Magnusson (2006) affirm an individual entrepreneur could be a source of dynamic capabilities. The entrepreneurial manager could identify future capabilities and opportunities for organisational value creation; entrepreneurial managerial capabilities may include "value creation, opportunity recognition and the discovery of future business" (Boccardelli & Magnusson, 2006, p. 166). These capabilities appear to align with the sensing foundation of dynamic capabilities identified by Teece (2007). However, in contrast to Teece (2007), Alvarez and Busenitz (2001) argue opportunity recognition and resource organisation are entrepreneurial attributes rather than dynamic capabilities.

Entrepreneurial opportunity adoption is claimed to be important when an enterprise is becoming established and contrasts with the "analysis and continuity" (Boccardelli & Magnusson, 2006, p. 166) approach favoured by larger, established organisations. During the early stages of business development, it is suggested that firms need to be flexible and able to balance their focus between the organisation's core competencies and business uncertainties. Wright and Stigliani (2013) observe entrepreneurial growth is influenced by the selection and structure of human capital, social networks, financial resources and the technical resources residing within the firm. In fact, Helfat and Peteraf (2003) maintain when an organisation is becoming established it does not have any dynamic capabilities, hence organisational-level dynamic capabilities have minimal impact upon how an enterprise becomes established. This notion is contested by Boccardelli and Magnusson (2006) who suggest, during the start-up phase of an enterprise, dynamic capabilities reside at the individual-level within the enterprise's management team.

This thesis agrees with Boccardelli and Magnusson's (2006) claim that dynamic capabilities within entrepreneurial settings are not well represented within influential dynamic capability conceptualisations such as Teece et al's., (1997) and Eisenhardt and Martin's (2000) conceptualisations which focus upon organisational processes.

2.8. Enterprise and Micro-enterprise

The second section of literature informing this research considers the importance of enterprise to the UK economy. The difference between large, SME and micro-enterprises is summarised because it is an important aspect for this research because the research is set within the rural micro-enterprises context. An awareness of the micro-enterprise context is essential because, as previously discussed, dynamic capability is context specific. Hence, the context is likely to influence the dynamic capabilities and micro-foundations of dynamic capabilities identified and the level at which they reside within the rural micro-enterprise.

2.8.1. The importance of Enterprise to the UK economy

The European Commission (2016, p. 9) provides a helpful definition of enterprise as “any entity engaged in an economic activity, irrespective of its legal form”. This definition is intended as a catch-all for all sectors of enterprise from family business engaged in ‘ad hoc’ activity to partnerships operating ‘day to day’ business activities.

To account for different sizes of enterprises, the European Commission (2016) further segments SME’s by employee number, annual turnover and size of their balance sheet into medium, small and micro as detailed in table 5.

Table 5: Enterprise threshold levels

Enterprise size	No of employees	Annual turnover	Annual balance sheet
Micro	<10	<= 2m Euro	<= 2m Euro
Small	<50	<= 10m Euro	<= 10m Euro
Medium	<250	<= 50m Euro	<= 43m Euro

Source: Adapted from European Commission (2016) User Guide to the SME Definition

This segmentation is contextualised in table 6, compiled by amalgamating the observations of Inan and Bititci (2015), Oliveria, Filho, Nagano, and Ferraudo (2015) and Kearney, Harrington, and Kelliher (2015). A combination of sources was used to comply with the definition of micro-enterprise adopted for this research, i.e. has ten or less employees, which varies from the micro-enterprise conceptualisation of Inan and Bititci (2015).

Table 6: Large, SME and Micro-enterprises business characteristics

	Large	SME	Micro-Enterprise
Leadership	Predominantly strategic	Bias to operational rather than strategic	Predominantly operational
Management	Participative	Participative and directive	Directive
Strategic planning	Long and short-term	Short-term and niche	Survival
Organisational structure	Hierarchical	A few layers	Flat
Systems & Procedures	Highly standardised and formal	Limited standardisation	Minimal procedures
Human Resources	Planned and large scale	Ad hoc, small scale	Minimal
Market & customer focus	Large customer base and formal relationships	Limited customer base, informal and formal relationships	Small customer base with informal relationships
Operational improvement	Significant	Limited	Minimal
Innovation	Based upon R&D	Based upon networking	Based upon customer need
Networking	Extensive	Limited	Minimal

Source: Adapted from Inan and Bititci (2015), Kearney, Harrington & Kelliher (2013) and Oliveria et al., (2015)

The small business population within the UK is highly diverse in terms of business aspirations, commercial abilities and the market sectors in which they operate (Blackburn, Hart, & Waimwright, 2013). Blackburn et al., (2013) contend that the characteristics of owner-managers, in addition to organisational characteristics influence the success of the enterprise. They maintain business growth is non-linear and subject to many internal and external influencing factors such as employee capability, interest rate fluctuations and market competition.

2.8.2. The intertwining of Entrepreneurship and Dynamic Capability

Within entrepreneurship literature there are multiple approaches to defining and conceptualising entrepreneurship. The term entrepreneur is derived from the French verb 'entreprendre' meaning to do. Its contemporary form first appeared in 1433 and is commonly used to refer to a business owner. The term entrepreneur is contested, having no absolute definition and being influenced by its context and field of study (Filion, 2011). Gutterman (2018) suggests that the term entrepreneur has for the micro-enterprise, growth and wealth creation connotations attached to it. Filion (2011) extends this thought submitting that an entrepreneur is more than simply a wealth creator, they also innovate, take risks,

optimise available resources, learn from their actions and develop their abilities and ventures.

One view of entrepreneurship presented by Verduijn, Dey, Tedmanson, and Essers (2014) intertwines the concept with a propensity to seek positive economic growth outcomes; entrepreneurship acting as a transformative power to positively change the life of the entrepreneur. In fact, this position adheres to the Schumpeterian tradition of the entrepreneur positioned as a disruptive influence upon the environmental ecosystem, the life-changing event being a catalyst for disruption.

Considering the perspective of entrepreneurship outlined by Verduijn and Essers (2013); they deem Verduijn et al's (2014) view of entrepreneurship as 'romanticised'. Verduijn and Essers (2013) suggest entrepreneurship is a force for emancipation of the owner-manager. However, one person's emancipation can translate into another person's oppression, indicating that entrepreneurship may drive change for the sake of change, even in some instances where change is not desired (Rindova, Barry, & Ketchen, 2009). Rindova et al., (2009, p. 477) conceptualise entrepreneurship as "efforts to bring about new economic, social, institutional, and cultural environments through the actions of individuals or groups of individuals." Whereas Verduijn et al., (2014) explain entrepreneurship simplistically as new venture creation for profitable growth.

However, Gölgeci, Larimo, and Arslan's (2017, p. 24) viewpoint suggests that "actions are a manifestation of capabilities and enterprises are a collection of capabilities." Their statement seems to bridge the fields of entrepreneurship and dynamic capability research by insinuating that the dynamic capability approach has many commonalities with an institution based entrepreneurial approach. Gölgeci et al., (2017) build upon Teece's (2007) presumption that entrepreneurship is a primary function of dynamic capability and Corner and Wu's (2011) proposition that dynamic entrepreneurial capability is required to build a business. Thus, dynamic capabilities are effective when used to re-shape assets (Gölgeci et al., 2017) and are the essence of and can help to explain entrepreneurial behaviour (Teece, 2014).

2.9. Micro-Enterprises

This section explores the micro-enterprise context, an important aspect of this research given the aim of the research is to increase understanding about dynamic capabilities and their micro-foundations within rural micro-enterprises.

It starts by raising awareness of the different definitions of micro-enterprise, continuing with a discussion about the characteristics of micro-enterprises, the influence of micro-enterprise owner-managers and the importance for micro-enterprises to differentiate themselves from larger organisations. The section concludes with a review of extant dynamic capability theory within the micro-enterprise and rural micro-enterprise contexts.

2.9.1. Definition of a micro-enterprise Research into micro-enterprises is a relatively new area. There is, at the time of this research, no standard definition of a micro-enterprise. A selection of definitions are outlined in table 7.

Table 7: A cross section of micro-enterprise definitions

Source	Definition
Midgley (2008, p.468)	"Small businesses owned and operated by poor people or groups of poor people with the support of sponsoring organizations"
European Commission (2013)	A business which employs <10 people and has a turnover or balance sheet of less than or equal to 2m Euro per annum
Australia bureau of statistics (2019)	A business employing between 0 and 4 people
Financial conduct Authority (2019)	A business which employs <10 people and has a turnover of less than or equal to 2m Euro per annum
The Business Dictionary (2019)	The smallest businesses in a country which operates with the least capital and number of employees. Usually operates within a small geographic area to provide services or goods for their community.
California Association for Micro Enterprise opportunity (2019)	A micro-business is a firm with five or fewer employees, started for \$50,000 or less in initial capital and that may not have access to traditional commercial loans.
ONS (2019)	A business with less than 15 or 10 employees
GOV.UK(2019)	A business with two of the following three conditions fewer than 10 employees and a turnover of £632,000 or less per annum and less than £312,000 on the annual balance sheet
Government of India (2019)	In a micro-enterprise plant and machinery investment does not exceed Rs. 25 lakh or investment in equipment does not exceed Rs. 10 lakh as defined by the Government of India

The definition of micro-enterprise varies between countries and government agencies. One of the most commonly used definitions based upon scale is provided by the European Commission (Kelliher & Reinl, 2009). This definition is reinforced by Brincat (2014) who ascertain micro-enterprises are typically defined by their

small number of employees, limited access to finance and tendency to be family owned. It is this definition provided by the European Commission (2016) which is adopted throughout this research.

In addition to ascribing to the European Commission's (2016) parameters defining a micro-enterprise, this research aligns with Kelliher and Reinl's (2009) position that micro-enterprises tend to have simple organisational structures due to the owner and principal decision maker being the same person. A flat organisational structure can allow decisions to be taken quickly, enabling the enterprise to adapt to change if it chooses (Kelliher & Reinl, 2009).

2.9.2. Characteristics of micro-enterprises

The UK micro-enterprise sector is described by Faherty and Stephens (2016) as heterogeneous, encompassing businesses which are based either from home or at distinct premises such as shops or business units, providing part-time as well as full-time work. As a sector "micro-firms are increasingly important with respect to competitiveness, employment and growth" (Jaouen & Lasch, 2015, p. 413). A successful micro-enterprises can stimulate economic growth and help to reduce poverty (Lyons, Brown, & Msoka, 2013) through wealth and job creation within their local community. Deakins, Bensemann, and Battisti (2016) and Faherty and Stephens (2016) acknowledge that there is a paucity of micro-enterprises research. This request for further research into micro-enterprises fits within the parameters of this research.

Micro-enterprises tend to be thought of as more entrepreneurial, risk taking and innovative than larger organisations, possessing a willingness to challenge the status quo and adopt new technologies (Blackburn et al., 2013). The willingness to adopt new technologies identified by Blackburn et al., (2013) contrasts with other scholars' findings, such as Jones, Simmons, Packham, Beynon-Davies, and Pickernell (2014) who identify several challenges micro-enterprises face when adopting information and communication technology (ICT). Jones et al., (2014) state ICT adoption is essential for business success, yet for micro-enterprises, cost versus benefit evaluations tends to focus upon short-term gains rather than long-term benefits. Within micro-enterprises, it could be surmised that the degree of ICT adoption is heavily influenced by the attitude and strategic capability of the micro-enterprise owner-manager. In fact, ICT adoption challenges may be

amplified in rural micro-enterprises due to the barriers identified in section 2.10.4, such as lack of availability of high speed broadband and the cost of adoption.

Micro-enterprises may have an inherent size based agility and flexibility advantage compared to larger organisation. Conversely, their size may be a disadvantage because it necessitates staff multitasking and may limit the ability of the business to have in-house expert specialisations in areas such as innovation, strategy development and IT (Faherty & Stephens, 2016). This positions aligns with Ngugi, Johnsen, and Erdelyi's (2010) findings that small firms may be capacity and capability constrained compared to larger organisations with greater capabilities. External co-operation, such as networking and collaborating with suppliers to provide promotional support and product training is very important to micro-enterprises. In fact, collaboration could be a valuable way for micro-enterprises to supplement and compliment their available resource pool (Tu, Hwang, & Wong, 2014). Ngugi et al., (2010) agree, external relationships are influential to small firms. Interaction with larger businesses may help micro-enterprises build technological, knowledge management and managerial capabilities. By building such capabilities and developing dynamic capabilities for networking, technical aptitude and knowledge management this thesis conjectures that rural micro-enterprises are likely to be better placed to compete with organisations which have more resources and greater capabilities.

This research agrees with Kearney et al's., (2013) perspective that micro-enterprises are diverse, spanning multiple business sectors and locations. It also agrees that micro-enterprises have simple business structures (Kelliher & Reinl, 2009) which may provide wealth creation opportunities for their local communities. This research also acknowledges that micro-enterprises may not always have a wholly commercial outlook. Lifestyle, a positive work-life balance, may be the motivational impetus for an owner-manager to establish a micro-enterprise.

2.9.3. The influence of micro-enterprise owners

Felin et al., (2012) assert an organisation consists of individuals. These individuals influence organisational success through their choices, beliefs, behaviour, interests, skills and characteristics. This perspective allies with Blackburn et al., (2013) who contend business owner-managers' characteristics, in addition to organisational characteristics influence enterprise success. In fact, owner-

manager motivations and entrepreneurial management style can be regarded as some of the most important resources within a micro-enterprise (Blackburn et al., 2013). Owner-manager vision and character attributes having a major influence upon micro-enterprise strategy and success (Duarte Alonso, Bressan, & Sakellarios, 2016; Kearney et al., 2013). The notion of people being important contributors to the success of a business (Barney et al., 2001) is particularly relevant to this research because the success of rural micro-enterprises may be dependent upon the character attributes of their owner-managers.

The influence of the owner-manager is widely recognised throughout entrepreneurial literature. However, Sjögrén, Puumalainen, and Syrjä (2011) counsel this recognition has largely been informed from SME research. Testing this assertion, extant literature was searched for rural micro-enterprise owner-manager characteristics using a dynamic capability lens and scant information generated. Knowledge about management characteristics within dynamic capability literature tend to have been formed within a large organisation context and refer to characteristics of the organisation and senior leadership team rather than individuals. This lack of information about owner-manager character attributes is problematical because it could result in owner-manager character attributes as potential micro-foundations of dynamic capability being ignored.

Across SME literature many studies seek to increase understanding about owner-manager characteristics; such as research by Sharma and Tarp (2018) who observe some characteristics such as attitude to risk and innovation influence organisational performance. Furthermore, Maes, Sels, and Roodhooft's (2005) recognition that owner-manager character traits, such as values and attitudes shape the owner-manager's approach to growth, practices adopted within the business and long-term business survival. Additionally, Isaga (2018) proposes SME performance differentials could be due to owner-manager character traits such as behaviour, motivation and self-efficacy (Kevill et al., 2017). Extant SME literature focusses upon who the entrepreneur is, less attention afforded to how their character attributes influence their business.

The success of a micro-enterprise may not be wholly measurable in financial terms according to Tu et al., (2014) and Pickernell et al., (2013). In fact, the success of the rural micro-enterprise is likely influenced by its owner-manager's aspirations. This position allies with Kearney et al., (2013) and Jaouen and Lasch (2015) who recognise micro-enterprise owner-managers have many motivations "small business owners tend to assess entrepreneurial success through both financial and lifestyle criteria" (Jaouen & Lasch, 2015, p. 402) and Faherty and Stephens (2016)

who contend success is heavily influenced by the owners-managers' style and creativity.

Richbell, Watts, and Wardle (2006) segment owner-manager character attributes into two areas. Firstly, into psychological character traits (such as motivation, intellect, leadership, attitude to risk, judgement ability, emotional management, integrity and innovation) which Nimalathan (2008) suggest can inform how resources are used to influence firm performance. The second segment is antecedent background influences (such as age, education and location) which Kent Baker, Kumar, and Rao (2017) indicate can influence the owner-manager's ability to raise funds to finance the business. Richbell et al., (2006) contend owner-manager character attributes are not usually visible to the public. This makes tailoring support policies to target resources to meet owner-managers' needs difficult. This difficulty is likely due to a lack of understanding about rural micro-enterprise owner-manager character attributes; an area of interest to this research and one it seeks to contribute towards increasing understanding within.

Being the most influential person within the organisation, Jaouen and Lasch (2015) confirm the micro-enterprise owner-manager is ultimately in control of the firm's direction and strategy. The micro-enterprise owners-manager's character attributes and growth motivation is a pivotal determinant of micro-enterprise success yet risks dominating the organisation (Kearney et al., 2013; Perren, 1999; Tu et al., 2014).

2.9.4. Micro-enterprise; the presence of dynamic capabilities

A substantial body of dynamic capability literature is of a theoretical nature, with a focus upon large organisations (Mulders, Berends, & Romme, 2010), rarely micro-enterprises (Kevill et al., 2017). There is a scarcity of research into dynamic capabilities within micro-enterprises and even less about dynamic capabilities within rural micro-enterprises. A notable exception to this is the study by Grande (2011) which is discussed in more detail in section 2.9.8. Whilst there does appear to be a small upward trend in micro-enterprise dynamic capability research, extant literature within this area tends to be fragmented and lacking direction (Kevill et al., 2015). Moreover, much extant research incorporates both micro-enterprises and SMEs, see research by Alegre, Sengupta, and Lapiedra (2013), Evers (2011) and Vickers and Lyon (2014), thus losing focus of the specific micro-enterprise context.

This lack of focus is problematical because understanding if dynamic capabilities are present in rural micro-enterprises is important because new rural businesses are likely to be micro-enterprises (Tehrani & White, 2003) and the micro-enterprise context is likely to differ from that of larger organisations (Devins, Gold, Johnson, & Holden, 2005; Kelliher & Reinl, 2009; Matlay, 1999). The findings from dynamic capability research within the large firms' context may not be transferrable to micro-enterprises due to their inherent differences. Additionally, Mulders et al., (2010) recommend more empirical research is required to increase understanding about the role dynamic capability plays within micro-enterprises. Therefore, by investigating the presence of dynamic capabilities within rural micro-enterprises, this research will add to the body of extant empirical research into micro-enterprises (such as the empirical studies by Arend (2013) into US SMEs, Alegre et al's., (2013) study of French Bio-Tech firms and Kelliher et al's., (2018) study of UK hospitality businesses).

Inan and Bititci (2015) claim developing dynamic capabilities may not be relevant for micro-enterprises because, just as micro-enterprises differ from SMEs and larger organisation, so do the tools they need for organisational development. Likewise, Inan and Bititci's (2015) position supports Kelliher and Reinl's (2009, p. 522) declaration that "micro-firms are intrinsically different in their organisational characteristics and approach to business problems and...these differences render many of the theories derived from studies of larger businesses inappropriate when applied to micro-firms".

Irrespective of the firms' size, Evers (2011) recommends that developing dynamic capabilities is an important step towards achieving sustainable competitive advantage. This facet of dynamic capability theory builds upon extant literature which suggests a positive relationship between organisational performance and the presence of dynamic capabilities (Eisenhardt & Martin, 2000; Teece, 2007; Wilden, Gudergan, Nielsen, & Lings, 2013; Zahra et al., 2006). In conjunction with building high quality dynamic capabilities because "small firms gain advantage from having dynamic capabilities over their peers without dynamic capabilities" Arend (2014, p. 49). Adopting an entrepreneurial approach may improve micro-enterprise performance. The importance of having an entrepreneurial outlook is reinforced by Engelen, Kube, Schmidt, and Flatten (2014, p. 1353) proclaiming "dynamic capability play a central role in converting EO [entrepreneurial orientation] into improved performance" and suggesting when a firm operates within a turbulent market dynamic capabilities are relevant, enabling the firm to improve performance by absorbing, generating and processing new knowledge.

In small organisations such as rural micro-enterprises, Arend (2014) contends dynamic capabilities are acquired by the founders of the business, suggesting dynamic capabilities may reside at the individual rather than organisational-level. In fact, due to their very small size micro-enterprise performance may be more susceptible than larger organisation performance to the influence of just one or two managers (Devins et al., 2005). This is an important contextual factor because managers can be integral enablers of dynamic capabilities (Pablo, Reay, Dewald, & Casebeer, 2007; Schlemmer & Webb, 2008) and dynamic capabilities may reside at the level of the individual manager. Therefore, research into the influence of managers as enablers of dynamic capabilities within SMEs or larger organisations is likely to generate findings that cannot be directly transferrable to micro-enterprises because of contextual differences such as the potentially greater influence the owner-manager may have within a micro-enterprise than an SME or large enterprise.

This conjecture supports Evers (2011) observation that entrepreneurs' personal attributes such as adaptability and flexibility are very important when managing change within a successful business. Schlemmer and Webb (2008) also conclude managerial attitude to developing dynamic capabilities influences business success within small organisations and Kevill et al's., (2017, p. 14) finding that "the perceived self-efficacy of owner managers can influence the enactment of dynamic capabilities". Kevill et al., (2017) suggest owner-manager self-efficacy can act as an idiosyncratic micro-foundation of dynamic capability within micro-enterprises. However, within micro-enterprises Arend (2013) and Mulders et al., (2010) maintain dynamic capabilities should be linked to performance improving activities (such as research and development) and have a duality of role such as profit and/or learning and/or ethics. For more information see the empirical findings of Arend (2013) where an ethics focused dynamic capability was found to be a luxury for small organisations due to the cost of acquisition and maintenance.

2.9.5. Use of resources within micro-enterprises

Having previously discussed micro-enterprises' propensity to be capacity and capability constrained, it could be reasoned micro-enterprises may be resource poor, with fewer specialisms, such as financial expertise. A lack of available resources within the micro-enterprise could have an adverse effect upon many business areas such as marketing investment which is required to stimulate sales. Resource deficit ultimately has a negative impact upon businesses performance

consequently limiting the micro-enterprise's ability to develop dynamic capabilities (Duarte Alonso et al., 2016; Kearney et al., 2013; Kelliher & Reinl, 2009).

Duarte Alonso et al., (2016) propose that the RBV approach is not only relevant to large organisations but also to micro-enterprises. This opinion allies with Kelliher and Reinl's (2009) advice that micro-enterprises need to be able to use resources at an optimal level to achieve and sustain competitive advantage in order to avoid suffering from diseconomies of scale. Micro-enterprises can be considered constrained by their resources and their ability to reform and adapt to leverage competitive advantage. Having limited resources, rural micro-enterprises tend to "embed their valuable resource in the core business strategy, to ensure survival in the long term" (Kelliher & Reinl, 2009, p. 527). Micro-enterprises are urged to "exploit special resources or a combination of resources" (Duarte Alonso et al., 2016, p. 565) to differentiate themselves from larger organisations.

2.9.6. Differentiation of micro-enterprises

Kearney et al., (2013) argue that micro-enterprises and rural micro-enterprises should differentiate themselves from SME's and larger organisations. They advocate micro-enterprises acquire managerial capabilities to innovate. Such capabilities may help them differentiate themselves from their competition. Managerial capability areas being identified by Kearney et al. (2013) as leadership, strategic thinking, problem solving and people relationships. Managerial competency and motivation is noted by Kelliher and Reinl (2009) to influence firm success. This observation is especially relevant for micro-enterprises and rural micro-enterprises when the anticipated influence of the owner-manager upon the success of the business is accounted for.

Within this research it is initially assumed that micro-enterprises are entrepreneurial in nature, although as previously mentioned, it is acknowledged that this is unlikely to be the case for all micro-enterprises due to their heterogeneity. The presence of dynamic capabilities within entrepreneurial organisations is contested, especially where entrepreneurial organisations are not defined solely as new ventures but existing businesses with an entrepreneurial outlook as may be the case in this study. Helfat and Peteraf (2003) and Teece and Pisano (1994) suggest dynamic capabilities are not present in such organisations because they can take years to develop. This in itself is problematic because it implies entrepreneurial organisations are young and naïve; which is not the

conceptualisation of an entrepreneurial organisation used throughout this study. Whereas Newbert (2005) claims entrepreneurship itself is a dynamic capability. A view supported by this research because if entrepreneurship is considered a process, dynamic capability attributes are required to enable the process to be ordered and transformed so the enterprise can adapt to changes within the environment (Evers, 2011). These opinions within literature add to the contention that the scholarship surrounding both dynamic capability and entrepreneurship perpetuates the ambiguity and intertwining of both disciplines.

2.9.7. Influence of knowledge management on micro-enterprises

Alegre et al., (2013) maintain that understanding the foundations of firm performance, whilst acknowledging the roles of dynamic capability and knowledge management, can contribute to organisations achieving competitive advantage. However, the understanding of this may not be directly applicable to rural micro-enterprise because, as previously mentioned, most research in this area to date had been focused upon SME's and larger organisations.

Alegre et al., (2013, p. 456) consider dynamic capabilities are rooted in knowledge creation because they "facilitate the generation of unique and continually updated configurations of organisational practices" and propose a knowledge management dynamic capability to enable organisations to meet their long-term objectives for knowledge. This long-term objective enables the reconfiguration of knowledge management practice. In Alegre et al's., (2013) qualitative study of French Bio-tech firms (of which 24% are micro-enterprises) knowledge management dynamic capability is found to be idiosyncratic and an innovation enhancer, beneficial to the success of the micro-enterprise.

2.9.8. Dynamic capabilities within rural micro-enterprises

Extant literature exploring the presence of dynamic capabilities within rural micro-enterprises is sparse. This lack of awareness could lead to a misunderstanding about how rural micro-enterprises develop and some of the primary micro-foundations which underpin the identified dynamic capabilities being missed.

A notable exception to this insufficiency of research is the paper by Grande (2011), a qualitative study of three micro-enterprises diversified from existing farming businesses in Norway. Within the context of this thesis diversification is defined in

line with McElwee (2004) cited in McElwee (2006, p. 195) as “a strategically systematic planned movement away from the core activities of the business, as a consequence of external pressures, in an effort to remain in and grow the business.” Grande (2011) views dynamic capability and the RBV as significant entrepreneurial and strategic management theories. In fact, Grande (2011) suggests that to change or diversify a business, dynamic capabilities are required to enable reconfiguration of its resources.

This thesis supports Grande’s (2011) position because this study maintains that a rural micro-enterprise which develops dynamic capabilities is likely to be better able to sense business opportunities, seize the opportunities by putting together plans to diversify and transform the businesses assets and resource base to optimise the return from the sensed diversification opportunity. Grande (2011) however, mainly focusses upon the necessity of micro-enterprises to have dynamic capabilities when engaging in farm diversifications. The findings of Grande’s (2011) study are helpful but they merely scratch the surface of the gap in understanding about dynamic capabilities within rural micro-enterprises. To start to close this gap in understanding more research, aligned with this PhD, is needed to explore how dynamic capabilities develop within rural micro-enterprises and which micro-foundations underpin any identified dynamic capabilities.

As has been previously stated, rural micro-enterprises are heterogeneous, encompassing a much broader scope of activities than farm diversifications, which Grande’s (2011) study focusses exclusively upon. Therefore, the insights from Grande’s (2011) study are likely to be limited when considered in the context of the rural economy as a whole.

2.10. Rural

The third body of literature informing this research is rural enterprise. This section starts by discussing the contested term rural, clarifying the definition of rural applied to this research. It continues, engaging with extant rural literature to discuss the differences between rural enterprises, enterprises in the rural and the significance of enterprise within the rural economy. Finally, some of the main social, technological and economic challenges facing rural enterprises as well as the potential benefits afforded to owner-managers who establish a business within a rural location are considered.

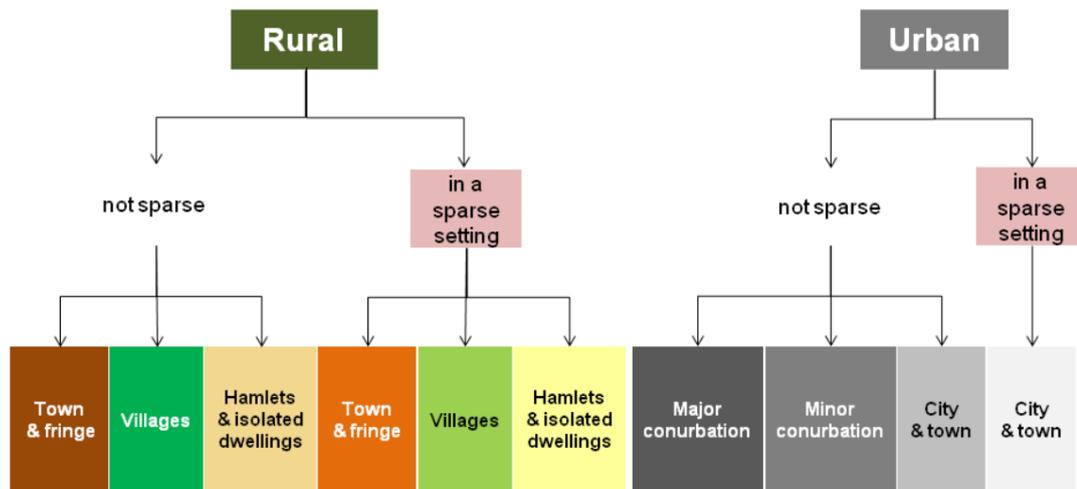
2.10.1. Definitions of Rural

Pato and Teixeira (2016) counsel scholars that rural is challenging to define, its meaning being personal to an individual and their circumstances (Moyes, Danson, & Whittam, 2014). For some people rural is simply where they live but for others it varies from a nostalgic idyll to a poverty trap. In fact, Gaddefors and Anderson (2018, p. 7) argue "rural is a spatial configuration to which we ascribe social characteristics". There is no universally agreed definition of rural (Isserman, 2005; Pateman, 2010). Existing definitions of rural are not deemed precise but are dependent upon which aspect of rural is being studied (Halseth et al., 2009). Hence, Isserman (2005) warns this lack of a precise definition such as the vague "settlement smaller than a town" provided by Bosworth (2012, p. 499) may be problematic, leading to practical advice and policy direction for the rural economy being founded upon incorrectly sited research. The definition of rural is subject to multiple influences including; population density, population size, economic activity and remoteness (Bibby & Shepherd, 2004; DEFRA, 2019b; Halseth et al., 2009; Isserman, 2005; Pateman, 2010; Pato & Teixeira, 2016).

Commissioned following the 2011 census, Bibby and Brindley's (2013) typology builds upon Bibby and Shepherd's (2004) rural-urban classification (RUC). The RUC defines urban as an output area with settlements containing more than 10,000 residents and rural as "not classified as urban" (ONS, 2013). This simplistic classification does not account for the degree of economic contribution or activity within rural communities; it is exclusively defined by residential headcount. Bibby and Brindley's (2013) classification provides guidance and help for scholars defining rural.

Acknowledging rural is not homogeneous, identifying degrees of rurality to cover multiple place scenarios (Halseth et al., 2009) is beneficial in formulating a more holistic definition of rural. The RUC definition takes account of several factors such as population count, dwelling density, economic output and physical context when compiling the classifications; with primacy given to the physical form of settlement ahead of the wider geographical context (Bibby & Brindley, 2013). This is illustrated in figure 7, a two-level hierarchical representation of rural and urban geographies.

Figure 7: RUC2011, Two level classification of rural and urban



Source: The 2011 Rural-Urban Classification for Small Area Geographies: A User Guide and Frequently Asked Questions (v1.0)

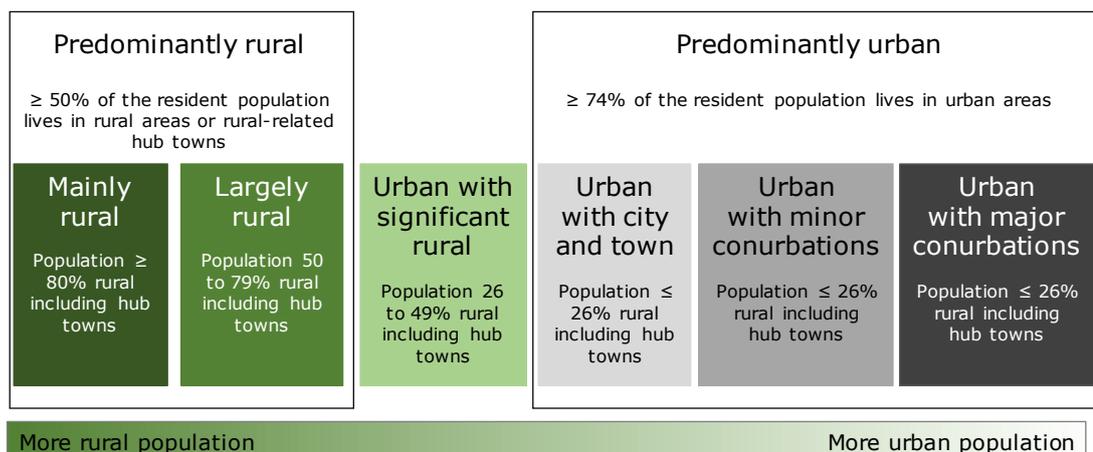
However, the RUC in figure 7 does not distinguish between the “broader economic, cultural or social distinctions” (Bibby & Brindley, 2013, p. 6) of rural and urban locations. Defining rural without considering cultural and social distinctions may not be wholly definitive because, as Isserman (2005) notes, rural and urban boundaries can overlap and merge whereas social and economic attributes may be more distinct. The RUC nevertheless considers land usage, with urban areas considered as having “economic separation from the land” (Bibby & Brindley, 2013, p. 8) due to the built-up nature of the urban environment.

An alternative definition of rural is provided by the Council of Europe, describing a rural landscape as “an area, as perceived by its people, whose character is the result of the actions and interactions of natural and / or human factors” (Clarke, 2015, p. 181). Miyoshi (2013) supports this definition recommending that to fully understand rural the experiences of those living within rural communities should be scrutinised and understood. Applying Miyoshi’s (2013) interpretation, a conceptualisation of rural as a community of people living within a defined geography could emerge. Miyoshi’s (2013) conceptualisation is considered inappropriate for this study because this research’s focus is upon studying the life of the rural micro-enterprise rather than the owner-manager; although it is acknowledged that within the context of this research the ‘lives’ of the micro-enterprise and owner-manager may be intertwined.

Rural areas can be as distinct from each other as they are from urban areas (Deavers, 1992). Deavers (1992) claims rural is considered distinct from urban due to rural characteristics of low-density settlements, the distances from urban centres and rural specialisations present within the economy predicated upon its natural resources. With its three distinct geographical clusters of rural micro-enterprises, this study's research objective d, to considering similarities between rural and urban micro-enterprises may help improve understanding about the impact different rural locations have upon the nature and success of the rural micro-enterprise and in doing so contribute to extending knowledge in this area.

Rural locational differences are articulated within the 2011 RUC for Local Authority districts in England (ONS, 2015) depicted in figure 8. Utilising Bibby and Brindley's (2013) RUC methodology as a foundation this classification takes account of distance from and population of conurbations, residential headcounts within rural areas and economic outputs of rural and urban areas.

Figure 8: 2011 RUC for English Local Authority Districts



Source: ONS (2015)

To ensure clarity, the conceptualisation of rural used throughout this research aligns with the 2011 RUC for Local Authority districts in England as 'predominantly rural' (DEFRA, 2019b; ONS, 2015). The predominantly rural conceptualisation is chosen because targeting micro-enterprises within predominantly rural locations will enable challenges and issues specific to running a business in a rural location to be uncovered.

2.10.2. Rural enterprise

Analogous to the difficulties academics face when striving to definitively define rural, the definition of rural enterprise has proved equally challenging (Korsgaard et al., 2015). Its definition varies from Woods (2012) offering of any enterprise that is not urban, to “drawing value form rural assets” (Finke & Bosworth, 2016, p. 632) or a business situated within a rural location, serving a rural population and selling rural products (Bosworth, 2012). Gaddefors and Anderson (2018) maintain that context, when applied to the contested term rural enterprise, is not just about the setting but also includes the milieu of economic, social and geographical concerns. Yet they claim, “contextual boundaries are an academic contrivance” (Gaddefors & Anderson, 2018, p. 3). Context could be considered a contrivance; nonetheless, there remains a need to define and differentiate between contexts to ensure research is correctly located. The process of conceptualising rural enterprise necessitates the application of a label. This label carries the interpreted meaning of rural held the researcher thus implying that contextualisation is, as asserted by Aldrich and Martinez (2010), a social construct.

Korsgaard et al., (2015, p. 10) suggest “entrepreneurial activity lie at the heart of any development in rural areas” although they claim entrepreneurial activity is typically occurring at a lower level in rural areas than urban ones. Lower levels of entrepreneurial activity could indicate an area tends towards being disadvantaged (Ellis & Bosworth, 2015) however, higher levels of entrepreneurship could be considered to have a positive impact upon the welfare and employment levels within rural communities (Pato & Teixeira, 2016). Pato and Teixeira (2016, p. 6) submit rural entrepreneurs are “dynamic agent of change for the rural economy”. These rural entrepreneurs are innovators who have the motivation to succeed. They also have the ability to overcome the barriers to doing business within a rural location whilst maximising the benefits associated with the location’s rurality.

2.10.3. Rural enterprise versus an enterprise in a rural setting

Much has been written about the rural place and space debate (Gaddefors & Anderson, 2018; Korsgaard et al., 2015; Müller & Korsgaard, 2018). This debate is an important consideration for this thesis because understanding where the rural micro-enterprises position themselves on the space / place debate may illuminate some of the barriers to growth they face and increase understanding about the value rural micro-enterprise owner-managers ascribe to the rural.

To be considered a rural micro-enterprise, Korsgaard et al., (2015) recommend the business should be embedded within and create value for the rural community as well as the owner-manager. Such businesses are considered bound to their location, optimising local resources and improving the resilience of the local community (Deakins et al., 2016; Korsgaard et al., 2015; Pato & Teixeira, 2018). To be classified as distinctly rural the enterprise needs to utilise arable land (Deakins et al., 2016) for example in agricultural food production (Korsgaard et al., 2015). This land utilisation contrasts with urban enterprises where enterprise activity tends to be separate from the land. Urban enterprises being portrayed as having a market-based approach to enterprise (ONS, 2013). Korsgaard et al., (2015) acknowledge urban entrepreneurial activity may be linked to the space it inhabits in a similar way which rural entrepreneurship has been linked to the land. This apparent inconsistency indicates there is significant space for further research into rural and urban entrepreneurial business characteristics.

The rural enterprise construct contrasts with the enterprise in the rural concept. In the latter construct, the rural aspect can be considered as referring to the space where the enterprise is based; the rural location. The entrepreneur does not necessarily provide a link to or consider the rural location an important aspect pertaining to the activity of the enterprise (Korsgaard et al., 2015). In the case of entrepreneurship in a rural area, the entrepreneur may be utilising the benefits associated with a rural area, such as lower land costs, lower labour costs and a better lifestyle, without the ties to or investment back into the rural location (Korsgaard et al., 2015). Indeed, Korsgaard et al., (2015) in alliance with Somerville, Smith, and McElwee (2015) and Henry and McElwee (2014) assert entrepreneurship is an activity which can happen in any location and entrepreneurs in rural and urban areas have similar qualities and follow similar strategies for success. They contend that it is the location which defines an enterprise as rural. Moreover, the difference between rural and urban enterprise is limited to the location of the enterprise, access to labour and infrastructure.

2.10.4. Rural embeddedness

During the 1990s a new meaning of embeddedness emerged, that of embeddedness being linked to spatial contexts. Embeddedness is defined by Hess (2004, p. 177) as "the extent to which an actor is anchored in particular territories or places". Donner, Horlings, Fort, and Vellema (2017) maintain embeddedness has no definitive definition. Baù et al., (2019) consider local embeddedness the

relationship between a business' economic activity and its location. It is "the involvement of local actors in a geographically delimited network" (Baù et al., 2019, p.362). Aspects of local embeddedness include customer and supplier contacts (Cooke, 2007), localised knowledge, technology and labour.

Korsgaard, Ferguson, and Gaddefors (2015, p. 575) defined embeddedness from a space perspective as "the topographical, geographical and infrastructure elements as well as the meanings, experiences and heritage of the location(s) of the entrepreneurial opportunity creation process" and being embedded as "situated in a context which enables and constrains the activities of actors." (p.576). They consider that embeddedness is a dynamic process (Korsgaard et al., 2015). If rural entrepreneurship is spatially conceived, then by extension, rural embeddedness is a placial construct where rural refers to the place the enterprise is based. Korsgaard et al., (2015) maintain that if owner-managers are embedded in the rural they should have knowledge about local resource and how to access them. Bird and Wennberg (2014) suggest embeddedness is more important for family firms than for non-family firms, implying that embeddedness can help family businesses overcome challenges due to resource scarcity and may help with resource deployment. Whereas, Canes and Ireland (2013) find that family firms are better at leveraging local resources via networking to exploit the business situation.

The trend to narrow the concept of embeddedness to a localised, territorial proposition persists. However, Tregear and Cooper (2016) contend that a broader perspective is needed to better understand the symbiotic relationship between the actor and their environment. Tregear and Cooper's (2016) viewpoint allies with Atterton (2007) who submits that it is embeddedness which influences collective actions, such collective actions being shaped by the social fabric and norms of the context they are embedded within. Some academics such as Jack and Anderton (2002) suggest that in a rural context social embeddedness can be provide opportunities for rural entrepreneurs. Yet others claim a business can become too embedded within the rural and over-embeddedness may restrict growth opportunities (Klyver, Evald, & Hindle, 2011; Schell & Sofer, 2002) due to increased conformity through yielding to established society social norms. Over-embeddedness is considered a risk in some rural communities due to potential stagnation resulting from over-supporting the weak due to social obligation and strong historical ties (Atterton, 2007).

2.10.5. The rural business environment

The rural economy is diverse (Faherty & Stephens, 2016; Moyes et al., 2014); it is a vital mix of global, SME's and micro-enterprises. Traditional rural industries are no longer the dominant employer within the countryside. Agriculture is declining whilst the administrative, service and professional sectors are growing (DEFRA, 2019b; Henry et al., 2016; Warren-Smith & Jackson, 2004). The rural economy is in a state of flux (Halseth et al., 2009); needing to adapt to be successful in the long-term. Henry et al., (2016) maintain the remote and sleepy rural economy belies its cut-throat tendencies; an entrepreneurial spirit is needed to succeed. In fact, Finke and Bosworth (2016) affirm fostering an entrepreneurial culture within the rural economy and overcoming the barriers to success are important considerations which enable rural micro-enterprises to thrive. Rural entrepreneurship is no longer limited to farmers and farming activity but covers a much broader scope of ventures (Somerville et al., 2015). The high level of enterprise diversity (McManus et al., 2012; Steiner & Atterton, 2014) within the rural economy could be indicative of flourishing heterogeneous entrepreneurial activity, despite the rurality. Rural micro-enterprise owner-managers cite many different and complex reasons for being in business; these range from desiring a better lifestyle to the pursuit of profitable growth (Quinn, Dunn, McAdam, McKitterick, & Patterson, 2014).

When establishing a business, prospective entrepreneurs should be cognisant of the challenges associated with running an enterprise within a rural location. Barriers to success have been widely identified in literature, they include weak communication and knowledge infrastructures, inadequate transport infrastructure, poor ICT networks, low levels of access to government support, difficulty in accessing finance and business support services, low skilled workforce and small local market size (Deakins et al., 2016; Galloway, 2007; Korsgaard et al., 2015; Steinerowski & Steinerowska-Streb, 2012; Warren-Smith, 2014). Korsgaard et al., (2015) concede increased loyalty from the local workforce can partially compensate for their potential lack of skills and education.

Steiner and Atterton (2015) argue rural businesses are likely to have a higher propensity for supporting the community, potentially through investing in initiatives to engage young people (e.g. training, sports clubs) and supporting the elderly, leading to improved social resilience. Mckeever, Anderson, and Jack (2014) and Bosworth et al., (2016) affirm rural is perceived as having a greater community spirit and community values than urban. They suggest the urban environment has lost its community spirit. It is this community spirit which may

attract some owner-managers to establish a business in the rural. However, Anderson, Warren, and Bensemann (2018) warn that the act of setting up a business by 'incomers' may be disapproved of by local residents because the incomer may not fully engage in local community activities.

Ellis and Bosworth (2015) acknowledge entrepreneurs are risk takers as well as risk mitigation managers; strategic thinkers who do not operate in isolation but require a level of self-belief, technology, network access and motivational support to succeed (Deakins et al., 2016). Neither does the rural economy operate in isolation nor is it insulated from global challenges. Issues such as climate change, foot and mouth, energy security, provenance and political issues such as Brexit all impact the rural economy. As Woods (2012) notes, rural micro-enterprise owner-managers require an awareness of global issues.

To encourage entrepreneurship within a rural setting government support is required. Ellis and Bosworth (2015) submit government policy directed towards rural areas is designed to encourage a climate for entrepreneurship to thrive. This climate facilitates a heterogeneous rural economy allying with Warren-Smith and Jackson's (2004) viewpoint that rural enterprise should be encouraged to prevent rural economic decline. For optimum effectiveness rural support should be tailored to meet the needs of individual regions and the entrepreneurs and enterprises as well as micro-enterprises within the regions (Quinn et al., 2014).

This thesis agrees with Moyes et al., (2014) that a single holistic support package is not likely to meet the needs of all rural micro-enterprise owner-managers. Finke and Bosworth (2016) develop Miyoshi's (2013) view, suggesting rural enterprises engage with their community. Rural policy should be localised and sector specific with local engagement informing local support. The level of engagement may differentiate rural from urban micro-enterprises. This consideration leaves rural policymakers facing a difficult decision when deciding upon the best way to act to support rural businesses (Korsgaard et al., 2015; Steiner & Atterton, 2014).

By developing dynamic capabilities to adapt and overcome these specific rural challenges rural micro-enterprises may be more likely to achieve future business success. Being based in the rural community, rural micro-enterprises are well placed to utilise rural resources such as the local workforce. Providing local employment may contribute to reversing the outward migration of young adults to the urban and improve rural economic conditions. Given rural micro-enterprises are a significant employer within the rural economy, a better understanding of how these businesses develop and change is likely to help future rural micro-

enterprise owner-managers make a more informed choice when establishing a rural business. Understanding how rural micro-enterprises evolve could potentially lead to an improvement in the social context within the rural economy (Steiner & Atterton, 2015). The growth of rural micro-enterprises could significantly benefit the rural economy, increasing its diversity, resilience and sustainability.

2.10.6. Challenges facing the rural economy

Living within the countryside is viewed by some commentators as a positive lifestyle choice; safe and distant from the dangers of city life (Tyrrell & Harmer, 2015). Pateman (2010) confirms crime rates in rural areas are much lower than in urban areas (DEFRA, 2019b). However, the countryside faces its share of illicit activities including rural crimes (such as livestock theft), drug abuse and tax avoidance. These instances of rural crime threaten to challenge the perception of the countryside as a rural idyll and “morally and aesthetically superior” to the urban environment (Somerville et al., 2015, p. 221).

The idyllic perception of rural life is tainted by inadequate public transport links coupled with the need to travel greater distances to access public services and amenities such as schools, employment and hospitals than in urban locations (DEFRA, 2019b; Moyes et al., 2014). Social problems prevail within the rural economy, typified by high house prices potentially causing affordability issues for rural workers (Pateman, 2010). Poverty is a “significant feature of rural life” (Milbourne & Doheny, 2012, p. 395), especially when housing, fuel and transport costs are viewed in conjunction with seasonality of work and wages c6% lower than in urban areas (DEFRA, 2019). Research has identified rural workers become accustomed to earning low wages throughout their working lives. Their relatively low earning capacity leads to lower expectations of how much money is required to survive and a greater acceptance of poverty (Milbourne & Doheny, 2012; Robert, Vera-Toscano, & Phimister, 2015).

In addition to the social challenges facing rural areas, technology challenges persist. The UK government is promoting a roll out of broadband and digital connectivity across the UK (Choudrie, Weerakkody, & Jones, 2005; Galloway, 2007; Parliament, 2019). Provision of broadband services in rural areas is patchy due to the physical topology of the landscape and sparse population. These factors have resulted in rural areas being left behind urban areas with slow internet speeds because service providers have been unwilling to incur the cost of installing high

speed broadband in areas with few potential customers. Hence, urban areas have benefitted from broadband ahead of rural areas because of the economies of scale available to the broadband service providers within a densely populated area. Lack of broadband availability in rural areas could hinder job creation and business growth (Galloway, 2007) potentially leading to a digitally divided society (Choudrie et al., 2005).

The discrepancy in broadband speeds between rural and urban locations is considered disadvantageous to the rural economy. It has been suggested broadband adoption within rural areas is influenced by the motivations of rural micro-enterprise owner-managers. Van Akkeren and Cavaye (1999) allege owner-manager characteristics such as IT literacy, decision making ability and the ability to sense benefits directly influence technology adoption. This viewpoint agrees with Pickernell et al's., (2013) stance that owner-managers attitudes such as lifestyle influences, personal approach to and aspirations for business growth influence ICT uptake.

Pickernell et al., (2013) suggest that rural micro-enterprises need to embrace ICT to enable them to compete more effectively with larger organisations; advocating ICT adoption will increase organisational flexibility, agility and adaptability. Exploiting the internet could enable rural micro-enterprises to broaden their market reach, providing a 24/7 global shop window for their products and/or services (Sanders, Galloway, & Bensemann, 2014). Sanders et al., (2014) observe when rural enterprises embrace the internet, they make greater use of the on-line resources available, such as market research, compared to an urban firm. This increased utilisation could be indicative of rural enterprises having greater focus upon external markets due to the comparatively small size of their local market. Internet adoption as a strategic business tool could help negate remoteness as a barrier to business growth. However, due to rural micro-enterprises' limited resources, this thesis advances that owner-managers may resist funding additional costs associated with installing and maintaining a broadband service (Galloway, 2007; Moyes et al., 2014).

2.10.7. Support required to maintain the rural businesses

Rural micro-enterprise numbers are growing (DEFRA, 2018) despite the barriers to business start-up and growth intrinsic to rural locations. Quinn et al., (2014) affirm rural micro-enterprises are pivotal to rural economic growth. They

“comprise the backbone of a healthy rural economy”, Tehrani and White (2003, p. 26) by creating jobs, enhancing local skills, providing local investment and contributing to the viability and sustainability of the local economy. Quinn et al’s., (2014) position allies with Warren-Smith and Jackson (2004, p. 370) who state, “Rural enterprise needs to be encouraged to preserve the countryside” and help revive the economy. This thesis agrees with Warren-Smith’s (2014) opinion that a heterogeneous business base creates a more sustainable rural economy because, it hypothesises a diverse business base is more likely to encourage additional investment into the rural area and so increase the resilience of the rural community.

Rural micro-enterprises require support to enable them to succeed. In addition to monetary support via grants, they require practical support across less obvious areas such as mentoring, access to childcare (Warren-Smith, 2014) and business planning and development (Quinn et al., 2014). Support for the rural economy can come from many sources. European development policy, such as LEADER, a funding program sponsored by the European Union to promote social and economic development in rural areas (De Rosa & McElwee, 2015; Ellis & Bosworth, 2015). However, post Brexit the continuation of financial support from the EU seems unlikely, leaving a financial support gap in the countryside economy (Garrod et al., 2017). At the time of writing this thesis it remains unclear how this funding gap will be filled.

Naldi, Nilsson, Westlund, and Wixe (2015), Steiner and Atterton (2014) and Warren-Smith and Jackson (2004) recommend appropriate government policies should be developed to offer a broader range of support services to the rural economy. They advocate these policies should enable more micro-enterprises to establish themselves and flourish within a rural settings. Ideally this restructuring should be done in conjunction with support for the social and cultural aspects of rural life, such as the Arts Council policy designed to promote inward investment encouraging the creative sector development within rural areas (Bell & Jayne, 2010; Naldi et al., 2015). Attracting more rural micro-enterprises into the rural economy is likely to increase business diversity (McManus et al., 2012) and improve the sustainability and resilience of the rural economy.

Recommendations for policy support for the rural economy is not new. On the 26th March 2019 the House of Lords Rural Economy Select Committee published a report of sessions titled “Time for a strategy for the rural economy” which highlights the previously documented rural challenges of poor broadband connectivity, high cost of housing, the challenges business face accessing business

support and the difficulty providers encounter when trying deliver services to rural locations. As yet a detailed response from the House of Commons has still to be published nor have any actions been put in place to overcome the documented rural challenges. For example, Galloway (2007, p. 644) confirms a levelling of “the playing field for rural businesses is needed” for the long running challenge of rural high speed broadband accessibility. Policy makers may be required to incentivise and motivate internet service providers to make broadband available to remote rural locations due to low populations and the potential increased cost of providing the infrastructure and services to these areas. Support for business development and enterprise, highlighting the benefits ICT can bring to rural enterprises, may need providing; encouraging rural micro-enterprises to accelerate their adoption of ICT to optimise the benefits associated with broadband utilisation.

This thesis allies with Naldi et al., (2015) and Tehrani and White (2003) who admit that for rural business to succeed they need to have access to support resources which will enable them to develop critical business skills, highlighted in table 8. These skills include marketing expertise, IT support, business support, business planning and access to finance which if developed could potentially improve the success of micro-enterprises within the rural economy.

Table 8: Selected aspects and corresponding critical resources for rural micro-enterprise success

Aspect	Critical Resource
Skills	Marketing
	Logistics / Supply Chain
	Strategic and Business Planning
	IT
	Finance
	Accounting
Finance	Access to capital
	Credits & Discounts
Security	Insurance
	Legal protection
Infrastructure	ICT (Broadband)
	Logistics (Road / Rail networks)
	Taxation regime

Source: adapted from Tehrani and White (2003),p.29

There is a need for specific rural micro-enterprise support policies, for example, policies to raise education levels, encourage research and drive innovation. However, Deakins et al., (2016) caution levels of regulation could be a barrier to establishing rural businesses because the regulatory requirements may cause

confusion. For rural micro-enterprises this regulatory burden could result in resources being deployed to navigate regulation rather than develop the business.

2.10.8. Benefits for business owners within the rural economy

Having outlined some key challenges facing rural business, consideration is now given to the many benefits inherent in running a rural micro-enterprise. The rural location itself can be a business success factor. It can attract entrepreneurs (Finke & Bosworth, 2016), generate demand for products and services as well as provide natural resources. Some of the rural economic and social challenges such as low wages and seasonal jobs may be beneficial to the rural entrepreneur. Rural areas can provide a relatively low cost, quality environment to establish a business, especial if the proposed business resonates with local aspects and utilises local resources, such as tourism or food production (Kelliher, Aylward, & Lynch, 2014; Korsgaard et al., 2015). However, these benefits should be fully understood and appropriately leveraged before a rural micro-enterprise is established (Tehrani & White, 2003).

The perceived lifestyle advantage of rural living can entice some entrepreneurs to establish their businesses within the countryside, allowing for the possibility of a better work-life balance than may be afforded in an urban setting (Steiner & Atterton, 2014). However, if the primary motivation of the entrepreneur is attaining an idyllic rural lifestyle this may endanger economic progress and limit enterprise development within the rural economy (Finke & Bosworth, 2016). Therefore, it is important to understand how rural micro-enterprise owner-managers assess challenges and adapt to the rural environment. This is an important consideration because within a micro-enterprise the owner-manager is likely to have a significant influence over strategic decision making and if the owner-manager has not fully appreciated the challenges of running a business in the rural there is a greater propensity for the business to fail. Faherty and Stephens (2016) suggest that the owner-manager's motivations are likely to shape the rural micro-enterprise's strategic direction. Understanding more about owner-managers' motivations will enable consideration of how the owner-manager's character attributes influence the development of dynamic capabilities within the rural micro-enterprise.

Historically rural social networks are stronger and local (Milbourne & Doheny, 2012; Sanders et al., 2014) containing a mix of strong and weak ties, both of

which are needed for a business to be successful. Rural relationships can be considered "embedded in place" (Kelliher et al., 2014, p. 42), helping to identify them as local. There is strong sense of belonging amongst rural inhabitants; this helps contribute to rural resilience and the ability to embrace the changes needed to survive in a constantly changing rural environment (McManus et al., 2012). Steinerowski and Steinerowska-Streb (2012) agree, social networks are denser in rural areas than in urban areas; potentially resulting from higher levels of trust and participation in civic activities. Networking is an important source of social capital; social capital being defined in this research as the "value obtained from participating in a social network" (Townsend, Wallace, Smart, & Norman, 2016, p. 30). Utilisation of social media, such as Twitter, Facebook and LinkedIn could help rural micro-enterprises build trade and customer contacts to increase their market reach.

A growth sector within the rural economy is the creative sector. Bell and Jayne (2010) recognise the shift in the rural economic base away from agriculture has led to growth within the service and creative business sectors (Naldi et al., 2015). Creative businesses can benefit from being situated in a rural location, the quality of life advantage derived from a countryside location has seen artists and creative people relocate to the country. Building commercial collaborations between the creative sectors (such as crafts, music festivals, art) and other sectors (such as food and drink) is likely to benefit the wider rural economy rather than just the individual enterprises (Bell & Jayne, 2010; Naldi et al., 2015; Paddock & Marsden, 2015) potentially increasing the resilience of the local rural economy.

2.11. Summary

This chapter has engaged with extant dynamic capability, micro-enterprise and rural literature as identified in section 2.1, figure 1 to warrant the need for this research. As this chapter progressed, identification and discussion of key themes from each of the three bodies of literature occurred. These themes are summarised in figure 9.

Identification of the reoccurring themes emanation from each of the three bodies of literature informing this research influenced the construction of a conceptual model to for this qualitative research. A diagrammatical representation of the conceptual model is detailed in figure 10.

Figure 9: Themes emerging from literature

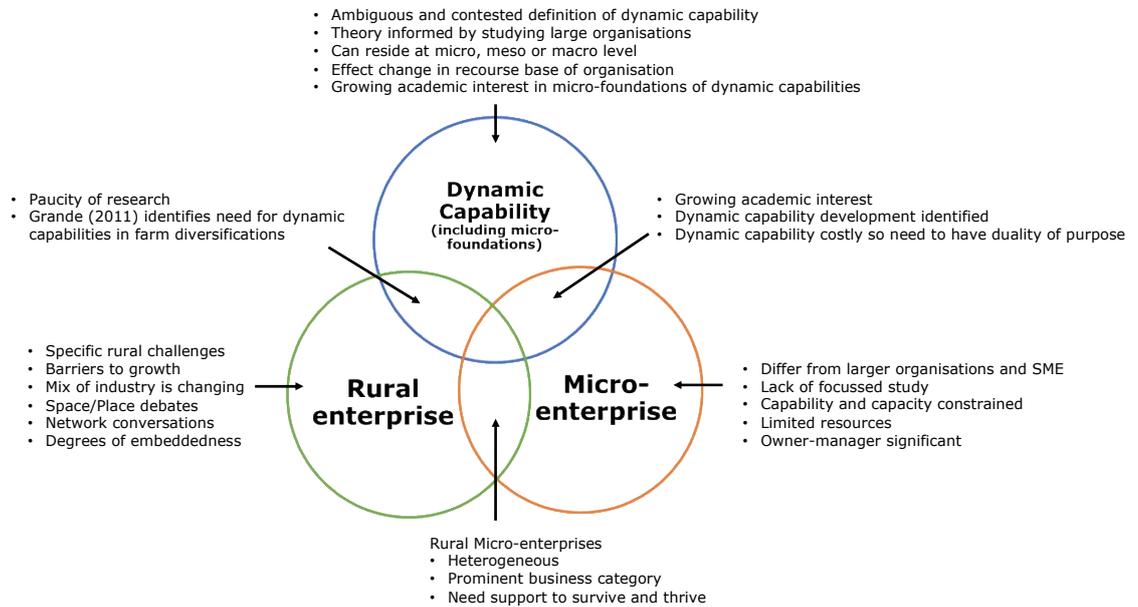
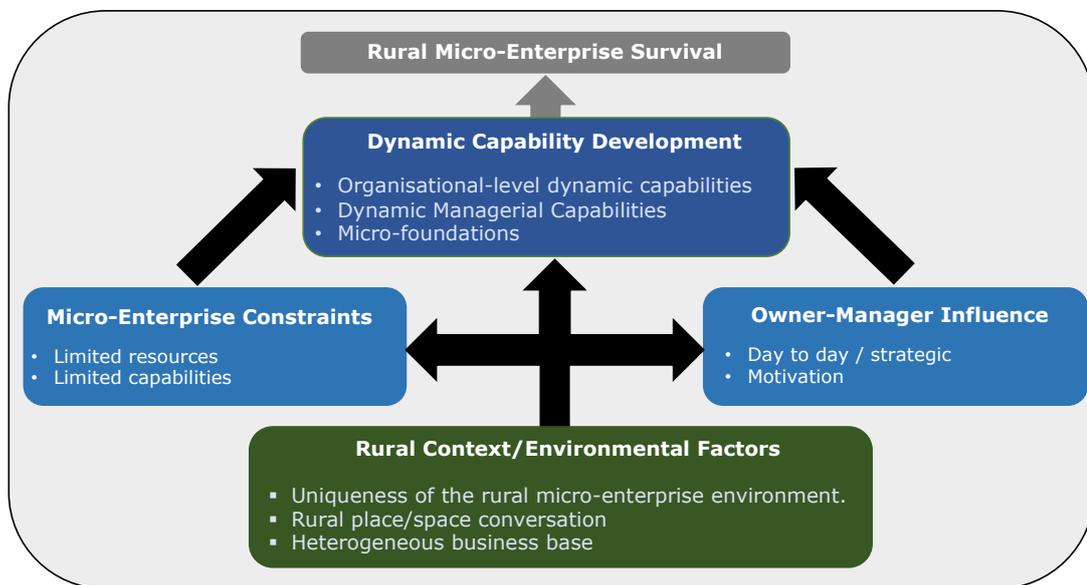


Figure 10: Conceptual Model



The conceptual model defines the research context. Starting with the rural environment which is subsequently overlaid with the constraints of the micro-enterprise and the influence of the owner-manager. It is this complex rural micro-enterprise entity which is identified as an under researched domain within dynamic capability theory. The development of dynamic capabilities within the rural micro-

enterprise is the next consideration; namely have dynamic capabilities developed, at which level do any developed dynamic capabilities reside and which micro-foundations which underpin the developed dynamic capabilities. Finally, to complete the conceptual model, it is assumed that the development of dynamic capabilities will lead to an increased likelihood of rural micro-enterprise surviving and thriving.

In addition to identifying the prominent themes within literature, such as the ambiguous nature of dynamic capabilities, the particular challenges of running a micro-enterprise in a rural location and the limited resources available within micro-enterprises, the conceptualisation of the key terms used throughout this research have been defended and the research context, namely rural micro-enterprises discussed. An appreciation of context is imperative because as highlighted in section 2.2.1, dynamic capabilities can become tailored to their settings. Therefore, to increase academic understanding about the development and presence of dynamic capabilities within rural micro-enterprises an appropriate level of insight regarding the rural context is a prerequisite. There is a growing body of literature about rural entrepreneurship and the owner-manager as an entrepreneur, however similar scholarly interest in the dynamic managerial capability and potential role of the owner-manager as a micro-foundation of dynamic capabilities is lacking.

Throughout this literature review the case that rural micro-enterprises are distinct from larger organisations, SMEs and urban micro-enterprises has been argued. Consequently, findings from extant dynamic capability studies undertaken in larger organisations may not be directly transferrable or applicable to rural micro-enterprises. Likewise extracting insights from SME focussed studies and applying these to the rural micro-enterprise context may also be flawed due to the small number of micro-enterprises participating in such studies. The lack of understanding about dynamic capabilities within rural micro-enterprises is indicative of a knowledge gap in the understanding about how these businesses develop dynamic capabilities, at which level within the rural micro-enterprise dynamic capabilities reside and which micro-foundations underpin any identified dynamic capabilities.

By increasing understanding about dynamic capabilities within rural micro-enterprises, scholars will be better placed to understand the influence of dynamic capabilities within the rural economy, the impact rural micro-enterprises have upon the resilience of rural communities, and the support rural micro-enterprises need to thrive and navigate challenges within the rural economy. Furthermore,

new insights emanating from this research may provide important contributions to further extend the scope of dynamic capability theory into the realm of the rural micro-enterprise, a context where dynamic capability theory is under researched.

This next chapter of this thesis, chapter 3, discusses and justifies the methodological approach taken to complete this research. The qualitative methods of narrative interviewing and photography have been chosen to generate rich data which, post analysis, is likely to contribute to theory building. Such theory building could start to bridge the identified gaps in dynamic capability theory relating to rural micro-enterprises.

3. Methodology

3.1. Introduction

This chapter outlines the methodological approach. It begins with a discussion about the importance of making an appropriate methodological selection, explaining why a qualitative approach and qualitative methods are appropriate to this research. Given the importance of having a consistent philosophical and methodological approach, the section continues by discussing and justifying the use of an interpretative phenomenological analysis framework within an interpretive paradigm within which this research has been located. The chapter progresses, explaining why the data collection methods of narrative interviewing and visual research, supplemented with document analysis, have been selected and then continues to justify the chosen hermeneutic phenomenological approach to thematic analysis of the data. The chapter closes by summarising the philosophical framework, methodology and analysis techniques applied to this research.

3.2. Methodological Approach

Gill, Johnson, and Clark (2010) acknowledge selecting a suitable methodological approach for a research project is a complex process. The methodological approach relates to the way knowledge is researched and analysed (Creswell, 2013; Denzin and Lincoln, 2011; Saunders, Lewis, & Thornhill, 2016).

The approach of this research seeks to facilitate in-depth understanding (Carù, Cova, & Pace, 2014) and contextual analysis (Roberts, 2014) of rural micro-enterprises to ascertain firstly if they had developed dynamic capabilities and secondly if so which micro-foundations underpinned the identified dynamic capabilities. This enables a response to research questions a and b detailed in chapter 1 section 1.5 to be advanced. Analysis of the primary data informs the creation of a taxonomy of rural micro-enterprises, answering research question c.

3.2.1. Research Design

A qualitative research design is adopted. This qualitative approach being chosen in order to enhance understanding (Higgs, Titchen, Horsfall, & Bridges, 2011;

Saunders et al., 2016) about rural micro-enterprises' development of dynamic capabilities. This is achieved through interpretation of the data collected by multiple qualitative methods (Easterby-Smith & Prieto, 2008) including narrative interviews and visual research.

Easterby-Smith and Prieto (2008, p. S6) highlight the need for additional qualitative research within the field of dynamic capability to "provide detailed descriptions of what processes are involved, the role of management, the reconfiguration of the dynamic capabilities, and the interaction with the environment". This study aligns with the view presented by Easterby-Smith and Prieto (2008) pertaining to the need for more qualitative insights thus further justifying the qualitative approach undertaken.

The design of this research incorporates multiple qualitative methods, namely narrative interviews, visual research, observations and document analysis, which are discussed and justified in section 3.5. The qualitative methods selected are specifically chosen to explore the principal research aim of understanding if extant dynamic capability theory is applicable to rural micro-enterprises.

3.2.2. Qualitative v quantitative analysis:

The umbrella terms of quantitative and qualitative comprise multiple approaches and research methods (Flick, 2015). Quantitative research is commonly used to test a pre-existing hypothesis using a standardised data collection method (e.g. questionnaire) with the results being expressed numerically (Flick, 2015; Saunders et al, 2016).

Qualitative research can be a time-consuming process because a significant amount of data needs to be analysed and transformed into information. However, Flick (2015) contends qualitative research can allow the researcher greater freedom of interpretation compared to quantitative research. It is this freedom which will enable this research to uncover new insights and contributions to dynamic capability theory and the micro-foundations of dynamic capabilities pertaining to rural micro-enterprises.

This empirical study follows a qualitative approach to data collection to elicit rich, in-depth and meaningful information rather than testing pre-existing hypotheses. This research aspires to increase understanding in the relatively under-researched, complex field of dynamic capabilities and micro-foundations of dynamic

capabilities within rural micro-enterprises. As such, rich data collected from narrative interviews with micro-enterprise owner-managers, will lead to more meaningful understanding being added to knowledge about dynamic capabilities within rural micro-enterprises as recommended by Grande (2011).

The qualitative approach employed focuses upon generating insights through analysis and interpretation of the data collected. Brand (2009) argues that a qualitative approach to research can be disorderly. However, the collection of rich and in-depth data, disorderly through it may be, is important in this study. The importance stems from the desire to build knowledge about the role dynamic capabilities and their micro-foundations play within rural micro-enterprises. Individual nuances found during the analysis of the primary qualitative data may help conceptualise how dynamic capability theory can apply to rural micro-enterprises hence increase academic knowledge. This knowledge and theory building aim fits well within the tenant of qualitative research.

In agreement with Garcia and Gluesing (2013) this study contends that qualitative analysis will be invaluable when answering how and why questions as well as learning about new experiences. Levy (2005) agrees, qualitative analysis can be more germane than quantitative analysis when seeking to understand human behaviour. The qualitative methods of narrative interviewing (by exploring the influence of the owner-manager upon the running of their business) and visual research (through consideration of the micro-enterprise's setting) undertaken in this study will provide rich data streams which are likely to prove useful to further academic understanding about the behaviour of rural micro-enterprise owner-managers and their employees.

In order for this research to be considered best practice, it will be benchmarked against the eight "criteria for excellent qualitative research" Tracy (2010, p. 837). A pre-field work assessment of the research is provided in Table 9. This benchmarking process was repeated upon completion of data analysis to ensure the research process continues to fulfil the criteria ascribed to "excellent qualitative research". Tracy (2010) explains, quality in research methods transcends paradigms and the development of a universal holistic quality benchmarking criteria has benefits for practitioners whilst they striving to achieve best practice within their research area.

Table 9: Criteria of excellent qualitative research

Criteria	Description	Fit to my research
Worthy Topic	The research topic is interesting, relevant, timely and significant.	Context specific nature of dynamic capabilities warrants research to understand the role dynamic capabilities and their micro-foundations play within rural micro-enterprises. Organisations with strong dynamic capabilities are more likely to exhibit enhanced performance over those without. Hence this research, by identifying dynamic capabilities within rural micro-enterprise, could support policy and practice aimed at improving rural micro-enterprise performance.
Rich Rigour	The research study includes an abundance of appropriate theoretical constructs, data (collection and analysis) context and samples.	An abundance of data is sought by conducting narrative interviewing rural micro-enterprise owner-managers, observational research of the rural and urban context and supporting documents to analyse in pursuit of the research aim.
Sincerity	The study's methods and challenges are transparent as is self-reflexivity about the researcher's values, bias and beliefs.	Transparency of the interview protocol will be provided as will the process of interviewee selection. A reflective diary will be kept to refer to during the analysis of the data; consideration being given to the influence of the researcher's personal thoughts upon the
Credibility	There is clear evidence of triangulation, the presence of thick descriptions, details and the story is shown rather than told, rendering the research trustworthy and plausible.	Evidence of triangulation will be provided; it is also anticipated that data extracts from the interviews along with visual records will evidence the trustworthiness of the research
Resonance	The research has the ability to engage, influence and move many audiences due to its transferable findings.	The research aims to be written up in a tone aimed at engaging the audience; hopefully creating a compelling case
Significant contribution	The research professes a significant contribution to academic knowledge, practice and policy whilst stimulation the need for future research.	It is anticipated that the research will make a significant contribution to dynamic capability theory within a rural micro-enterprise context, focusing upon understanding the level which dynamic capabilities reside within the rural micro-enterprise and the micro-foundation which underpin the dynamic capabilities identified during the research; thus, convincing the reader that there is a case for future research within this area.
Ethics	The research is conducted with approved procedural, situational and relational ethics irrespective of the research paradigm being followed.	All ethical procedure required by the University of Huddersfield will be adhered to, with ethical approval being granted prior to commencing fieldwork.
Meaningful Coherence	The research aligns with its stated aims, used appropriate methods to achieve its objectives and there is a line flowing from the research questions through the literature to the findings and interpretations.	The literature review highlights a gap in knowledge which this research is focussed upon exploring and contributing towards closing the gap.

Source: Adapted from Tracy (2010, p.840)

Promoting excellence in qualitative research is not a new phenomenon. Scholars, such as Guba and Lincoln (2005) consider the establishment of a universal standard for guiding the quality standards of qualitative research as desirable but problematic, potentially due to the breadth of qualitative methodologies and philosophical underpinnings employed. Whilst Creswell (2007) promotes method specific suggestions for achieving high-quality qualitative research, his suggestions are limited to research conducted using a single method and fail to provide a “common language of excellence for qualitative research” (Tracy, 2010, p. 849). Whereas the eight criteria authored by Tracy (2010) encompass all shades of qualitative research methodologies and transcend research paradigms thus, making the framework accessible to all qualitative research practitioners

Tracy (2010) contends that evaluating qualitative research against quality standards will help increase the profile and acceptability of such research. Adopting this approach increases the prospect of qualitative research based papers becoming more acceptable within publications dominated by numerical, quantitative, positivistic research.

3.3. Philosophical underpinnings

Consideration of the philosophical framework in which to locate research is advocated by Creswell (2013) and Saunders et al., (2016) because personal beliefs and assumptions may influence the research findings. A holistic reflection upon the research study is recommended by McLachlan and Garcia (2015) prior to finalising the philosophical framework due to the multitude of philosophical perspectives available. Philosophical assumptions surrounding the research should fit within a framework comprising a consistent axiology, ontology, epistemology and methodology.

3.3.1. The Influence of the Research Study

Prior to finalising the philosophical framework, it is germane to take a step backwards to consider the subject being researched. Although there is an extensive body of literature about dynamic capabilities and a growing body of work surrounding dynamic capabilities within SMEs, there is limited extant literature about dynamic capabilities within micro-enterprises and even less about dynamic capabilities within rural micro-enterprises.

An interpretive philosophical framework (Burrell & Morgan, 1992) is considered appropriate for this research. To support the choice of this philosophical framework the following sections explain why an interpretive framework, aligned with a relativistic ontological and subjective epistemological (Creswell, 2013; Denzin & Lincoln, 2011; Howell, 2013) and an interpretative phenomenological analysis approach is considered an excellent fit for this research. This section continues, explaining interpretative phenomenological analysis' influence and its fit with the qualitative data collection methods and the hermeneutic phenomenological approach to thematic analysis of the data.

The subjective nature of this exploratory research fits well with an interpretative phenomenological analysis influenced approach because it seeks to increase understanding derived from interpretation of the "detailed examination of personal lived experiences" (Eatough & Smith, 2017, p. 193). This research allies with Cope (2005) who considers phenomenology a suitable approach for interpreting data with the aim of uncovering the basic "essences of experiences" (Cope, 2005, p.164).

3.3.1.1. The Philosophical Frameworks: Paradigm typologies

A philosophical framework is a frame in which to locate research and interpret knowledge (Brand, 2009). Before continuing to justify the interpretive paradigm chosen, it is important to have an awareness of alternative paradigm choices. Kuhn (1922-1996) has been accredited with responsibility for re-imagining paradigms as frameworks in which to situate ones' philosophical position. Bird (2011) argues that Kuhn's radical reconceptualisation of the rules surrounding scientific research led to the development of the naturalistic paradigm as a challenge to positivism and ultimately paving the way to more contemporary thinking regarding the evolution of paradigms and philosophy.

Brand (2009) proffers that there are three principal paradigm typologies; the four paradigms (Functionalist, Interpretive, Radical Humanist and Radical Structuralist) identified by Burrell and Morgan in their 1979 publication 'Sociological Paradigms and Organisational Analysis' for use in analysing social theory (Burrell & Morgan, 1992), Guba and Lincoln's typology from their 1994 publication 'Competing Paradigms in Qualitative Research' which identifies four paradigms (positivism, post-positivism, critical and constructionist) (Guba & Lincoln, 1994) and Crotty's schema presented in the 1998 publication 'Foundations of Social Research' which

differs from the previous two typologies in advising that there are four elements contributing to a theoretical framework; namely epistemology, theoretical perspective, methodology and methods (Crotty, 1998).

Hassard and Cox (2013) suggest contemporary researchers may be wary about fitting their research into a traditional paradigm due to Burrell and Morgan's typology of traditional paradigms being routed in "mutually exclusive views of the organisational world" (Hassard & Cox, 2013, p.1706). Their position is supported by Walliman (2006) who confirms all paradigms take an incommensurable view of social reality. However, it is maintained by Creswell (2013) and Quinlan (2011) that researchers should conduct their research within a philosophical framework that encompasses "a basic set of beliefs that guide actions" (Denzin & Lincoln, 2011, p.90). This aligns with Bargiela-Chiappini's views (2011) who confirms that the same research, if conducted under a different philosophical framework, will yield differing results due to the nature of the questions asked and the approach taken to interpretation the data. However, McLachlan and Garcia (2015, p. 195) caution there is a need to be "reflexive and provocative" when choosing and applying a research philosophy because the initial philosophical choice may not be the most appropriate for the study.

The following sections explain why the ontological, epistemological and methodological approaches to this research fit well within the interpretive paradigm and are appropriate for this research.

3.3.2. Ontological position

Ontology is commonly defined as the nature or view of reality or truth (Denzin & Lincoln, 2011; Howell, 2013). It influences how the research unfolds, what questions are asked, and the methodology selected (Bargiela-Chiappini, 2011). Walliman (2006) suggests that there is a continuum of ontological views ranging from objectivist to constructionist; the relativistic ontological position embraced for this research was located towards the constructionist end of an ontological spectrum, credence being given to the concept of a scale of ontological positions. Depending upon the philosophical approach applied to a research project, the ontological position for the research may change, being influenced by the research questions and methodological choices made.

The ontological position adopted for this research is relativism. Within the school of relativism is a belief that multiple realities exist and are created through

exploration of understanding and meaning. By taking a relativistic approach it is anticipated that knowledge will be constructed “through our lived experiences and interactions with other members of society” (Denzin & Lincoln, 2011, p.103). This claim is supported by Howell (2013) and Creswell (2013) who agree that reality is dependent upon many different factors and is constructed through consideration of shared experiences and interactions. In fact, Burrell and Morgan (1992, p. 28) declare that within the interpretive paradigm we strive to “understand the worlds as it is” irrespective of conflicts in reality. A belief that multiple realities exist is pertinent to this research. Narrative interviews will be conducted with rural micro-enterprise owner-managers enabling their unique stories to be told, their individual realities expressed. Combining and reducing each individual’s story to a single reality has the potential to diminish the value of the data and potentially render it less rich and meaningful.

A relativist ontology is a good fit for this research because the research seeks to increase understanding and discover truths about dynamic capabilities within rural micro-enterprises. Truths being defined in this study as new insights and understandings rather than conformance to a pre-determined hypothesis. The relativist ontology being consistent with the qualitative methodological approach to data collection and analysis to be enacted within this research project, such as the anticipated narrative interviews with rural micro-enterprise owner-managers; each micro-enterprise owner-manager possessing their own view about reality and truth. This relativist approach rejects objectivism and realism (Andrews, 2012; Refai, Klapper, & Thompson, 2015) because in seeking to gain insight and understanding it postulates that meaning is created by human actors (such as the micro-enterprise owner-managers) and not independent of them (Bryman & Bell, 2015).

3.3.3. Epistemological position:

For Guba and Lincoln (1994, p. 108), epistemology is concerned with “what is the nature of the relationship between the knower or would-be knower and what can be known”. It can be considered knowledge within the world, how knowledge is created and the basis of justifying the knowledge (Creswell, 2013; Denzin & Lincoln, 2011; Howell, 2013). A subjectivist epistemological position is deemed appropriate for this research. Denzin and Lincoln (2011, p. 104) claim “we are shaped by our lived experiences” and it is the experiences of the author of this PhD research which enables the researcher to create an understanding of the

essence of the everyday world (Burrell & Morgan, 1992) through analysis and interpretation of the data collected (Creswell, 2013; Howell, 2011) by interviewing rural micro-enterprise owner-managers.

The subjectivist epistemological position taken for this research opposes the concept of objectivism (Lincoln & Guba, 2016; Refai et al., 2015). This is because by taking an interpretive approach, the subjective nature of people is communicated through their words, such as the words spoken during the interview, process and the observed behaviour of the micro-enterprise owner-managers. The researcher will not only interpret and analyse the data collected from each case to seek a version of the truth, but also reflect upon the juxtaposition between the assumptions made during the data interpretation and the micro-enterprise owner-managers words.

If this research were to take an objective approach, the subjective aspects of human behaviour could be ignored (Bryman & Bell, 2015). Ignoring human subjectivity in this study could be detrimental to uncovering and attempting to explain the presence of dynamic capabilities within rural micro-enterprises because of the anticipated significant influence the owner-manager's view of the world has upon the success of their business.

This research seeks to increase understanding, such as how rural micro-enterprise owner-managers interpret their business environment through analysis of narrative interviews and reflections, rather than testing a hypothesis to validate a pre-formulated proposition; this further supports why a subjectivist rather than objectivist epistemological approach is appropriate for this study.

3.3.4. An interpretative approach

It is claimed by Saunders et al., (2016) that to complete a cohesive research project the philosophical framework comprising the ontology, epistemology and methodology should be aligned. The interpretative phenomenological analysis approach this research draws upon is situated within Burrell and Morgan's (1992) interpretive paradigm.

The evolution of the interpretive paradigm can be traced back to the school of German idealist social thought in the middle of the 18th century (Burrell & Morgan, 1992). The paradigm revived at the end of the 18th century upon notice by scholars such as Schleiermacher, Husserl, Dilthey, Gadamer, and Heidegger and latterly

Weber, Schutz and Giddens (Blaikie & Priest, 2016; Burrell & Morgan, 1992). These scholars contributed to the establishment of the interpretive philosophical framework in which reality could be constructed through language interpretation thus forming social constructs to increase understanding about a specific phenomenon.

Interpretivism is opposed to positivism (Blaikie & Priest, 2016). Gray (2004) acknowledges interpretivism is subject to criticism from a positivistic perspective because research findings may not always be presented in an objective manner. This lack of objectivity in presentation is because the findings are interpreted through the lens of the interpreter's lived experiences. This interpretation may lead to difficulty in verifying the findings and aligns with Blaikie and Priest's (2016) observation that how events are interpreted and conceptualised by the interpreter is determined by the interpreter's understanding of the world around them.

In comparison to an interpretative approach, positivism is grounded in a scientific approach (Lincoln & Guba, 2016) seeking to prove what is already known rather than identify new meanings. Lincoln and Guba (2016) credit the French philosopher Auguste Comte, who sought to predict what might happen from what had happened via experimentation, as being the founder of positivism. Positivism is steeped in an objective, rational and deductive approach to research synonymous with natural science (Bryman & Bell, 2015); believing that one world exists independently of our interpretation or view of it (Flick, 2014; Walliman, 2006). Positivism seeks to reduce and explain the behaviour of people by means of a set of certain, justifiable laws or hypothesis, separating the researcher from the researched by taking a dualistic stance to research (Brand, 2009; Bryman & Bell, 2015; Lincoln & Guba, 2016; Gill et al., 2010).

Unlike positivism, which seeks to prove a hypothesis through falsification and justification of presupposed outcomes, interpretative phenomenological analysis rejects presuppositions (Cope, 2005). This research argues that total objectivity of research is not possible because researchers cannot wholly eliminate themselves from the research during collaboration with the participants (Burr, 2015). These attributes support the proposition of a relativist ontology and subjective epistemology within an interpretive philosophical framework. For research which is dependent upon human interaction, such as narrative interviews which formed part of the data collection process in this research, interpretative phenomenological analysis is a more relevant philosophical framework than positivism.

Still, traditional quantitative methodological research within a positivistic paradigm continues to prevail. Quantitative research remains relevant within social science and dynamic capability research. Easterby-Smith et al., (2009) confirm the importance of quantitative research in providing clarity regarding the definitions of underlying factors and interactions between them as well as more generalisable findings. However, they also advance that there is a place for detailed, rich, contextual qualitative analysis within the field of dynamic capability research, where real-life experiences (Rae, 2005) can be explored. Such qualitative research adds to our deeper understanding of phenomena such as the presence of dynamic capabilities and their micro-foundations within rural micro-enterprises.

3.3.4.1. Values of Interpretative Phenomenological Analysis

Interpretative Phenomenological Analysis (IPA) is a relatively new approach, dating from the mid 1990's, although it is informed by the older and more established concepts of phenomenology, hermeneutics and ideography (Smith, Flowers, & Larkin, 2009). Smith et al., (2009) position the IPA approach within the qualitative tradition. In this research, IPA within an interpretive paradigm, has methodological advantage over positivism. IPA encourages common meanings to be interpreted from the everyday experiences of the rural micro-enterprise owner-managers.

Smith (2017) confirms that the findings of research influenced by IPA tend towards delivering greater understanding. Such research being experiential and a valuable means to examine peoples lived experiences. Cope (2011) describes this approach as drilling-down to a finer granular interpretation of participants lived experiences, thus, enhancing understanding about a phenomenon. In this research, the experiences of the owner-managers were reflected upon and their opinions identified and considered. This reflection allowed for the details of their everyday lived experiences to be considered when analysing the data, thus, their experiences had a significant direct impact upon the research findings.

This study involves dealing with people. People do not always behave predictably or objectively. People, such as rural micro-enterprise owner-managers have unique, individual experiences to share which to them constitute their individual reality. This interpreted analysis of owner-managers' individual realities is an important data source; helping to answer the how and what questions of this research, as detailed in chapter 1 section 1.5.

3.3.4.2. Why use IPA

Dynamic capability research emerged from an evolutionary economics tradition (Kuuluvainen, 2012). The evolutionary route of dynamic capability research may have influenced the philosophical approaches that have been taken across a predominance of the extant literature. Many empirical case studies published in academic journals take a positivistic approach to research (Brand, 2009); seeking confirmation of pre-existing hypothesis rather than generating deep understanding about the role dynamic capabilities play within enterprises, for the consideration of this research project specifically rural micro-enterprises. The IPA approach of this qualitative research enables multiple realities to be constructed during the data analysis process (Flick, 2014) which generates the in-depth contextual information required to improve understanding about the role dynamic capability plays within rural micro-enterprises.

IPA emerged from its roots in psychological research where it was helpful in increasing understanding about human behaviour. IPA has since permeated across multiple disciplines including education, organisational studies (see Cope's (2011) article about entrepreneurial learning from failure) and social sciences. An IPA approach to this research answers the call for in-depth insight into increase understanding about the role dynamic capability plays within micro-enterprises (Kabongo & Boiral, 2017; Kelliher & Reinl, 2009; Kevill et al., 2017), particularly rural micro-enterprises (Grande, 2011). IPA's non-prescriptive approach to research methods (Cope, 2011) ensures the realities of both the micro-enterprise owner-manager and the researcher will be built into the findings, thus the findings are more likely to be representative of human reality rather than becoming theoretical constructs.

This research adopts an interpretative phenomenological approach allied to Burrell and Morgan's (1992) interpretive framework. An interpretive framework is an ideal choice because within its tenant it considers participants, such as rural micro-enterprise owner-managers, and by extrapolation, their views of the world as being of primary importance.

3.3.5. Hermeneutic phenomenological approach to data analysis

This section justifies why a hermeneutic phenomenological approach to thematic analysis of the data collected from interviewing rural micro-enterprise owner-managers and the visual images of the locations is being taken.

3.3.5.1. Hermeneutics; a brief overview

Hermeneutics, being rooted in the Greek word *hermēneuein* meaning interpret, evolved into the contemporary term in the late 17th century. By applying a hermeneutic approach, the researcher is attempting to make sense of how people see the world through a lens of self-awareness, pre-existing values and experiences (Ho, Chiang, & Leung, 2017).

Howell (2013) indicates that the hermeneutical aspect of this approach is about understanding situations better than those involved in them, soliciting information by utilising intuition and having an empathetic approach. Bruner (1991, p. 7) advises scholars that hermeneutics “provide an intuitively convincing account of the meaning of the text as a whole, in the light of the constituent parts that make it up”.

Bruner’s (1991) guidance is particularly helpful in relation to the planned narrative interviewing in this study because the texts will be comprised of multiple stories transcribed from recorded interviews of rural micro-enterprise owner-managers, each requiring analytical interpretation to uncover the meanings within them.

3.3.5.2. The roots of Phenomenology

Cope (2005) and Refai et al., (2015) suggest that phenomenology can trace its roots back to the subjective view of the world held by Husserl, who rejected the use of traditional natural scientific methods to study people. Alfred Schutz strived to apply Husserl’s work within the social science arena. The ‘Verstehen’ concept of philosophy championed by Max Weber was also a key contributor to phenomenology (Bryman & Bell, 2015; Stanford University, 2016).

The concept of phenomenology was modified by Heidegger who rejected the notion espoused by Husserl of the researcher remaining impartial to the research, known as ‘bracketing out’ (Burr, 2015), in case the research was tainted by the researchers’ prejudicial views. Influenced by Heidegger, in the early 20th century, Gadamer further developed phenomenology through the introduction of his concept of the ‘fusion of knowledge’ which claims, “commonalities exist between peoples worlds” (Refai et al., 2015, p. 329). Early twentieth century philosophers Merleau-Ponty and Sartre, synonymous with conducting investigations into the conscious mind, are also considered influential phenomenologists.

3.3.5.3. The appropriateness of a hermeneutical phenomenological approach for this research

One of the aims of phenomenology is to expose the fundamental “essences of experiences” (Cope, 2005, p. 164). By focussing upon experiences rather than objects phenomenologists do not seek to separate the experience from what is being experienced, they interpret from their point of view.

Cope (2005) opines phenomenological and hermeneutic phenomenological research majors on the data being interpreted by the researcher whilst considering the views of the world held by the researched. Researchers are advised to avoid bringing their pre-conceptions to the data analysis, thus preventing dilution of the constructed messages. However, Sheard (2009) who, although advocating Derridas’ contrasting view of phenomenology where the experience and interpretation of the researcher influences the output, agrees that there cannot be a perfect representation of research because the researcher is considered to have a presence within the research. Within this study it is acknowledged that the experiences and views of the researcher are likely to influence the interpretation, analysis and findings of the research.

Phenomenology seeks to discover truths rather than justify hypothesis, building theories and interpretations from the data through use of rich descriptions and anecdotes (Cope, 2005). This is an anti-positivistic view because understanding is not based upon following rules or procedures but created through the interpretation and uncovering of meanings within the data (Bryman & Bell, 2015; Howell, 2013). Howell (2013) continues, within hermeneutic phenomenology understanding is the dominant driver with account being taken of the context within which the research is situated. This explanation is particularly helpful in justifying the applicability of hermeneutic phenomenology to this research because this research seeks to increase understanding about dynamic capabilities within the context of a rural micro-enterprise, dynamic capabilities being considered context dependant (Helfat et al., 2007).

Cope (2005) confirms phenomenological analysis has started to emerge as a suitable approach for researching small businesses to enable novel outlooks regarding entrepreneurship to develop, teasing out deeply held beliefs and information not able to be reached through quantitative analysis. This observation by Cope, (2005), in addition to the strengths of the phenomenological approach to solicit insights and meanings from data to increase our understanding of the world, helps to justify the hermeneutic phenomenological approach to data

analysis within the research. Allied to Cope (2005) and Willig and Stainton Rodgers (2017) this research aims to explore a phenomenon, in this research the phenomenon is dynamic capabilities within rural micro-enterprises, through analysis of the lived experiences of the rural micro-enterprise owner-managers expressed in their own words; further justifying why a hermeneutical phenomenological approach is appropriate.

3.3.6. Summary of the philosophical position

It has been argued throughout this section that this research into understanding dynamic capabilities and their micro-foundations within rural micro-enterprises fits well within an interpretive framework.

The IPA approach within an interpretive framework is underpinned by a relativist ontology and subjectivist epistemology. The interpretive philosophical framework is chosen to complement the principal objective of the research which is to increase understanding and knowledge about dynamic capabilities within rural micro-enterprises. To increase understanding of dynamic capabilities within a rural micro-enterprises context, rich data needs to be uncovered and interpreted. An IPA approach is relevant and appropriate to site this research within because the research seeks to generate insight and create a deeper understanding of the research subject.

3.4. Ethical Considerations

Approval to conduct this research was sought from and granted by the University of Huddersfield Ethics Committee. The primary data will be collected in line with the approval detailed below.

- A qualitative methodological approach taken.
- Primary research data collected through in-depth interviews with micro-enterprise owners-managers.
- The interviews will be supplemented by field based observations of business type's and business activity within the geographies.
- Photographs will be taken to provide context to the study regarding the locational of the micro-enterprises.
- Secondary data (for example, government surveys) will be used to cross reference, contrast and provide context.

- Participants will be advised about informed consent verbally and in a document for signature prior to being interviewed.
- The participant will have the right to withdraw from the study.
- Confidentiality will not be offered. However, anonymity will be offered through the use of pseudonyms.
- Access to the data will be limited to the researcher, supervisors and examiners.
- The data will be store on the secure server at the university.

3.5. Data collection

Within this section, the methodological choices for researching the presence of dynamic capabilities within rural micro-enterprises, namely narrative interviews supported by visual research and documentary analysis, is discussed prior to outlining the methodological details of this research. The section starts by justifying the choice and relevance of narrative interviewing for this research project. The section continues with an outline of how narrative data is collected and analysed in practice before concluding with a synopsis of the pros and cons of narrative interviewing. Continuing, this section considers the roles visual research and document analysis play within the primary data collection process and the relevance of these data collection methods in soliciting data to answer the research questions. The section concludes by applying the theory of this research to provide an actionable template should future scholars which to replicate this study.

3.5.1. What is Narrative Research

The term narrative being derived from the Latin verb *narrare* meaning to narrate or tell a story according to the Oxford English Living Dictionary (2019). In layman's terms narrative research involves people providing information by speaking their own words in the format of a story, which can be analysed by a researcher at a future date.

Lieblich, Tuval-Mashiach, and Zilber (1998) argue that arriving at a consensus definition of narrative research is difficult. Narrations, as articulated and defined by Goodson, (2010, p. 3) and adopted in this research, can be described as the "stories people tell about themselves and their lives". The concept of storytelling being traced back to the poetry of Aristotle (Jovchelovitch & Bauer, 2000).

3.5.1.1. Narrative or story

Consideration is needed regarding the definition of the debated and contested terms of story and narrative within this research (Søderberg, 2006). White and Drew (2011) suggest that the terms story and narrative can be used interchangeably, although White and Drew (2011) simplistically define a story as a verbal rendition and a narrative as being a crafted written version of the verbal story. This approach allies with Connelly and Clandinin (1990) who advocate that a story is what is told and a narrative is the collected research (such as the stories about rural micro-enterprises to be collected during this study) and Jones (2017, p. 327) who describes narratives as people "sharing their own stories in their own voice". Bates (2004) recommends that narratives should have a plot to ensure context and coherence as well as a chronological timeline; whereas, Gabriel (2000, cited in Søderberg, 2006) claims that stories also have timelines, events and actions. Søderberg (2006) concludes that narration is the process of telling a story and by doing so the story becomes the narrative which is subject to interpretation. Rhodes and Brown (2005, p. 167) define a story as "a creative re-description of the world such that hidden patterns and hitherto unexplored meanings can unfold", once again suggesting stories are told. Narratives being expressed by Bruner (1991) as a way of representing one person's reality following the telling of a story.

For the purpose of this research the definitions of the terms story and narrative aligned with White and Drew (2011), Berger (1997) and Riessman (1993). Story being defined as the oration of a narrative, acknowledging that stories are not identical and may vary depending upon the storyteller's audience. Narrative is defined as the essence of the story (containing the plot) which is told and transcribed into text for future analysis and interpretation. These definitions have been chosen because during the process of interviewing the rural micro-enterprise owner-managers will tell their stories from their own perspective. Their stories will subsequently be transcribed into narrative texts prior to analysis.

Sited within the qualitative paradigm, narrative research is a valuable tool to elicit streams of rich data directly from the participant (Raven, 2016) in order for the recollection of lived experiences to be reflected upon and shared with the researcher who documents the narration (Kevill et al., 2015; Rae, 2005). Narrative interviewing is a useful approach to further understanding about peoples' worlds, especially when the participants are practitioners speaking from their own experience; such as in this research which necessitates interviewing rural micro-enterprise owner-managers. Their experiences are subjective and their stories

may potentially vary upon re-telling depending upon the audience and memory recall, supporting the interpretive position that there is no single absolute truth (Rae, 2000).

3.5.1.2. Narrative Research in practice

Narrative research is considered a contested technique. Polkinghorne (2007, p. 478) claims that narrative research is comprised of 'performances' namely "the collection of evidence" and the "analysis or interpretation of the evidence". In practice there is no agreed definitive way of conducting narrative research. Kevill et al., (2015) suggest life-story interviews could be conducted in different ways. For example, either allowing the participant to talk without interruption or by asking the participant to break the life-story into chapters akin to Lieblich et al., (1998).

Within this research owner-managers will be asked to tell the story of their business from their perspectives. This approach is being adopted to avoid influencing the owner-manager or forcing them to answer specific questions thus enabling more detailed, rich data to be obtained. However, due to the differing natures of the rural micro-enterprise owner-managers in some instances prompts may be needed to get the interviews back on track after an interruption or significant digression away from the story of the business. In all interviews care will be taken to avoid leading or influencing the owner-manager into saying what they think the interviewer wants to hear.

Riessman (1993) and Jovchelovitch and Bauer (2000) propose schemas to ensure the process of narrative interviewing and the content of the narratives solicited are detailed and complete, these will be discussed in section 3.5.1.5. Rae (2000) suggests that there are multiple data analysis choices available once the interview has been completed, including content, conversation and discourse analysis. In this research a hermeneutic phenomenological approach to thematic analysis will be used to analyse the data, thematic analysis is discussed in section 3.6.2.

3.5.1.3. Narrative Interviews

Narrative interviewing is an increasingly acceptable method for collecting data in many areas of social sciences, such as research into entrepreneurial learning (Rae, 2000; Riessman, 2008), cross-border mergers (Søderberg, 2006) and dynamic

capabilities within micro-enterprises (Kevill et al., 2015) because of its ability to make topics engaging (Rhodes & Brown, 2005) and generate understanding to research questions (Daiute & Lightfoot, 2004; Frost, 2009; Holstein & Gubrium, 2012; Lieblich et al., 1998).

3.5.1.4. Relevance of narrative interviews for this study

Rooted in anthropology, phenomenology and hermeneutics (Goodson, 2010) and with a subjective nature (Connelly & Clandinin, 1990) Rae & Carswell (2000 p. 222) suggest narrative analysis is "useful in eliciting new and deeply contextual insight". Frost, (2009, p. 10) affirms context and "the way stories are told are as important as their content". Frosts' (2009) position leads to the conclusion that narrative interviews are a particularly relevant method for researching the presence of dynamic capabilities within rural micro-enterprises because of the context specific nature of dynamic capabilities (Helfat et al., 2007). It is anticipated that the information gleaned from analysing owner-managers' real-life lived experiences of establishing and managing a rural micro-enterprise will increase understanding (Kevill et al., 2015) about the development of and micro-foundations of dynamic capabilities within rural micro-enterprises.

Jovchelovitch and Bauer (2000) maintain narrative interviews in the form of life-stories can be a powerful tool for social science researchers to employ due to the importance of storytelling "in shaping social phenomena" (Jovchelovitch & Bauer, 2000, p. 2). In fact, Riessman (2008) contends that a narrative rather than traditional question and answer interview may be more effective in soliciting rich data. Unstructured narrative interview differ from semi-structured interviews. Saunders et al., (2016) defines semi-structured interviews as "a purposeful conversation between two or more people". They enable personal thoughts and motivations to be captured and provide data to help understand why decision have been made.

Semi-structured interviews, characterised by themes and key questions, are more flexible than standard structured interviews which are usually comprised of predetermined standard questions, typically used when collecting quantitative data. However, semi-structured interviews are less flexible than unstructured in-depth interviews, such as narrative interviews, where a topic is explored with greater freedom and to a greater depth. In semi-structured interviews, in addition to preparing the opening question a key topic guide is produced prior to starting

the interview process. The topic guide informed from both literature and the purpose of the study (Galletta, 2013). Active listening is important in semi-structured interviewing to enable follow-up questions to be asked in the participants own language and for clarifying responses.

Unstructured narrative interviews start with a broad open question. Rapport needs to be established with the rural micro-enterprise owner-managers and trust gained to enable the interviewee to feel comfortable sharing their story with the interviewer. In the narrative interviews conducted during this research there was no fixed agenda, beyond that of wanting to learn the story of the business, and the participants were allowed to let the story of their business unfurl using their own words.

Goodson (2010) and Connelly and Clandinin (1990) suggest that narrative research is an effective method of communicating and learning from a persons' lived experiences. This is aligned with the position of Lieblich et al., (1998) who agree that when people are telling their stories, usually in a relatively unstructured way (Raven, 2016), the stories can provide detailed nuances of human behaviour which may be missed if a more structure format of interview was conducted. In narrative interviews Anderson and Kirkpatrick (2016) contend that peoples' stories are central to increasing understanding about experiences and behaviours of people. The unstructured narrative interview solicits more than a list of events, the narrator attempts to add spatial and temporal dimensions to the events thus providing "meaning and coherence" (Anderson & Kirkpatrick, 2016, p. 632) to their story.

A secondary factor indicating the suitability of narrative interviews as a research method for this study is provided by Bates (2004), who recommends the use of narrative interviewing for in-depth qualitative studies. In this research it is anticipated that rural micro-enterprises, due to their scale, are likely to be significantly influenced by their owner-manager and the owner-mangers experiences. This anticipation necessitates understanding the story of the micro-enterprise from the owner-managers' perspective. Considering the research questions outlined in chapter 1 section 1.5, it is anticipated that narrative interviewing is particularly suitable for answering question a, question b and contributing to answering questions c.

3.5.1.5. Process of narrative data collection

The style of a narrative interview can be described as in-depth and unstructured. Jovchelovitch and Bauer (2000) agree that an unstructured approach is preferable to imposing themes upon or leading the participant. This is because the objective of the interview is to acquire the story from the participant in their own words with minimal intervention from the researcher.

Minimal intervention from the researcher is an important part of the interview process in this research because the quality of the data was expected to be higher if the story told by the rural micro-enterprise owner-manager is allowed to flow freely. Prompting may cause the owner-manager to respond with the information or answer to the question he believes is desired by the researcher. The principal of letting the story flow will be adopted during the narrative interviews conducted as part of this research. Potential schemas for conducting narrative interviews are illustrated in tables 10 and 11 and discussed below.

Prior to the interview, during the preparation to ensure consistency across all interviews, consideration is given to scripting a succinct introduction to the interview (Kevill et al., 2015) and preparing prompts to solicit exmanent information; information that is relevant to the researcher (Jovchelovitch & Bauer, 2000) by the researcher.

Table 10: Phases of narrative interviewing

Phases	Suggested Rules
Preparation	Explore the field Prepared questions of interest to researcher
1 Initiation	Permission to record Develop initial topic for narration Prepare visual aids (if relevant)
2 Main Narration	Do not interrupt Non-verbal encouragement to narrator Wait for the conclusion Probe for more information
3 Questioning	"What happened next?" Avoid Why questions Avoid offering opinions, arguing, contradicting and asking about attitude. Questioning relevant to the narrative
4 Conclusion	Why questions Stop recording Detailed notetaking after interview

Source: Adapted from Jovchelovitch and Bauer (2000, p. 5.)

Table 11: The content of a narrative interview

Six elements of a narrative interview		
1	Abstract	Overview of subject of the narrative
2	Orientation	Details of the context, place, situation and participants
3	Complicating action	Sequence of events
4	Evaluation	Perspective of the event, attitude and the significance of the event
5	Resolution	Outcome of the narrative
6	Coda	Relation of the narrative back to the present

Source: Adapted from Labov's structural approach as cited in Riessman (1993)

As the interview opens the researcher is recommended to gain permission to record the interview and actively listen to the unfolding story, encouraging the participant to continue telling their story through non-verbal encouraging communications; although questioning may be required to maintain the flow of the narrative (Riessman, 1993). Only when a natural coda or ending of a narration, is reached both Riessman (1993) and Jovchelovitch and Bauer (2000) agree the researcher may probe using follow-up questions to ensure that all the details of the story has been revealed.

Minimising researcher influence upon the participant is important to ensure the story is told in the participants own words. Both schemas advise against proffering opinions, arguing, or asking why questions. The only type of questions advocated are those which may enable more of the story to be revealed, usually towards the end of the interview (Bates, 2004). These immanent questions (such as those bring crafted from information provided during the interview) should be reflective, constructed in the participant's language and encourage the story to progress to its natural conclusion (Jovchelovitch & Bauer, 2000).

Jovchelovitch and Bauer (2000) recommend the researcher should make reflective notes pertaining to the interview context, texture, themes and language used immediately after the interview to ensure accuracy of reporting. Use of language is important during the interview to make sure the participants feel comfortable. It is also important to maintain an awareness of the different perspectives between the participant and researcher because applying the researchers' perspectives to the participants' story may contribute to bias encroaching into the analysis and interpretation of the story. Once the narratives have been collected they require analysis.

3.5.1.6. Analysing narrative interviews

In line with the lack of authoritative direction for conducting narrative interviews there is no single consensus model of 'best practice' for analysing the stories collected during the narrative interviews. A practical six step process for analysing the narratives, which incorporates thematic analysis of the transcript as outlined by Jovchelovitch and Bauer (2000) is detailed in table 12.

Table 12: Process of narrative interview analysis

Process of Narrative Interview Analysis	
1	Transcribe interview
2	Subdivide text into Indexical (Who did what, when, where, why) and non-indexical (values, judgements, opinions)
3	Order events using indexical aspects
4	Operative theories constructed from non-indexical comments
5	Clustering of comments
6	Establish similarities

Source: Adapted from Jovchelovitch and Bauer (2000, p.10) understanding of Schütze (1977, 1983) proposal.

This multi-step approach concurs with Kevill et al., (2015) and Rae and Carswell (2000) who advise reading the transcripts and capturing themes is a suitable approach for analysing the stories. Frost (2009) takes a slightly different approach advising that four different models (such as event, poetic, critical and performance) can be used for analysing narratives. However, it could be argued that adopting a pluralistic approach to narrative analysis and interpretation may lead to contradictory findings and discrepancies. Frost (2009) poses that whilst seeking understanding different findings emerge from the data. All these emerging findings are likely to have relevance. This pluralistic approach could be considered "within method triangulation" (Frost, 2009, p. 24) and likely to add a layer of accountability to the findings. Frost suggests this approach should be encouraged to increase the accountability of the findings given there is no obligation to seek validity via triangulation within qualitative research.

Within this study the process for analysing the narratives will be closely aligned to Jovchelovitch and Bauer (2000), see table 12, due to their promotion of a thematic approach to data analysis within the schema. Therefore, given the aims and objectives of this study, as discussed in chapter 1 section 1.4, a thematic approach to data analysis is considered most suitable, as discussed in section 3.6.2, due to the exploratory, deeply rooted nature of the concept being explored.

3.5.1.7. Challenges of Narrative Interviewing

Narrative interviewing can be seen as a way of generating detailed information about specific phenomena, such as dynamic capabilities within rural micro-enterprises and contributing to delivering illuminating, novel research (Daiute and Lightfoot, 2004; Kevill et al., 2015; Polkinghorne, 2007; Rae and Carswell, 2000). Nonetheless, narrative interviewing is not without its challenges. Some of the commonly reported challenges relating to conducting and analysing narrative interviews from the process, interviewer and interviewee perspective are summarised in table 13 and discussed in sections 3.5.1.7.1 to 3.5.1.7.3.

Table 13: Challenges of narrative research

Interviewee	Interviewer	Process
Self censors	Inadvertently guide interviewee	Not standardised
Hidden agenda	Interrupts flow of story with questions	Time hungry
Assumes level of knowledge in interviewer	Loses control to interviewee	Few cases (small scale)
Becomes distracted & memory inaccurate	Subjective interpretations of narration	Difficult to validate for generalisability

Source: Jovchelovitch and Bauer (2000); Kevill et al (2015); Rae, (2000, 2005); Rae and Carswell (2000)

3.5.1.7.1. Challenges for the interviewee

Depending upon the behaviour of the interviewer (audience), the interviewee (storyteller) may decide to strategically amend the story (Ramsey, 2005) to either communicate a specific message, a hidden agenda or adapt the story in response to the interviewees' perceived understanding of the interviewers' subject knowledge. There is also a risk that the story may not be accurately recalled due to human memory inaccuracies or distractions interrupting the interviewee during their storytelling (Kevill et al., 2015; Rae, 2000).

This is a risk within this research because the micro-enterprise owner-manager could be interrupted during the interview causing elements of the story to be omitted or rushed. This may happen in some interviews. It is difficult to mitigate for unplanned interruptions such as telephone calls. However, once the interruptions are concluded, when recommencing the story, clarification will be

sought from the participant to recap what has being said prior to the interruption so that the storytelling can resume seamlessly.

3.5.1.7.2. Challenges for the interviewer

The interviewers' challenges extend beyond conducting the interview into analysing the transcript. The interviewer should carefully reflect to guard against allowing their personal interpretations of reality to cloud what the interviewee has said.

During the interviews care will be taken not to lead the interviewee using leading questions or forcing debates but allowing the storytelling to continue uninterrupted. Care will be taken by the interviewer when phrasing clarification questions or prompts to enable the flow of the story to continue and not to lead the interviewee. This consideration will continue into the transcription phase of the research process when faithfully transcribed recordings of the interviews will be completed without interviewer interpretive augmentation.

A further challenge for the interviewer is the ability to maintain control of the interview and not let the interviewee dictate proceedings, such as truncating the storytelling due to time constraints. It may be more effective to reschedule the interview to an occasion when the interviewee has more time rather than try to rush the process (Jovchelovitch & Bauer, 2000; Kevill et al., 2015). To mitigate this happening in this research, the rural micro-enterprise owner-managers will be given information before the appointment is confirmed to ensure sufficient time is scheduled to complete the interview, advising the owner-manager that rescheduling before the interview day is preferable to having to rush the interview.

3.5.1.7.3. Process challenges

The process of conducting narrative interviews is not standardised, one researcher's conceptualisation may not coincide with a different researcher's conceptualisation of a narrative interview. Completing narrative interviews is a time-consuming process; with some interviews anticipated to last in excess of two hours. This may be problematical for the interviewee, especially if the time element has not been clearly communicated before the interview starts. Participants will be advised that the interviews are likely to last in excess of an

hour, therefore hopefully mitigating any time constraints the interviewees may have.

Given the subjective nature of narrative interviews, it is unsurprising they appear subject to a significant number of challenges (Riessman, 1993). However, the propensity to provide novel insights, add authenticity to experiences (Rae, 2000) alongside the linguistically rich nature of narrative interviews justifies its position as a compelling tool for use in interpretive research (Rae, 2005). Narrative interviews are personal and subjective providing data which is rich in detail. However, their subjective nature can lead to challenges regarding validating the findings for generalisability (Jovchelovitch & Bauer, 2000; Kevill et al., 2015; Rae, 2000).

3.5.1.8. Validity of Narrative Interviews

Narratives are considered by Polkinghorne (2007) to be neither fact nor fiction but an interpretation of events according to the reality of the storyteller and their accuracy of memory. This consideration could lead to the validity of findings being challenged on the grounds of bias due to participant selection and the meanings of narration being personal to the interviewee. The rich textual descriptions espoused and the contextualising of the narration tend to negate validity challenges because the believability of the statement is enhanced by the authority of the storyteller and the robustness of the arguments promoted to support their claims (Bates, 2004; Polkinghorne, 2007). This observation leads us to consider validity not as an absolute, akin to quantitative, positivistic research but, according to Pereleman (1982) (cited in Polkinghorne, 2007), as a scale with varying degrees, each increment being defined by persuasive arguments.

Peoples' stories are personal to themselves. Stories include details about their experiences, relationships and how they make sense of their reality (Bryman & Bell, 2015; Easterby-Smith, Thorpe, & Jackson, 2015). However, consideration needs to be given to who is establishing and where the truth is established in a narration. Whether the truth resides with the storyteller during the narration or with the researcher during the interpretation (Jovchelovitch & Bauer, 2000). Within this research it is recognised that there is no single truth and elements of truth resided with both the storyteller and the interpreter.

3.5.1.9. Summary of narrative research

Kevill et al., (2015) contend that despite a multitude of research methods being used within social sciences there remains a lack of methodological diversity. By using narrative interviewing this research contributes towards increasing the diversity of qualitative research methods within the field of dynamic capability.

Narrative interviewing is a practical method for making sense of and generating understanding about complex subjects when uncovering details about the subjects are equally if not more important than creating generalisable findings. It is anticipated that the findings generated by this research are likely to extend the field of dynamic capability research further into the domain of the micro-enterprise, specifically the rural micro-enterprise.

3.5.2. Visual Research

Visual research, in the form of photographs, is an ideal method for capturing the emotional and intangible aspects (Reavey, 2011) of rural locations directly from the location. Such aspects include implicit meanings, feelings and unique insight (Banks, 2001). Unfortunately, the role of photographic images within this study is limited to providing contextual information which contribute to consideration of the locational aspects of the rural as well as the differences between urban and rural micro-enterprise locations. This limitation is a result of the guidance provided by the university ethics committee. They require the images do not contain information which could lead to identification of the rural micro-enterprise or the owner-manager. However, the value of using photographs remains warranted because the images stir an emotional responses to the locations which enable a deeper analysis and richer stream of data to be gathered rather than personal reflective notes alone.

Modern society is heavily influenced by visual stimuli such as television, cinema, photo advertisements, smart phone apps and social media. It could be argued that photographic research should be more acceptable as a research method within social science given its potential to reveal explicit and latent information, provide unique insights into a research problem as well as a visual record of the context (Banks, 2001; Davison, 2015).

Visual research is starting to become more prevalent in social science research as it emerges from its anthropological tradition (Riessman, 2008). Ray and Smith

(2012) maintain photographs can capture implicit meanings more effectively than interviews or focus groups. Photographs are becoming more than simple cultural artefacts (Warren, 2002), being elevated beyond an illustrative record of field research (Shortt & Warren, 2019). Davison (2015) sees visual research as having significant potential to expand research horizons beyond the more established tools of interviews and focus groups. In fact, visual research has been described as an under-utilised method of research within social science, holding "great promise for investigating organizational phenomena" (Ray & Smith, 2012, p. 310). Images can be considered a powerful, real-time record of situations (Bauer & Gaskell, 2000) such as the locations where rural micro-enterprises are located. Basil (2014) confirms photography is an excellent way to capture the background and after reflection, interpret from a situational context. Photographs enable the researcher the luxury of time to reflect upon the analysis of data without losing any of the nuances observed on the day of data collection, more so than written field observational notes alone.

Although visual research is becoming more common in social science, Shortt and Warren (2019) suggest that protocols for analysing photographs are not fully developed. They contend a systematic approach such as an amalgamation of the dialogical and archaeological approaches (Meyer, Hollerer, Jancsary, & Van Leeuwen, 2013) would add legitimacy to visual research conducted within an interpretive qualitative framework. However, Rose (2001) advocates a simple three stage analysis of photographs, namely when and how the image was taken, building the story of the image and interpreting the response to the image.

Although increasing in popularity visual research is not without its challenges. Riessman (2008) cautions visual research practitioners to consider ethical challenges such as validity. This research aims to minimise validity challenges by ensuring no manipulation is done to the digital images during any stage of the research process. The images taken fulfil the stipulation of maintaining the anonymity of the rural micro-enterprises and owner-managers which is insisted upon by the University of Huddersfield's ethical committee, see section 3.4.

When analysed using thematic analysis, this research allied with Riessman's (2008, p. 141) position that photographs help the narrative researcher "tell a story about images that themselves tell a story". Analysis of the photographs provide an innovative perspective to rural micro-enterprise research, arguably comparable to analysis generated through interviewing. The captured images help compensate for failing memory recall and interviewee/interviewer bias (Ray & Smith, 2012) in addition to providing a visual contextual backdrop to the research (Banks, 2001).

In this study, contextual nuances of rural and urban environments where micro-enterprises are situated will be captured via photographs. The analysis of these images contributing to exploring research objectives c and d, chapter 1 section 1.4. Photographs are an important tool in this research because they enable the essence of the rural location where the rural micro-enterprise is situated to be captured. These images will enable differences between the locations to be observed and analysed, bringing an additional layer of rich data into the study.

In this research the photographs will be 'read' and interpreted using thematic analysis akin to the narrative interviews (Riessman, 2008) to exploit the rich data they contain. It is anticipated that the use of visual research in this research will also provide a methodological contribution to academic knowledge because of its underutilisation within social sciences.

3.5.3. Document Research

Documentary research is used to enable scholars to learn from what has happened in the past, then use this information to assimilate how change occurs. Bowen (2009) maintains that documents can have different functions within research. This viewpoint allies with Walsh (2014) who maintains that documents are used to evaluate, learn and share learning. The process of undertaking documentary analysis in this study is outlined in table 14.

Table 14: Process of documentary analysis

Step	Action
Search	Find relevant documents
Read	Read the document
Examine	Is the document reliable and genuine
Analyse	Interpret the information contained within the document
Write up	Communicate the learning from the analysis and evaluation

Initially a desk based search is undertaken to identify potential documents of interest. These documents are then read and a decision made about their relevance, reliability and validity. If the documents are deemed by the researcher to be value adding to the research they are then analysed. The noteworthy findings from the documents are written up to enable deeper insights to be reached (Walsh, 2014).

The use of documents within this research has several functions. Documents are used to add context to the insights generated by analysing the narrative interviews and visual research. Documents produced by authoritative bodies (for example DEFRA, where statistical reports are sourced from official websites such as www.gov.uk) were reviewed in addition to the participating rural micro-enterprise's websites, related industry websites (such as farmers' markets and rural support groups), promotional leaflets and newsfeeds. Documents, being defined as text and pictures compiled out-with the researchers' intervention (Bowen, 2009).

Documents are primarily used in this research as a source of context (such as background information about the rural environment), supplementary research data (such as statistical trends of the number of rural micro-enterprises within the UK) and as qualitative method triangulation. Triangulation within qualitative research, as advised by Jonsen and Jehn (2009), is helpful to minimise bias and enable fellow academics to have greater confidence in the findings of the primary research.

3.5.4. Participant selection

Traditionally qualitative research studies are likely to have a small sample selected purposively to enable deep and rich information to be collected (Creswell, 2014). This contrasts with quantitative research where a large randomly selected sample which aims to be representative of the population to support the generalisability of the study is common (Saunders et al., 2016). The sampling strategy chosen is influenced by the research methods being used, however it should always be informed by the rigorous use of established qualitative sampling protocols (Creswell & Plano Clark, 2007). Irrespective of the design of the study the sampling protocol should be ethical and enable inferences to be made once the data has been collected and analysed (Teddlie & Yu, 2007).

Within this research, the initial non-probability chosen sampling approach is purposive. Sampling protocol targets the selection of heterogeneous rural micro-enterprise owner-managers. After reflecting upon the initial challenges of identifying willing participants the sampling protocol was revised by the researcher to include snowball sampling (Creswell, 2013; Saunders et al., 2016). This augmented protocol enabled rural micro-enterprise owner-managers to be identified by owner-managers who had already been interviewed.

It is likely that the number of interviews conducted may have been limited due to the challenges encountered trying to locate rural micro-enterprise owner-managers willing to participate in the research.

3.5.5. Data Collection process

The earlier sections, 3.5.1 to 3.5.3, of this chapter discuss the theoretical approach to the data collection methods used in this research. This section will outline what actually happened during the data collection phase.

3.5.5.1. Unit of analysis

This research positioned the owner-manager of the rural micro-enterprise as the unit of analysis.

3.5.5.2. Sample recruitment selection strategy

To interview rural micro-enterprise owner-managers, rural micro-enterprises needed to be identified. The sampling protocol followed is summarised in table 15 and discussed below.

Table 15: Sampling considerations and sources

Participant selection		
Purposive		Predominantly rural location
		Employs less than 10 people
		Annual turnover <= 2m Euro
Sources	1	Desk Research
	2	Websites
	3	Colleague introductions
	4	Small business networks
	5	Participant recommendations

Initially target areas were identified using the RUC (ONS, 2015). The 'predominantly rural' category was selected. This category enabled specific geographies to be identified and the location of the potential business case to be assessed against the RUC criteria. A second criteria which needed to be taken into

account was the definition of micro-enterprise used in this research. Upon identification of a business case the number of employees were confirmed to be less than 10 and the annual turnover was confirmed as less than €2m. The actual number of employees was recorded for each business case but the actual turnover was not, it was just confirmed as being less than €2m. Any businesses which did not fit within the RUC criteria and definition of a micro-enterprise were discarded from the selection process.

It proved challenging to find owner-managers of rural micro-enterprises who were willing to be interviewed. Potential participants were initially identified through desk research, farmers' markets websites, LEADER local action groups and personal contacts. Participants were contacted initially via email or post then telephone. Local business forums were attended in North Yorkshire, however a minimal strike rate of suitable businesses attending the events was achieved. Initial unsolicited direct approaches to business failed to secure sufficient participants to complete the study.

A different approach was needed and contact was made with fellow academics and who had previous experience of working within the rural economy. They agreed to provide details of contacts within the Federation of Small Businesses (FSB) and LEADER who had worked with them before and allowed their details to be quoted on introductory emails and letters to their contacts. This approach was more successful and two LEADER local action group leaders, one in Dumfries and Galloway and one in the Cotswolds supported the search for rural micro-enterprises to approach. The prospective participants received an introductory email from their LEADER group. This was followed up with a more detailed email and phone call from the researcher.

After the interview, details of rural micro-enterprises known to the participants was requested. The interviewed owner-managers passed details about the research onto prospective contacts who were subsequently contacted by me and invited to participate in the study. This mixed approach of initially purposive sampling followed by snowball sampling generated nineteen participants.

The diverse participant cohort included owner-managers with differing backgrounds and rural micro-enterprises operating in differing market sectors. Despite the small sample size, after conducting more than one interview in the same sector similar business challenges started to emerge from the participants whilst they told the story of their business. Reflecting upon the body of interviews, although nineteen could be considered a relatively small sample size, the length

of the interviews and the details the owner-managers included as part of their stories, along with the regular repetition of similar issues encountered (such as declining customer bases) rendered nineteen a sufficient number of cases to base this research's findings upon.

3.5.5.3. Arranging and attending the interview.

As mentioned in section 3.5.5.2, the interviews were arranged via email and telephone. Once the interview date was scheduled, a confirmatory email was sent to the participants and a clarification email/phone call made the day before the interview to confirm that the time and place for the interview was still convenient for the owner-manager.

To ensure commonality across all the interviews a basic interview protocol (Yin, 2009) was followed for each interview conducted during this research. The interview protocol is detailed in table 16. This interview protocol was constructed to ensure a consistent approach was taken during each interview. The protocol facilitated the capturing of the information needed to answer the research questions without leading the micro-enterprise owner-manager during the interview. The information sought was obtained during the natural flow of the owner-manager's storytelling.

However, not all participants are the same and at times the narrative interviewing style shifted to a more semi-structured approach to ensure meaningful data was collected in some cases. This was due to the reticence of some participants (such as Tracey and Clara) to talk about the story of their business. They had a preference to answering questions rather than telling stories. The interviews were all digitally recorded on an iPod, except one (Charles) where notes were taken during the interview because the iPod had discharged its battery and no back-up recording device was available.

At each location photographs were taken to record the rural context. The photographs aligned with the ethical approval for the research project, as outlined in section 3.4 and as such it is not possible to identify the location or business from the images thus participant anonymity was maintained.

Table 16: Interview protocol

Interview Protocol		
Introduction	Greet the micro-enterprise owner-manager	
	Thank them for agreeing to participate in the research	
	Present the research information sheet	
	Review and sign consent form	
	Confirm permission to proceed	
Questions	Opening	I am interested in understanding how your business started, has changed over time and how you anticipate your business developing in the future
	Initial Question	Please tell me about (what, why, how, when...)
	Prompts	The business and its history
		Changes that have happened within the industry in which you operate
		A change within your business that has taken place in the last two years
		A change you anticipate in the future within your business - preferably within the next two years
Closing	Do you have any additional thoughts about the future direction of your business?	
Conclusion	Review summary of discussions with owner-manager	
	Check they have nothing else they want to contribute	
	Thanks them for their time	

Source: Adapted from Yin (2009) page 82, figure 3.3

3.5.5.4. Interview follow-up

After the interview was completed, reflective notes were made about the participant, location and business. The reflective notes enabled contextual information such as perceived business success, locational information and observable characteristics of the owner-manager to be recorded. This recorded information was available for incorporation into the data analysis. The day after the interview an email was sent to the participant thanking them for their time and co-operation.

The audio file of the narrative interview was manually transcribed into a Word document. These documents were then loaded into NVivo in preparation for analysis and storage. Appendix D depicts a screenshot from NVivo which illustrates the data storage and use of NVivo to facilitate data analysis.

3.5.5.5. Collecting the visual research

Photography of the rural micro-enterprises' locations formed part of the data collected during this research. A protocol for collecting photographic data, table 17, was followed.

Photographs were taken either after or before the interviews were conducted at the locations of the rural micro-enterprises and in some instances the village nearest to the rural micro-enterprise to capture broader locational information such as transport infrastructure.

Table 17: Visual research protocol

Activity		Detail
1	Identify locations of micro-enterprises	Rural micro-enterprise location
		Urban micro-enterprise location
2	At the locations	Take pictures at the location of the micro-enterprise
		Ensure anonymity is protected during composition of the image prior to taking the picture
3	Upload pictures	Upload pictures into Nvivo
		Collate pictures into location for analysis

Photographs were also taken at an urban location where micro-enterprises were trading. Urban being defined in as 'predominantly urban' where at least 70% of the population live within an area classified as urban (ONS, 2015). The photographs from the urban location were taken to enable consideration of the similarities between rural and urban micro-enterprises from a locational perspective. The photographs were taken on an iPod and uploaded to a computer before being imported into NVivo for analysis.

3.5.5.6. Data collection Summary

Data was collected using multiple methods of qualitative data collection, this is summarised in table 18.

In addition to the data collection pertaining to the rural micro-enterprise owner-manages, to act as triangulation to the findings, interviews were sought with three providers of support to rural micro-enterprises from within the geographies. One interview was granted and a summary discussion of the finding from the interview is detailed in appendix F.

Table 18: Data Collection

Rural Micro-enterprise owner-manager	Narrative Interviews	Personal Reflective Notes	Photographs	Documents *
Charles	Y	Y	N	Y
Isla	Y	Y	Y	Y
Daniel	Y	Y	N	N
Clara	Y	Y	Y	Y
Hayley	Y	Y	Y	Y
Tracey	Y	Y	N	Y
Kay	Y	Y	Y	Y
Adam	Y	Y	N	Y
Drew	Y	Y	Y	Y
Steven	Y	Y	Y	Y
Jane	Y	Y	Y	Y
Richard	Y	Y	Y	Y
James	Y	Y	Y	Y
Karen	Y	Y	Y	Y
Nigella	Y	Y	Y	Y
John	Y	Y	Y	Y
Barry	Y	Y	Y	Y
Alex	Y	Y	Y	Y
Ian	Y	Y	Y	Y

* documentary information includes business website and leaflets.

This section has outlined and justified the data collection methods of narrative interviewing, visual research and document analysis as appropriate choices to answer the research objectives and questions outlined in chapter 1 section 1.4 and 1.5 within an interpretive framework.

This chapter will continue by reviewing the approach taken to analyse the primary data collected.

3.6. Data analysis

Terry, Hayfield, Clarke, and Braun (2017) argue that there are many different approaches which can be adopted when analysing qualitative data. This section aims to justify the choice of thematic analysis and considers the importance of reflexivity within data analysis.

This section explains why, as discussed in section 3.3.5, a hermeneutic phenomenological approach (Lincoln & Guba, 2013; Terry et al., 2017) sitting alongside thematic analysis, as promoted by Jovchelovitch and Bauer (2000), is being adopted for this research. This approach is aligned with a relativist ontology

where a belief that multiple truths exist and a subjectivist epistemology where there is a belief that “reality exists whether or not people are aware of it” (Refai et al., 2015, p. 320) with reality being constructed rather than determined objectively. It considers “how individuals make sense of the world around them” (Bryman & Bell, 2015, p. 30).

3.6.1. Reflexivity within data analysis

In a reflexive methodological approach there is no single best way to undertake research. The data interpretation is intrinsically context dependant and linguistically rich (Hassard & Cox, 2013). Burr (2015) confirms there are several key aspects of reflexivity and consideration need to be given to the relationship between the views of all involved parties, the construction of the descriptions of the findings and their equality within the discourse. To aid transparency in respect of this aspect of data analysis researchers are advised to publicise their values.

Reflexivity is not without its critics. Connelly (2000) cautions scholar that as the world is constantly changing and evolving, human interpretations valid within their context may be irrelevant within a different context. Therefore, researchers proposing a reflexive approach to data interpretation should be open to criticism as society evolves. Easterby-Smith et al., (2008, p. 425) contend qualitative researchers should be “open to emergent issues” as the world develops and knowledge progresses. Research findings accepted in the present context may need to be revised due to emerging new knowledge. Reflexive practitioners may need to be prepared to have their research findings questioned within a future context.

Within the bounds of this research the findings will be formed by the researcher who will strive to maintain the meanings the participants prescribed to their own words. The findings from one micro-enterprise owner-managers’ story is unlikely to align with finding from a second micro-enterprise owner-managers’ story, due to the contextually dependant nature of the research subject. An open mind will be required as the findings of this research emerge.

3.6.2. Thematic analysis

Thematic analysis, as advised by Braun and Clarke (2006) and Clarke and Braun (2017) could be considered a foundational method of data analysis because of the

key skills of data coding, theme creation and refining required. Such skills are applicable across many qualitative approaches to data analysis. Defined by Braun and Clarke (2006), as “a method for identifying, analysing and reporting patterns (themes) within data” thematic analysis’ flexibility enables it to transcend multiple paradigms and methodological approaches, helping to move research “beyond the positive paradigm” (Clarke & Braun, 2017, p. 298). Ho et al., (2017) consider thematic analysis a common interpretive strategy within the hermeneutic phenomenological tradition because it is seeking “the meaning of lived experiences” (Ho et al, 2017, p. 1757) behind the written words (such as the words transcribed from narrative interviews with rural micro-enterprise owner-managers).

Thematic analysis has been used to analyse data in research topics as diverse as product and brand management (Ponnam & Dawra, 2013), educational trends in blended learning (Halverson, Graham, Spring, Drysdale, & Henrie, 2014), and American entrepreneurship start-ups in the craft brewing sector (Miller & Munoz, 2016). Its widespread application across differing areas of social science and its contemporary role as a process to “identify themes within qualitative analysis” (Willig & Stainton Rodgers, 2017, p. 17) demonstrate that thematic analysis is an acceptable data analysis approach for this study. Within this research the definition of codes and themes is aligned to Clarke and Braun (2017). They define ‘codes’ as a small unit of analysis and ‘themes’ as a shared concept built up from multiple codes.

3.6.2.1. Thematic analysis in practice

The flexibility of thematic analysis inherently leads to a lack of a unified or definitive approach to conducting thematic analysis. However, Braun and Clarke (2006), recommend that the philosophical assumptions and data collection protocols for the research are stated to enable future researchers to re-analyse, synthesise and compare the findings of the study with other studies to ensure validity.

From a practical perspective when conducting thematic analysis Teruel, Navarro, González, López-Jaquera, and Montero (2016) recommend synthesising all the data into one document to facilitate meta-concept theme development. Themes being identified through an iterative process of identification, refinement then reduction (Jones, Coviello, & Tang, 2011; Jones, 2017). In this research project

the data will be retained as individual interviews and photographs for coding. The codes emerging from all the documents will be considered holistically then aggregated into themes.

3.6.2.1.1. Models for conducting thematic analysis

Braun and Clarke (2006), Terry et al., (2017) and Teruel et al., (2016) propose a flexible framework to guide researchers embarking upon thematic analysis of their data. Teruel et al., (2016) suggest a simplistic four-stage flexible process for conducting thematic analysis depicted in table 19.

Table 19: Four stages of thematic analysis

Process of thematic analysis	
1	Data familiarisation
2	Data coding
3	Translating codes into themes
4	Model creation

Source: Adapted from Teruel et al., (2016, p. 23)

Braun and Clarke (2016) propose six stages of thematic analysis which align with Terry et al's., (2017) similar proposition. Both these schemas incorporate Teruel et al's., (2016) four stage process. It is a model adapted from Braun and Clarke (2016) which this research will adopt for primary data analysis, see table 20.

Table 20: Stages of thematic analysis applied in this research

Stage		Activity
1	Data familiarisation	Transcribing the interviews
		Read, then re-reading the transcripts
		Identifying routines and patterned behaviour within each cases
2	Code generation	Systematically coding interesting features of the transcript
		Coding each transcript in isolation
3	Theme identification	Collate codes into potential themes
		Collate data from codes for each theme
4	Theme reviews	Review themes in the context of all the cases.
		Build a thematic map of the analysis
5	Theme definition	Define and name each theme within the context of the analysis.
6	Report generation	Identify quotations from the cases to illustrate the themes
		Tell the story of the analysis

Source: adapted from Braun and Clarke (2006)

Within qualitative research the research design has flexibility and the design can be re-structured as the research project progresses. Hammersley (2015) reminds us that this flexibility is also applicable to sample size. Hammersley (2015) continues declaring that more data does not always produce more findings due to the concept of data saturation.

When applying thematic analysis to facilitate the interpretation of data, themes can be derived irrespective of the sample size. This attribute indicates that thematic analysis is appropriate for analysing data derived from a relatively small number of narrative interviews, such as with owner-managers of rural micro-enterprises, in comparison to the number of questionnaire responses one would require from a survey.

3.6.2.1.2. Applying thematic analysis to this research

The thematic analysis checklist, detailed in table 21, was used as a self-explanatory guide for benchmarking the progress and completeness of the thematic analysis undertaken.

Table 21: Thematic analysis check list

Point	Stage	Criteria
1	Transcription	The data has been transcribed and the transcripts have been checked for accuracy (detail).
2	Coding	Each data item has been given equal attention in the coding process.
3		Themes have not been generated from a few anecdotal examples, but via a thorough, inclusive and comprehensive coding process.
4		All extracts for each theme have been collated.
5		Themes have been checked against each other and back to the original data set.
6		Themes are internally coherent, consistent, and distinctive.
7	Analysis	Data have been analysed and interpreted rather than just paraphrased / described.
8		Analysis and data align with the extracts illustrating analytic claims.
9		Analysis tells a convincing and well-organized story about the data and topic.
10		A balance between analytic and illustrative extracts is provided.
11	Overall	Sufficient time has been allocated to adequately complete all stages of the analysis.
12	Written report	The assumptions and the specific approach regarding thematic analysis are clearly expressed.
13		The fit between what you claim you do, and what you show you have done is strong and consistent.
14		The language and concepts used in the report are consistent with the epistemological position.
15		The researcher is positioned as active in the research process; themes do not just 'emerge'.

Source: adapted from Braun and Clarke (2006, p. 96)

Once the owner-managers' stories were transcribed into narratives the transcripts were read several times to increase familiarisation. Then several analytical passes of the transcripts were made. Initially processes and routines were sought and highlighted. The presence of repeatable patterns in routines could indicate the presence of dynamic capabilities or the development of dynamic capabilities within the rural micro-enterprises.

A second pass of the transcripts was completed to code words, phrases or sections of interest. This coding was done on a case by case basis. To aid organisational effectiveness the codes were held in a single central file and could be applied to any of the transcripts. Organising the codes centrally made it easier for codes generated in one case to be applied to a different case as part of the third pass of the data.

Upon completion of code generation, the codes were sorted into themes. These themes covered an eclectic spectrum from specific owner-manager character attributes to locational factors and business challenges. The identified themes were defined and the transcripts were once again reviewed with the identified themes in mind to ensure the data was analysed in detail. During this phase specific quotations were identified which were used to support the findings of this research as can be seen in chapter 4.

After completion of the thematic analysis, the codes relating to barriers for growth were identified and a further review of the transcripts was completed to quantify the number of times the owner-managers referred to the barriers to growth in their stories. The instances identified were then used to rank the barriers and express them graphically. A similar process was completed with the codes identified in relation to owner-manager character attributes and the themes which underpin owner-manager faculty. The instances of owner-managers evidencing these character traits were recorded against each owner-manager. It was then possible, using this quantified data informed from the qualitative narrative interviews to analyse owner-manager faculty and its antecedents across differing aggregations of the rural micro-enterprise business cases, such as the age of business. Examples of the quantification of the data is used in chapter 4 sections 4.2 and 4.3.

The process of analysing this research has been described in a linear process, it should be noted that it was more iterative than the description above indicates.

3.6.2.1.3. Advantages and disadvantages of thematic analysis

Clarke and Braun (2017) warn the flexibility of thematic analysis, in addition to providing the researcher with numerous advantages such as its accessibility, usability with large and small datasets as well as generating insights, is subject to several disadvantages including its time hungry nature. An overview of some of the advantages and disadvantages of thematic analysis are highlighted in table 22. The amount of physical data transcribed, coded and reduced to themes can become overwhelming to manage manually hence Teruel et al., (2016) and Jones et al., (2011) recommend using a proprietary IT solution (such as NVivo) to assist with data management and analysis reporting.

Table 22: Pros and cons of thematic analysis

Advantages	Disadvantages
Flexibility.	Time consuming
Relatively easy and quick method to learn and do.	Difficult to develop consistent practice guidelines
Accessible to inexperienced researchers	Can tend to be description rich
Results are generally accessible to educated general public	Can be superficial if a theoretical approach to analysis is ignored
Useful method for working with participants as collaborators.	Difficult to decide which aspect of the research to focus upon
Can usefully summarise principle data features, offering a 'thick description' of the data set.	Analysis can lack continuity
Can highlight similarities and differences across the data set	Contradictions in data can be missed
Can generate unanticipated insights.	Data can become fragmented
Allows for social as well as psychological interpretations of data	Amount of data to analyse can overwhelm the researcher
Can be useful for producing qualitative analyses suited to informing policy development	Can have limited interpretative output

Source: adapted from Braun and Clarke (2006, p. 97)

Analysis of the primary data collected for this research will be done using Nvivo. This ensures all the data is located in one place and coding can be applied consistently across the data sources. However, due to incompatibility between NVivo for Mac and NVivo for Windows, some of the analysis may need to be done manually using printouts and highlighter pens. To ensure no analysis is lost, the manually identified codes will subsequently be entered into NVivo for storage and further analysis.

Analysing the data is likely to be time-consuming and challenging due to the physical amount of data collected and the multiple options and directions the coding could lead the findings towards exploring. It is anticipated that any directional confusion will be overcome by repeatedly revisiting the research

objectives and questions to ensure the analysis remained focussed. This focussed analysis does not mean that data will be ignored, only that certain aspects of the coding will be given primacy when aggregating into themes. Remaining focused upon the aim of the research will help the researcher to consolidate the analysis and retain continuity of thought when analysing the data over a long time-period.

The inherent flexibility of thematic analysis enables the analysis to become an iterative rather than linear process. This aspect will be particularly helpful during the initial coding phase because coding may become less problematical when a particular research question is front of mind. Some aspects of the narrative may be overlooked in favour of seeking answers to a specific question. However, making several passes at coding the data will help to overcome initial coding omissions.

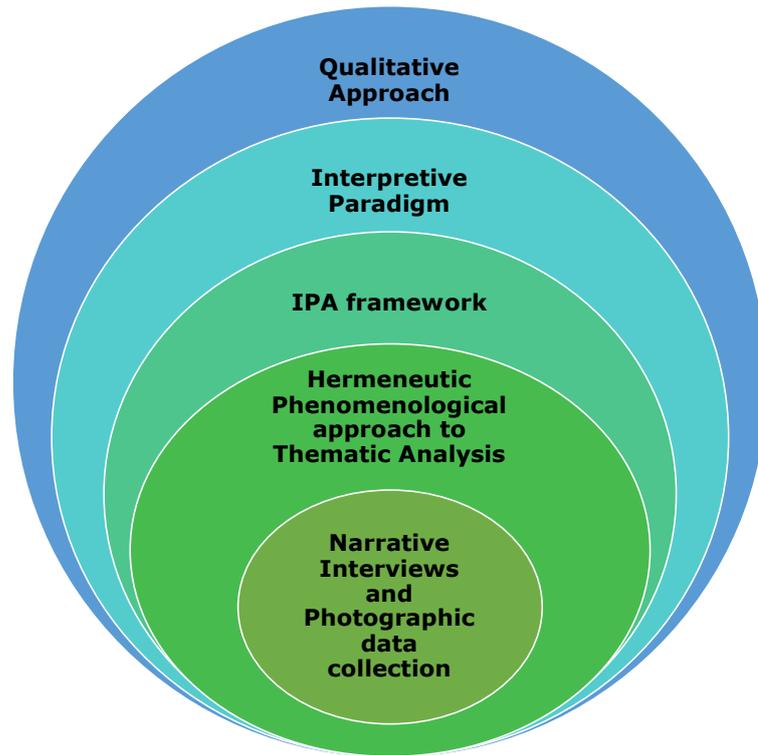
In taking an interpretive approach to this research it is important to generate an interpretive output from the data. Although sighted as a challenge within thematic analysis, by focussing upon the words, the meaning behind the words from both the owner-manager's perspective and the researcher's perspective the data will be interpreted to discover findings which will answer the research questions.

3.7. Conclusion

Throughout this chapter the methodological approaches of narrative interviewing and visual research supported by document analysis within an interpretive philosophical framework to research dynamic capabilities and micro-foundations of dynamic capabilities within rural micro-enterprises have been outlined and justified. The methodologic approach is presented pictorially in figure 11.

The approach discussed in this chapter is considered appropriate to answer the research aim and questions detailed in chapter 1 and in doing so contribute to knowledge, practice and policy.

Figure 11: Diagrammatical representation of my methodological position



Source: Author

This thesis will now progress to chapter 4 where the key findings from the analysis and interpretation of the primary data are presented.

4. Findings

4.1. Introduction

The literature review and methodological choices for this research have been discussed and justified in chapters 2 and 3. This chapter outlines the principal findings of this research in order to understand the level of dynamism within the rural micro-enterprise cases and if dynamic capabilities are present within rural micro-enterprises.

The findings presented in this chapter are contextualised in a synopsis of the rural micro-enterprise research cases. The rural context is discussed from the perspective of being a space the businesses inhabit. The barriers to success the owner-managers face when running a rural micro-enterprise are identified and the findings relating to the influence of the owner-manager has upon the rural micro-enterprise are outlined. In this section the owner-manager's character attributes are discussed, including the aggregation of these attributes into 'effects' and the concept of 'owner-manager faculty'.

Then, detailed consideration is given to a cross section of five cases in order to explore the emergence of dynamic capabilities. Evidence of dynamic capabilities within the chosen cases and the principal micro-foundations which underpin them are sought. This analysis follows a structure influenced by Teece's (2007) aggregated clusters of sensing, seizing and transforming, see chapter 2 section 2.5 for more information. If dynamic capabilities are deemed present, an evaluation of whether the dynamic capabilities are residing at the organisational or individual-level is considered. This leads to the identification of the micro-foundations which are considered to underpin the dynamic capabilities and dynamic managerial capabilities evidenced within the rural micro-enterprises. The chapter concludes with a summary of the key findings from this research.

Throughout this section, quotations taken from the interviews are used to support the findings. It should be noted that in some instances the quotations have been 'cleaned up' by removing repeated words and speech dysfluency markers.

4.2. The research cases

A synopsis of the rural-micro enterprise business cases activities is summarised in table 23. The cases reflect the heterogeneous nature of the rural micro-enterprise

population in the UK. They are segmented into 10 industry sectors based upon the primary commercial activity of their business.

As illustrated in table 24, slightly more of the rural micro-enterprises are owned by men; 11 compared to 8 owned by women and the age of the owner-manager tends towards more mature individuals. This may be due to the life experience and characteristics exhibited by the owner-managers which motivated them to establish their rural micro-enterprise, this is discussed in more detail during section 4.3.

Table 23: Summary of interview cases

Participant	Pseudonym	Business	Geography	No of employees	Age	Gender
Male	Charles	Energy	N Yorkshire	6	55-64	Male
Female	Isla	Leisure	N Yorkshire	3	75-85	Female
Male	Daniel	Consultant	N Yorkshire	1	55-64	Male
Female	Clara	Craft	N Yorkshire	1	45-55	Female
Female	Hayley	Food	N Yorkshire	1	45-55	Female
Female	Tracey	Food	N Yorkshire	1	45-55	Female
Female	Kay	Craft	N Yorkshire	3	45-55	Female
Male	Adam	Food	Scotland	8	45-55	Male
Male	Drew	Consultant	Scotland	9	55-64	Male
Male	Steven	Consultant	Scotland	1	55-64	Male
Female	Jane	Leisure	Scotland	8	45-55	Female
Male	Richard	Property Management	Cotswolds	2	45-55	Male
Male	James	Property Management	Cotswolds	4	65-75	Male
Female	Karen	Beauty	Cotswolds	1	45-55	Female
Female	Nigella	Photography	Cotswolds	4	45-55	Female
Male	John	Property Management	Cotswolds	8	45-55	Male
Male	Barry	Craft	Cotswolds	1	45-55	Male
Male	Alex	Retail	Cotswolds	5	45-55	Male
Male	Ian	Engineering	Cotswolds	6	35-45	Male

Table 24: Synopsis of rural micro-enterprise business cases

Owner-Manager	Business	Synopsis
Charles	Energy	Rural one-stop enterprise for the communities business energy requirements. Services range from large scale renewable projects to more routine electrical audits and consultancy.
Isla	Leisure	Established caravan site in an idyllic location. Business also includes selling eggs, pullets from home and hiring an on-site function room for events.
Daniel	Consultant (Management)	Self styled serial entrepreneur who has many ventures to his name, still striving to find the one opportunity that he can grow for the long term. To survive he has temporarily reverted to lecturing.
Clara	Craft	Land-based business rearing sheep for their fleeces (for wool, rugs) and meat. Also artist adding to product range with unique paintings and greetings cards. Sells on-line, from home and at farmers markets.
Hayley	Food	Young artisan food business manufacturing, marketing and selling fresh soup through farmers markets, shops and corporate events.
Tracey	Food	Young artisan food business manufacturing, marketing and selling gluten free baked goods through farmers markets and delis.
Kay	Craft	Artisan craft (glassblowing) business specialising in unique larger pieces and designer bowls for gift occasions. Reaches clients via galleries, shop and exhibitions.
Adam	Food	Owner-manager of diversified business based in the Western Isles whose principle activity is fishing for and processing seafood ready for market. Product trades upon quality reputation and is sold worldwide.
Drew	Consultant (Regeneration)	Social enterprise based in run down village in Galloway. Provides consultancy advise for groups looking to run regeneration projects across Scotland as well as managing social initiatives in the local area such as youth clubs.
Steven	Consultant (Health and Safety)	Steven's business is a health and safety consultancy with clients across the world, based out of his home office in Dumfries.
Jane	Leisure	Leader of a charitable trust in Galloway looking to secure the enterprise for the long term through improving the visitor experience and becoming financially independent via tea shop and retail.
Richard	Property Management	Owner-manager of micro-enterprise business park with 31 individual business units. Reaches tenants vis land agents and networking with FSB.
James	Property Management	Mature owner of small, family run business park with 18 business on site (plus waiting list for property), B&B and residential lets. There is a growing events business and managed farmland in this diverse business portfolio.
Karen	Beauty	Proprietor of boutique beauty treatment business and treatment room. Offers a range of services from massage and acupuncture to permanent make-up.
Nigella	Photography	Wedding photography business owner with own studio. Works with 4 contract based employees. Planning to build portrait work and training academy to grow business.
John	Property Management	Owner of a remote property management organisation working with large organisations to maintain their rental properties across the UK which are not part of their core business.
Barry	Craft	Watercolour artists with own studio, also teaches painting and exhibits work in galleries
Alex	Retail	Owner of business selling and servicing mobility aids for the local community, utilises premises as showroom, workshop and office.
Ian	Engineering	Owner-manager of a precision engineering business with 6 employees. Manufactures and sells from site but competes globally. Reaches clients via events, shops, social media and press advertising.

4.2.1. The rural aspect

The rural location can be both a challenge to the rural micro-enterprise owner-manager and a desirable business attribute. Figure 12 shows two photographs taken in a North Yorkshire village close to Isla's business.

Figure 12: Rural Tranquillity



These images convey the tranquillity and idyllic nature which can be associated with living and working in the countryside. To some people merely looking at the images instils a feeling of calmness. Several of the owner-managers such as Nigella and Kay declare that working in the countryside helps to keep them calm and sparks their creativity.

The rural also present business challenges to the owner-manager, these challenges are illustrated in figure 13. This set of images taken in the same village visually represent some of the daily issues facing owner-managers of businesses in a rural location. The red telephone box in photograph 1, in contrast to many remaining telephone boxes in urban locations still houses a working pay-phone. This phone represents the ICT challenges of rural working life, where mobile phone signals and fast broadband speeds are scarce and unreliable. In a location where tourism is a main contributor to the economy access to the payphone is needed for visitors, whose mobile phones have no signal in the village to contact people back home or call for help if needed.

Photograph 2 includes the village hall and public amenities. The notice board on the wall of the village hall contains details of events and community activities which bring people together, thus potentially overcoming some of the feelings of isolation which could stem from living and working in rural location. There is a defibrillator attached to the public conveniences building next to the village hall,

enabling immediate attention to be given to a person in need. The presence of this equipment may be needed because of the length of time it would take the emergency services to reach the village due to the road infrastructure.

Figure 13: Images which symbolise rural challenges for micro-enterprise owner-managers



The local road network although picturesque as can be seen in image 4, is restrictive. All roads in and out of the village are single track with passing places, traversing steep hills and containing sharp bends. The road infrastructure makes commuting between villages and beyond into towns and cities time consuming and challenging, especially during inclement weather. Commuting without the use of a car is very difficult and cannot be done using public transport. This lack of public transport can limit employment opportunities for village residents. In this village

only two buses run each weekday and there is no railway station. Both buses depart the village in the morning with the last bus returns from the rural hub town just after lunch time. This limited service makes working and socialising outside the village without one’s own transport difficult.

For some businesses, the rural location may have been a contributory factor in business failure. Possibly the remoteness of the village, poor ICT provision, lack of frequent public transport services in addition to national economic challenges such as austerity and Brexit uncertainty may have contributed to business failure. Picture 3 captures an abandoned shop premise within the village emphasising that although the location may be beautiful on the surface, underneath there remains the challenges of running a business faced by owner-managers throughout the UK. In the rural such challenges are amplified by additional previously mentioned rural specific issues.

Additional photographs taken around the locations where the rural micro-enterprises are sited and at an urban location where micro-enterprises trade have been analysed. A summary of the findings from analysing the photographs taken at the locations is collated in table 25.

Table 25: Comparison of rural micro-enterprise locations with urban micro-enterprise location

	Scotland	N. Yorkshire	Cotswolds	Urban
Presence of public services	L	L	M	H
Presence of business services	L	L	L	M
Mobile Phone signal	L	L	M	H
Road infrastructure	L	L	M	H
Population	L	L	L	H
Other businesses	L	L	L	H
Perceived prosperity	L	L	M	M
Tranquillity	H	H	H	L
Local investment	L	L	M	M

Key: H- High, M-Medium, L-Low

Some of the reoccurring themes uncovered during the data analysis related to well documented rural challenges including poor road infrastructure, lack of services and mobile phone signal coverage as discussed in chapter 2 section 2.5.

The business cases were considered from the owner-manager’s preference for business location. In eighteen out of the nineteen business cases the owner-manager expressed a preference for locating their business in a rural setting, see

table 26, irrespective of the necessity of a rural location to the success of the business.

Table 26: Rural location influence

Owner-manager	Sector	Location Influence		
		Tied to the land	Could operate anywhere	Rural preference
Charles	Energy	N	Y	Y
Isla	Leisure	Y	N	Y
Daniel	Consultant	N	Y	N
Clara	Craft	Y	N	Y
Hayley	Food	N	Y	Y
Tracey	Food	N	Y	Y
Kay	Craft	N	Y	Y
Adam	Food	Y	N	Y
Drew	Consultant	N	N	Y
Steven	Consultant	N	Y	Y
Jane	Leisure	Y	N	Y
Richard	Property Management	Y	N	Y
James	Property Management	Y	N	Y
Karen	Beauty	N	Y	Y
Nigella	Photography	N	Y	Y
John	Property Management	N	Y	Y
Barry	Craft	N	Y	Y
Alex	Retail	N	Y	Y
Ian	Engineering	N	Y	Y

Key: N-No, Y-Yes

Six of the businesses are categorised as tied to the land because rural land usage is an integral part of their business, see table 27.

Table 27: Businesses tied to the land

Owner-manager	Sector	Tie to land	Reason for tie
Isla	Leisure	Location	Home adjacent - Caravan site
Clara	Craft	Livestock	Homestead - Space for grazing flock
Adam	Food	Provenance	Provenance of food produced
Jane	Leisure	History	Historical religious site
Richard	Property	Location	Home adjacent - Site of business park
James	Property	Location	Home adjacent site of business park

Without the land, these six businesses would cease to exist in their current form. Part of Clara's craft business comprises the flock of sheep she owns and manages

in order to produce her raw material, necessitating a rural location for animal grazing. The remote rural micro-enterprise Jane manages relies upon tourist visits to an ancient religious site which is located within a rural region of Scotland and Isla's leisure business is based in rural North Yorkshire. The rurality of the location is the reason for Isla's business to exist because her caravan park is a temporary base from which tourists can explore the surrounding countryside. James's property business is a result of serial diversifications from a small farming operation attached to an old estate property into a business park with businesses occupying renovated farm buildings and Richard's business similarly evolved over time by converting redundant farm outbuildings attached to his home into small business units to lease. Arguably the food business operated by Adam could have its commercial base outside a rural area, however, the provenance of the food produced by the micro-enterprise is an important marketing platform and the importance of processing the catch quickly to preserve the quality of the finished product lends itself to basing the office, landing and processing of the products within the rural location.

The remaining twelve cases could be described as micro-enterprises within a rural setting due to their lack of rural location embeddedness within their business model (Korsgaard et al., 2015). Analysis of the data indicates there is significant personal motivation by eleven of the twelve remaining owner-managers which led to the establishment of their businesses in the countryside. This is illustrated in the following quotation from John, explaining why the choice to establish his businesses in a rural setting fitted in with his lifestyle requirements.

"I had found a little niche and I really enjoyed where I was, local and where I could see the seasons change on my walk home and as a whole that's really what floated my boat." (John)

Rural preference by the owner-managers is due to both lifestyle considerations and, in some cases, the specialist nature of the business (Lye & Cowling, 2015). Specialist businesses are less reliant upon passing footfall to remain sustainable; this is explained by Alex in the following quotation. He contends customers travel to his store for specialist products and services and the rural location is a positive factor which helps him secure the sale.

"I know we've got lots of competitors who sell scooters and they don't have space for the people to try them. Or they just go onto a busy pavement, while here, you can seat someone on a scooter in spring

or summer or autumn here, and you've nearly sold it before you start, because it's just that feel good factor from them all, and plus, they get to use it over terrain that they think they might be going on when they go for a walk, this location works really well for us." (Alex)

Many of the owner-managers acknowledge their business could operate from either an urban or a rural location, they simply prefer the lifestyle benefits associated with working in a rural area. This finding supports Henry and McElwee's (2014) viewpoint, suggesting there is no such thing as a rural enterprise, only enterprises situated within a rural setting. The exception to having a rural preference is Daniel, a self-styled serial entrepreneur who just happens to live and operate his consultancy business from his home which is situated within a rural location. All his entrepreneurial ventures have been situated in adjacent towns and cities. The rural location was not a conscious choice for his business, it was his family home when he was working for the armed forces prior to embarking upon his businesses ventures.

4.2.2. Barriers to success

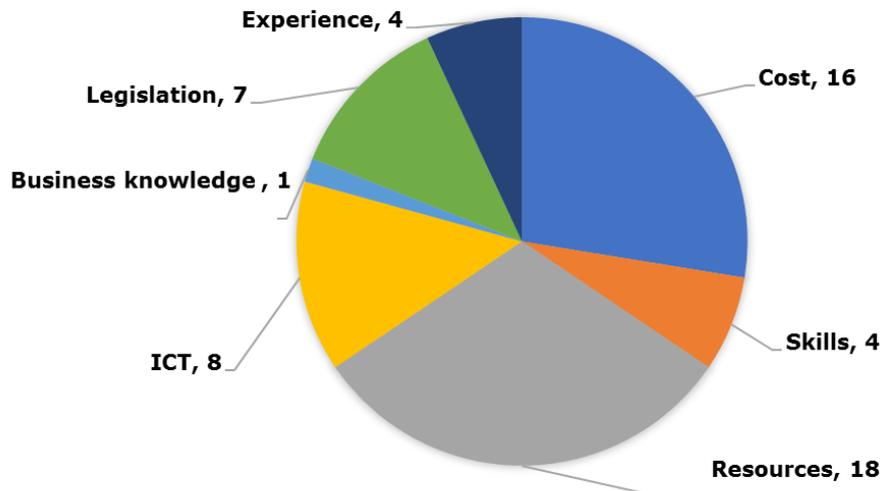
Identification of the key barriers to success highlights some of the challenges the rural micro-enterprise owner-managers are facing. To overcome the challenges change may need to be enacted. Analysis of how change occurs to overcome the barriers to success could, in some instances evidence the presence of dynamic capabilities.

Despite their preferences to operate their businesses within a rural setting, the owner-managers identify significant barriers to success. Within this research a barrier to success is defined as a tangible or intangible impediment which prevents the rural micro-enterprise owner-manager from achieving their business objectives. Figure 14 depicts the barriers to success identified during the analysis.

The chart depicted in figure 14, details of how such charts were constructed from the qualitative data is detailed in chapter 3 section 3.6.2.1.2, reveals the most frequently stated barriers to success by the owner-managers.

The most frequently stated barrier to growth by the rural micro-enterprise owner-managers is a lack of resources, specifically specialist resources, for example when seeking to tender for new contracts, larger projects or even implement a marketing program to attract new customers.

Figure 14: Rural micro-enterprise barriers to success



The quotation from Karen highlights the challenges she faces when considering the resources she has and the potential to expand her business.

“The problem here is that it’s only the two rooms so, that’s a problem I’ve got, even though these are interconnecting. If I took another unit my rent would be more or less double. I did work it out and the cost of doing it. After I have taken another whole month’s rent for another unit and I’m employing staff, and what I’m actually taking I don’t know if it’s actually worth all the extra hassle.” (Karen)

Karen has a small business unit, so is constrained by the size of her premises. If she were to expand her business to capitalise upon the market demand then she needs a larger business unit, one with another room and to start employing more staff. Karen is concerned that the financial resources and space resources are a barrier to future business growth and long term success.

In line with McElwee (2006), upon analysis of the owner-managers’ interviews this research finds owner-managers are concerned about the cost of running their business. Alex highlights his concern about costs in the following quotation

“If you did everything, and because you can’t implement it yourself, you then have got to pay for somebody to do it for you. And then you’ve got to keep it updated, when all of a sudden... it’s a big expenditure because you are paying someone” (Alex).

Alex is frustrated with the costs of keeping abreast of and complying with legislation. He admits he does not have the skills himself to navigate legislation so needs to pay others to do this for him. He feels this additional expenditure is increasing the cost of running his business. Charles faces similar pressures relating to the cost of employing people. In his business, being within a commutable proximity to a city, he believes it is under pressure to increase salaries. Within a challenging market this upwards pressure on salaries is a major concern for his business.

“Other thing (not often discussed) is the lure of higher salaries in urban areas, we pay £27.5k plus car for electrician, could earn £30-35k in Leeds. Feel my hands are tied by staff knowing their value in market” (Charles)

In James’ property management business, he has seen the cost of raw materials and labour increase, without a being able to pass on a comparable increase in the price he charges his clients. These barriers to growth are highlighted in the following quotations.

“We have certainly seen an increase in the cost of raw material, going up in price, it used to be so much for a length of timbre and or such and the cost of everything seems to be increasing a but the labour charges are a problem” (James)

“We are given a mandate of 70 pounds. For some clients, with Tesco and other clients we are given a man-rate of £75 and that hasn’t changed in 15 years.” (James)

Arguably some of these barriers would exist if the businesses were urban micro-enterprises, such as lack of resources, skills, experience and business knowledge (Kelliher & Reinl, 2009). However, some of the identified barriers to success could be exacerbated for a rural micro-enterprise. Such barriers. include ICT resources and services due to limited broadband availability in comparison to an urban area (Galloway, 2007) and an increase in the cost of business because the remoteness of the location may lead to increased transport and fuel charges as well as longer journey times to access business support services (DEFRA, 2019). Kay expresses her frustration at the ICT services available to her, the quotation below highlights the challenges a lack of mobile phone signal causes her business.

“There’s no mobile coverage here as well. Which is a Heaven and a Hell. I got used to it but I don’t give my business number out for business purposes for obvious reasons it is very frustrating socially because you go out of the dale, you get 10 miles and the phone goes ping, ping, ping People say why didn’t you phone me and I say I keep telling you not to ring my mobile ring the land line but that just doesn’t happen” (Kay)

In an urban area, mobile phone are part of everyday life but in Kay’s business they are a frustration because the lack of a signal makes business communications more challenging. This situation is echoed by Drew who bemoans the slow internet which he sees is hampering the local economy productivity despite the growth of local people starting to work from home.

“Here is quite a strong work from home business evolving but things like poor connectivity for broadband doesn’t help, it’s still not the sort of speeds you would see in cities around here and that’s a shame because that could be something that could help drive the economy.” (Drew)

Drew also highlights transport infrastructure, particularly the state of the main road in the area as a barrier to growth for the local economy as illustrated in the quotation below.

“The A[] now that road is the main link to the ferries and yet it is in an appalling state so that just demonstrates the lack of investment in the infrastructure into the area and until you get that proper investment then it’s going to be a struggle”. (Drew)

He admits that the region, and by default his business has benefitted from inwards investment for infrastructure projects from the European Union and he is concerned that post Brexit the UK government will not fill the funding gap.

The owner-managers consider legislation a significant barrier to success, in this research this barrier in conjunction with a lack of available specialist resources to administer and implement the legislation and legislative changes is likely to have a significant impact upon the strategy of the rural micro-enterprise. For example, Adam highlights the ever increasing volume of legislation his business has to deal with. He feels the legislation is informed from a single perspective and not reflective of historical traditions within the industry.

“A lot of new legislation has come into the industry. Its fighting against environmentalists, people who have absolutely nothing to do with the [industry] but seem to have a huge say in what's going on in it.”
(Adam)

Likewise, Charles has had to deal with the impact of the removal of subsidies for installing greener energy sources such as biomass heaters and solar panels. This legislative change has had a negative impact upon his business necessitating a change in business strategy as outlined in the quotation below.

“Wanted to go green as a differentiator from others, become a one stop shop from design to implementation, feel have had legs chopped away so need to go back to basics.” (Charles)

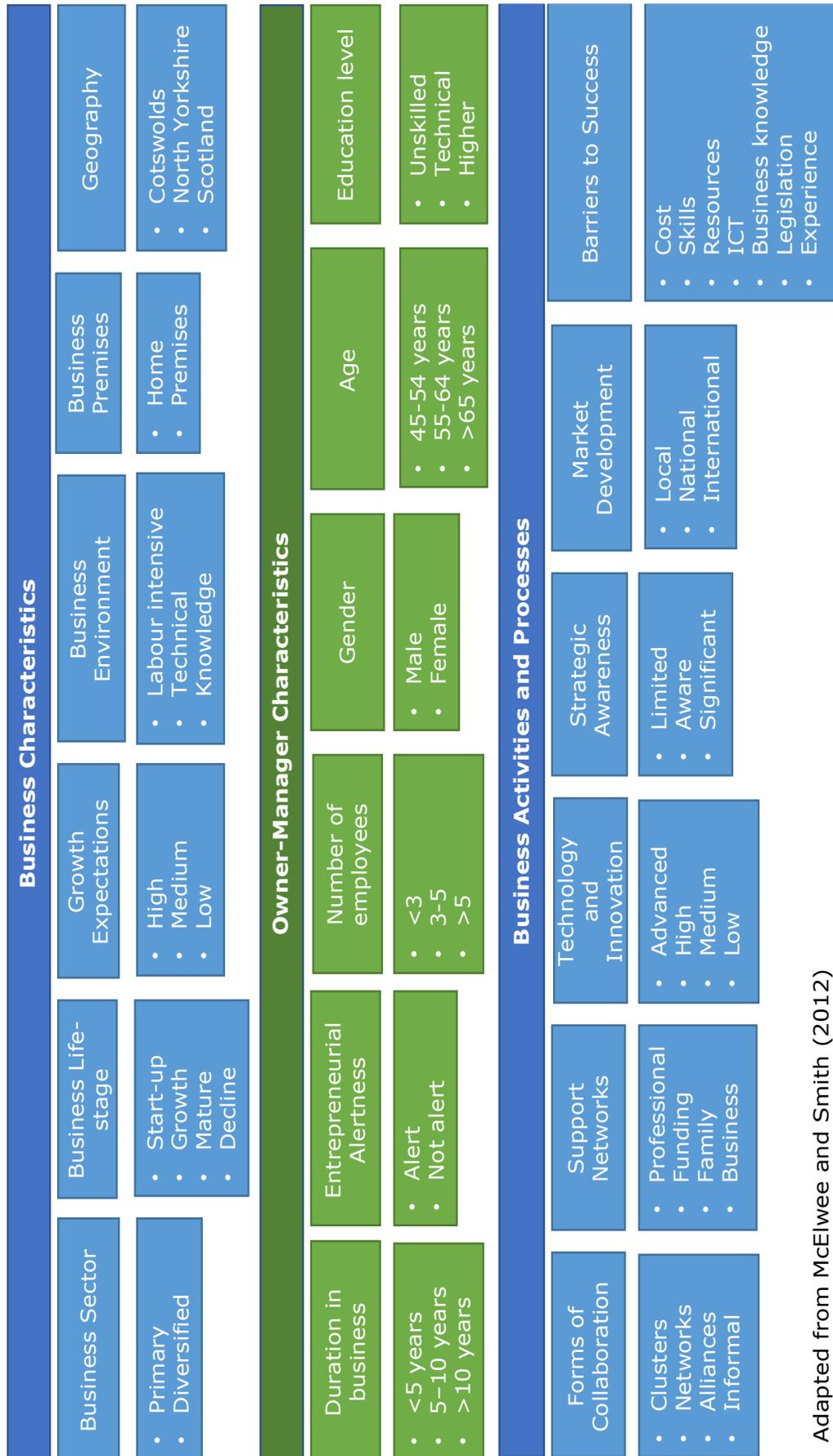
4.2.3. Business characteristics

The business cases were segmented in line with an adaptation of McElwee and Smith's (2012) segmentation framework. Segmentation, in this research is conceptualised as a process of dividing the rural micro-enterprises into smaller groups based upon their business characteristics, the owner-managers character attributes and the rural micro-enterprise business activities. Figure 15 depicts the segmentation framework which has been applied to this study.

The three umbrella classification were subsequently subdivided into more granular segments. In this thesis segmentation of the rural micro-enterprises is used to seek similarities across the businesses based upon factors such as age of business, to assess support needed for future success; for example, support for a particular segment from policy makers such as ICT training. It is how the businesses are clustered around certain segments which will help increase understanding about the characteristics of rural micro-enterprises and their owner-managers.

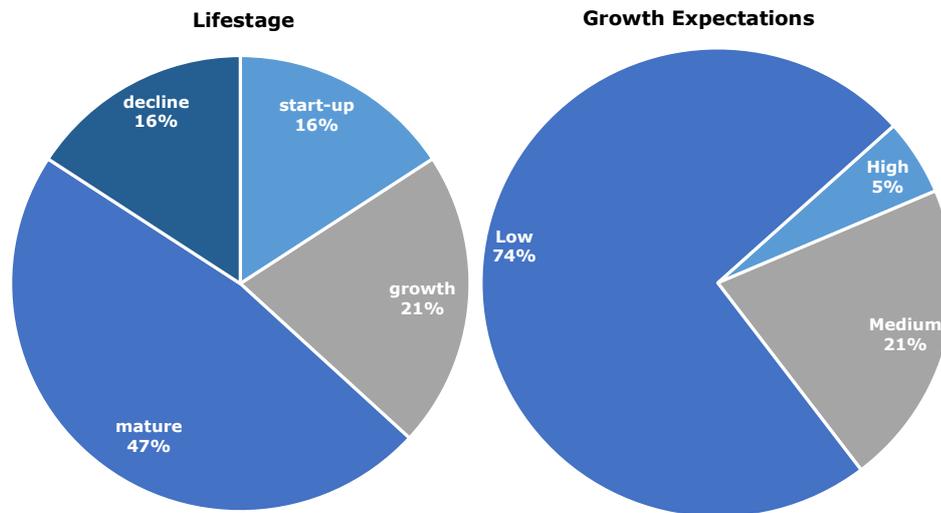
The process of segmentation by business characteristics such as life-stage and growth expectation, helps to reveal case specific nuances and features of the rural micro-enterprises in this study. The diversity of the rural micro-enterprises is reflected within the cohort interviewed as illustrated in figure 16.

Figure 15: Segmentation framework



Adapted from McElwee and Smith (2012)

Figure 16: Rural Micro-enterprise business characteristics



There is representation of rural micro-enterprises across all four life-stages of business, with just under half of the participating rural micro-enterprises sited as being mature. This observation aligns with the growth expectation finding that almost three quarters of the business cases anticipate low growth, possibly due to both challenging market conditions and owner-managers being motivated by lifestyle ahead of economic needs (Jaouen & Lasch, 2015). This contention of owner-managers having a strong lifestyle motivation is supported by James and Tracey in the following quotations.

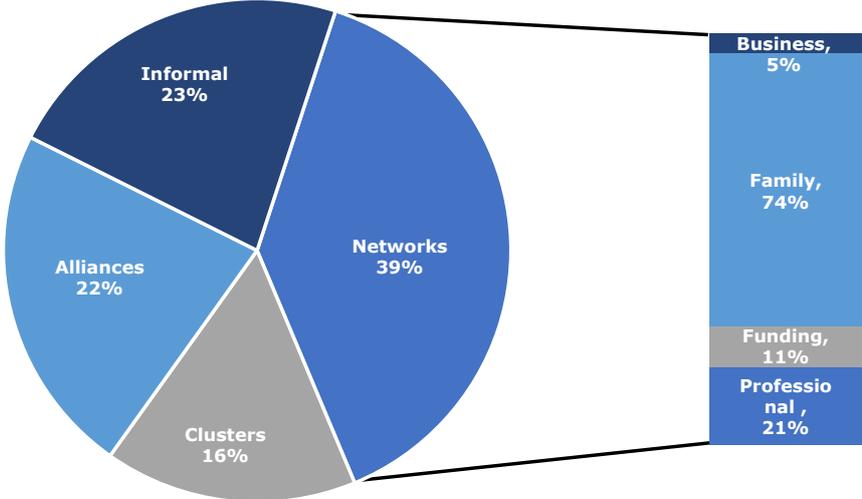
“I wanted to create a lifestyle I was happy working with the people I was with and spend time with my family.” (John)

“I love working from home, absolutely love it. Start whenever I want, finish whenever I want.” (Tracey)

As previously discussed, rural micro-enterprises deem lack of resources as the most prevalent barrier to success. To help supplement their resource pool networking and collaboration occurs across the sector. Within this research networking is conceptualised as an activity in which the owner-managers interact with other parties, both professional and social to build their network of contacts.

The extent to which the rural micro-enterprises studied engage in different types of networking and the types of collaborations entered into is depicted in figure 17.

Figure 17: Rural micro-enterprises collaborations and networks



Although some of the businesses work in collaborative clusters, such as artisan food producers, others work in alliances such as complimentary professional services when tendering for contracts. For example, Jane networks with local artists to commission product to sell in her shop.

“We are in it to promote other people, it’s not a greedy business. It’s a business that says Arts businesses here are important. They need encouragement. We will commission things for the shop.” (Jane)

Informal collaboration with family and friends is the most common collaboration across networks evidenced by the rural micro-enterprise owner-managers in this research. There is evidence of rural micro-enterprise owner-managers in this research embrace networking with family and friends for custom, recruitment, advice and moral support. Barry has recently relocated his business from the Lake District to the Cotswolds and is networking via family and friends to help build his business as highlighted in the following quotation.

“It’s word of mouth. And how you build up in a new area. I’ve only been here now since last September but you build, people start to talk you know.” (Barry)

A few of the owner-managers, those with more mature micro-enterprises and greater experience of business ownership engage with business networks such as

the FSB for advice. Richard used his FSB network to help him find tenants to fill his empty business units as he explains below

“I got involved with the FSB originally to try to find tenants, could have saved a lot of my time. It actually helps when you talk to people if they know you are in the FSB when you are talking to prospective tenants just gives them more comfort.” (Richard)

Only three owner-managers actively and regularly utilise networks to ease their access to funding. Richard attends networking events run by the FSB. The FSB in turn supported his application for LEADER funds. Jane networks with the local council to gain support for her business grant applications to funding bodies such as the Lottery and as Drew confirms, he networks with development trusts to position his business in a positive light when projects are coming up for tender.

“We work very closely with the development trust association Scotland to working on building projects.” “I network a lot and that might be through the Development Trust Association.” (Drew)

4.3. Influence of the owner-manager

Despite being a heterogeneous group of rural micro-enterprises, owner-managers are united in their desire to maintain their business when faced with changes in the external environment. The owner-managers are experts within their own business but share common character attributes. Exploring owner-manager character attributes contributes towards answering objective b and research question b; which micro-foundations underpin the dynamic capabilities residing within the rural micro-enterprise. It is likely that aspects relating to the owner-manager discussed in this section may indeed be micro-foundations of dynamic capabilities

Throughout this section the influence of the identified character attributes will be discussed. Creating aggregated thematic groups from the identified character attributes enables these aggregations to be used as segmentation criteria for further analysis of the rural micro-enterprises.

The owner-managers' common character traits identified in table 28, shape the future success of their business by influencing the development of dynamic managerial capabilities and dynamic capabilities; see chapter 2 sections 2.2.3 and

2.6 for more information and definitions of dynamic capabilities and dynamic managerial capabilities.

Table 28: Owner-manager character attributes

Owner-manager key character attributes			
Motivation	Strategist	Driven	Dedication
Agility	Adaptability	Innovative	Commercial awareness
Ambition	Networker	Reputation focus	Success orientation
Attitude to risk	Rural Orientation	Project focus	Process orientation
Passionate	Talented	Visionary	Resilient

These character attributes have been aggregated into four overarching themes, termed effects which reoccur across the different rural micro-enterprise owner-managers and are defined in figure 18.

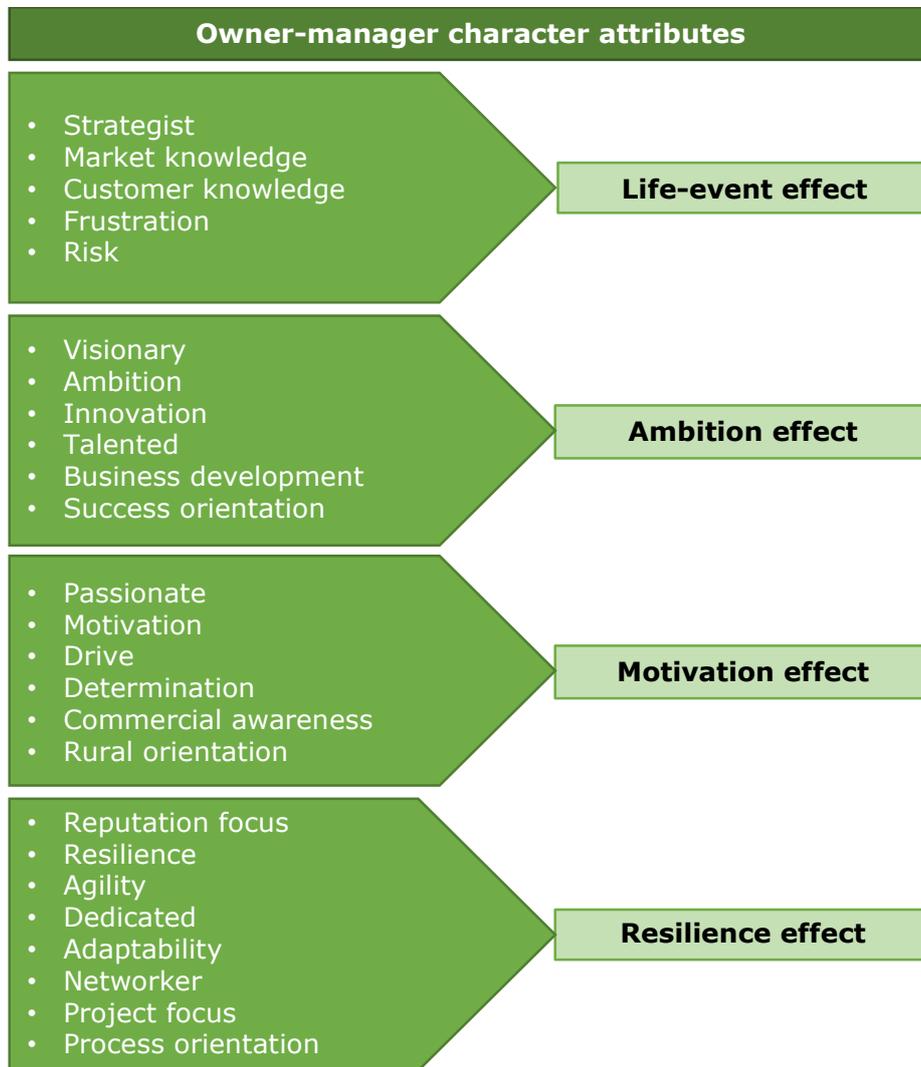
Figure 18: Aggregation of owner-manager characteristics into themes

Life-event effect	Ambition effect	Motivation effect	Resilience effect
Strategist	Visionary	Passionate	Reputation focus
Mkt knowledge	Ambition	Motivation	Resilience
Cust knowledge	Innovative	Driven	Agility
Frustration	Talented	Determination	Dedicated
Risk	Bus dev/expansion	Commercially Aware	Adaptability
	Success orientated	Rural Orientation	Networker
			Project focus
			Process orientated

These identified effects encompass the owner-managers' character attributes identified during this study. The four effects are conceptualised in this research as the holistic term 'owner-manager faculty'. Owner-manager faculty encompasses the influence of a life-changing event upon the owner-manager in combination with the owner-managers motivation, their ambition and their resilience upon the business performance. The concept of owner-manager faculty will be discussed further in the discussion chapter.

To investigate if owner-manager effects vary across the rural micro-enterprise business cases the segmentation framework of McElwee and Smith's (2012) was adapted to include owner-manager character traits; see figure 19. This adaptation was considered necessary to add a more detailed behavioural context to the existing owner-manager characteristics defined in McElwee and Smith's (2012) segmentation framework.

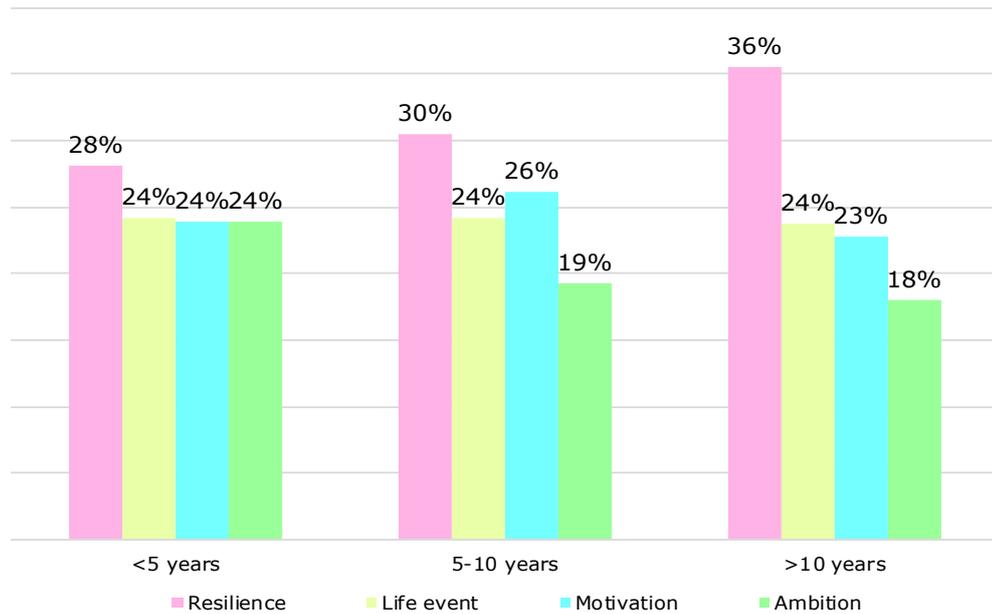
Figure 19: Rural micro-enterprise segmentation by owner-manager character attributes



This segmentation framework extension enables consideration of owner-manager character attributes by business characteristics such as firm size and the number of years operating. From a business age perspective, see figure 20, where the 'resilience effect' remains the most influential.

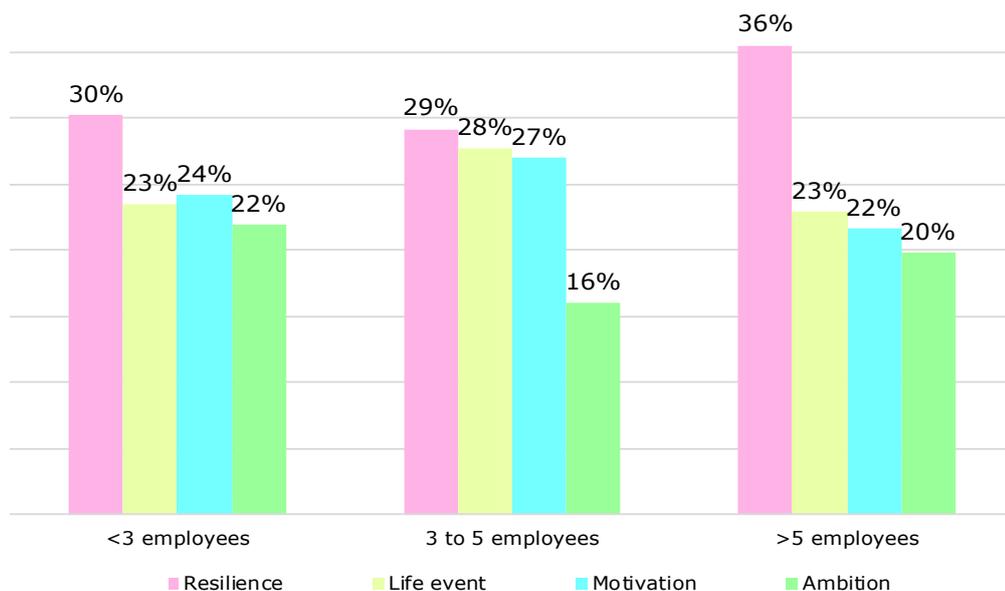
The resilience effect is evidenced most often across all the business age segments but more frequently as businesses mature. This could be due to the owner-managers developing increased resilience to endure the challenges inherent in running a rural micro-enterprise as the business matures and the increased business experience of the owner-manager.

Figure 20: Owner-manager characteristics segmented by firm age



Conversely it can be seen that the aggregated ambition effect is evidenced less frequently as the firm ages. This may be due to the owner-manager’s lack of drive for business growth, they may be content to maintain the status quo providing the business generates sufficient income to enable them to achieve their desired lifestyle goals.

Figure 21: Owner-manager characteristics segmented by number of employees



Using the number of employees within the micro-enterprise as a segmentation variable, a similar pattern is observed as seen in figure 21. The number of instances of resilience effect remains the dominant characteristics when considering the number of employees within the firm, especially in firms with five or more employees. The ambition effect has a fewer instances within micro-enterprises with 3 to 5 employee and more instances in firms with more than 5 employees. Ambition effect could be linked to the owner-manager's desire for business development and innovation which, in the firms with 3 to 5 employees, is less in evidence than in the smaller and larger micro-enterprises analysed.

Evidence of the life-changing, motivation, ambition and resilience effects are discussed in more detail in the following sections, 4.3.1 to 4.3.4. Consideration is also given to how these effects can become embedded within dynamic capability theory.

4.3.1. Life changing event

Each rural micro-enterprise owner-manager experienced a life changing event. Life changing event being defined in this research as an event experienced by the owner-manager which made them re-evaluate the future course of their life. Experienced life changing events varied from the arrival of children, leaving an established career, to a major injury, as illustrated in the quotation below.

“While I was on maternity leave I decided to think about seeing if I could pursue the wool thing to see if I could make a business which would be something I could do at home with young children.” (Clara)

Having a family made it too difficult for Clara to continue to commute to the city to continue her academic research career whilst caring for her children. Daniel was made redundant from the armed forces and struggled to find paid employment, as outlined in the quotation below, so he started his first rural micro-enterprise.

“I became a victim of the downsizing, so I was left to try to find employment and at the time it was difficult to get a job considering my expertise, software engineer and IT, was impossible almost to get a job coming into industry from the military because apparently I didn't have commercial experience.” (Daniel)

Although the root cause of the life-event varies, in each case it enabled the rural micro-enterprise owner-manager to re-evaluate their priorities, making a positive change to their life by establishing or modifying their business. This is highlighted by Isla who took over the family micro-enterprise after the death of her husband.

“When I lost my husband, I decided I wasn’t going to retire I was going to stay here and keep running the business, to keep my brain working.” (Isla)

Karen shares her experience of re-evaluating her priorities after a relationship breakdown and house sale. The money from the house sale enabled her to re-train and establish her rural micro-enterprise. It empowered her to feel she was back in control of her life.

“I was doing part time social work and I knew that I didn’t want to carry on doing that forever. I had a pot of money, I had about £20k from a previous house sale and ended up deciding that if I didn’t invest in my own career then I probably just going to carry on hoping and wishing but not actually making it happen, so I did.” (Karen)

The life-event experienced by the owner-manager has led to them re-evaluating their priorities. This feeds into their awareness and perception of a need to change, thus informing the underpinning their managerial cognitive capability (Helfat & Peteraf, 2015) which acts as a micro-foundation of their dynamic managerial capability in assessing the strengths and future direction of the rural micro-enterprise.

4.3.2. Motivation effect

Rural micro-enterprise owner-managers’ motivations were not typically about empire building or seeking to make large financial returns. As illustrated by the quotations below their motivations were not always discreet but a blend of lifestyle, the desire to support or be close to their family or be involved in an activity they were passionate about. Daniel states his motivation as supporting his family, Kay declares her motivation is all about creating their desired lifestyle and Tracey is motivated by her passion to share her knowledge and love for her products.

“I needed to support a family and everything else, I wasn’t trying to make money to be rich and famous.” (Daniel)

“We decided that if this is what we want to do, to spend our lives working with this material we needed to be somewhere that gave us a good quality of life. That’s why we chose to come here.” (Kay)

“It all started, and we tell them a story, love to tell them a story, with my husband and because its gluten free and it’s a totally gluten free kitchen they have more confidence because the awareness.” (Tracey)

In fact, upon quantifying the analysed motivations for running their rural micro-enterprises fourteen owner-managers elude to a lifestyle motivation, eight cite family as a primary motivator and eleven claim passion for their business is a motivating driver.

These owner-managers reasoned they needed to survive but on their own terms, in a way that suited their lifestyle. The owner-managers motivation sparked their problem solving and decision making abilities to develop their businesses and may act as a micro-foundation of their dynamic managerial capabilities For example, Adam’s passion for delivering high quality artisan food products and getting a fair price for his product forced him to re-think his business.

“We were always feeling that we weren’t getting decent end value for our product. You’re putting your week’s catch onto a lorry and you’re getting whatever they pay you for it. So, we decided to have a go at doing it ourselves. That’s when we created [food brand], touch wood, and we’ve never looked back on it.” (Adam)

Adam felt he was not being paid a fair price for his goods because of the margin taken further down the supply chain by the organisations processing his goods to get them ready for customers to buy. He realised he could deliver the same if not fresher quality product into the market by processing it as soon as it was unloaded from his ship. This led him to invest in building a processing and packing plant, creating local jobs and helping to retain more of the margin within his business to fund future opportunities. His motivation to develop his business stemmed from a desire to maximise the return from his goods to enable the business to develop and himself to enjoy the lifestyle he desired.

By understanding the local environment, market and customer needs the owner-managers are better able to position their rural micro-enterprises to enable them to achieve their business and lifestyle goals.

4.3.3. Ambition effect

The overarching ambitions of the owner-managers are to maintain their businesses and for their micro-enterprise to generate sufficient income for the owner-manager to have a happy life. This is illustrated in the following quotations from John and Barry.

“I took that view of thinking I’m just going to keep this to one unit here, I don’t want 60 staff and a large company here because 1) we would have to more than likely relocate, we would have to go to Swindon or Bristol or one of the Business Parks, Aztec West where you have Tesco express around the corner and things” (John)

“I’ll just keep doing what I do. As I said to my wife I won’t ever retire because I love what I do. So, for me painting is what I am. You know I don’t perceive a time when I’m won’t paint I’d love to be in a position where I can teach painting for nothing. But I can’t because I need the money. But I’d love to” (Barry)

From John’s perspective his ambition drives him to successfully grow his business to a certain level so it can remain in a rural location. Whereas Barry just loves his business and he would like to be financially able to teach people how to paint, passing on his love of painting to them free of charge.

Within the cohort of interviewed owner-managers there is evidence of thwarted ambition due to external changes which the micro-enterprises have struggled to navigate, such as government legislative changes and lack of commercial awareness.

“We wanted to grow renewables in the rural but are now looking at new directions to survive, it’s difficult to make long term decisions” (Charles)

By the owner-managers learning what their business and personal objectives are, they are better able to plan for the future, re-shaping their business to enable their ambitions to be met. Karen's ambition illustrates this.

"I think ultimately if I had enough money in the bank and I was in a financial situation that I could move my client base nearer to home. I would like to have a barn in the grounds of where I live converted to my own studio so I'm not paying rent." "I like the idea of not having to travel, just like to have work where my home is really." (Karen)

Her ambition is to run her business from a purpose built premises in her garden. However, to achieve this she first needs to build a client base and earn sufficient income from her business to enable this ambition to become a reality. By the owner-manager realising how they may achieve their ambitions developing dynamic managerial capabilities for recognition and resource management are likely to develop thus, enabling them to make the necessary changes to optimise new business opportunities.

4.3.4. Resilience effect

All the rural micro-enterprise owner-managers have shown resilience when facing business challenges. Clara, Hayley and Tracey face the challenge of declining foot-fall at farmers markets, their primary selling events. On sensing the customer base was declining steps were taken to find new customers and entice existing ones to buy more by developing new products as illustrated below.

"I used to do a little bit of dying the wool to make it different colours. It was a bit hit and miss_ I think people are into bright colours again so I'm going to try starting this again to see if it sells better this time around" (Clara)

Charles thinks because his rural business is close to a hub town, he is impacted by urban operators undercutting his rates, with little loyalty amongst his customers he is being driven to compete on price. Under threat of price competition, Charles started upskilling his business by becoming registered. This enables him to approach the public sector for work.

Daniel's challenges have been many and he has shown the most resilience of all the owner-managers, possibly due to his overtly entrepreneurial approach, for example;

"I got thrown out of the company that I founded. I was the biggest shareholder, but I didn't control it. I only had 35% not 51%. I had no option, I had to walk away from it. I had no compensation given to me" (Daniel)

His opinion that he can see better ways of doing things coupled with embracing novel business opportunities has led to multiple business failures, yet he remains optimistic that one day he will have a long term successful business. Jane, as evidenced in the following quotation demonstrates her personal resilience by coping with the multitude of different tasks needing her attention to complete with limited resources to call upon for support.

"But undoubtedly it's not a job for the fainthearted because you're obviously straggling the day to day and there isn't a very steep pyramid of staff; I mean that's me, there's somebody that helps with some of the admin a little bit and then there's staff. I live close by so, I'm always the one that's here at 7 o'clock in the morning. I'll see what's wrong, what needs to be doing" (Jane)

Whereas, Kay struggles with IT challenges, specifically availability of broadband and mobile phone coverage. By overcoming technical, social and economic challenges Kay demonstrates creativity and agility in managing their business assets.

"Broadband is terrible, it's very frustrating because the Wi-Fi is constantly in and out, broadband it's like a wet piece of string. You never know what you are going to get from day to day. It's frustrating just communicating, doing your research and sending images and stuff to the printers and things" (Kay)

Building resilience within themselves and their businesses indicates the owner-managers desire for long-term business success. The creativity and flexibility to adapt to business challenges is indicative of the owner-managers cognition and supports their dynamic managerial capabilities; such as their ability to position new opportunities to help overcome business challenges.

4.4. The nature of change within the cases

The nature of change within the rural micro-enterprise cases is explored from the perspective of identifying processes which are regularly enacted within them. Upon analysis of these processes, whilst some processes are deemed operational day to day processes, others are underpinned by dynamic factors and can be indicative of the development of dynamic capabilities or dynamic managerial capabilities. Thus, answering research objectives a and b about determining the presence of dynamic capabilities, understanding how they develop and which micro-foundations underpin them.

In the rural micro-enterprise business cases participating in this research dynamic capabilities were difficult to observe in action. However, by considering the nature of the businesses, analysing the narrative texts for evidence of repeatable enacted procedures, the development of dynamic capabilities was apparent in some of the larger, more mature rural micro-enterprises.

Change within a rural micro-enterprise may be indicative of dynamism within the business, however, it is the underlying change facilitators which is of interest in this research. This change could be facilitated by either 'ad hoc' problem solving or a repeatable pattern of activity within the business driving the change. Evidence of the later is sought within this research. Findings from the analysis of the cases is used to determine if change is being influenced by the owner-manager or by organisational-level dynamic capabilities.

The repeatability of these processes within this research is seen as an indicator that the rural micro-enterprise in question has developed dynamic capabilities. These dynamic capabilities can act as change enablers for the rural micro-enterprise, enabling them to transform their resource base to adapt to a changing environmental ecosystem. Change drivers are illustrated in this section by focussing upon a cross section of five cases; Nigella and her photography business, Ian and his engineering business, Richard and his property management business, Hayley and her food business and Kay and her craft business. These cases were chosen because they were judged to be illustrative of examples of rural micro-enterprises which have developed organisational-level dynamic capabilities, individual-level dynamic capabilities and have limited development of dynamic capabilities.

4.4.1. Nigella and her photography business

Nigella established herself as a professional photographer after a career change from corporate marketing. She followed her passion and established her business in an urban area initially. However, when larger premises were needed she relocated her business to a rural location though choice rather than necessity as illustrated in her motivations outlined below.

“It’s easier here because I don’t have any parking issues, the parking spot I had in [town] was always covered in human faeces and beer cans, the centre of [town] is disgusting, absolutely disgusting. My clients are a lot calmer when they get here because they zoom off the motorway into a parking spot right outside - happy days. The environment is cleaner out here, I’m a country girl, I was brought up in the countryside near [town b], so, although I’ve worked in the city, New York and all over the world, I’m a country girl at heart, so for me this is just yeah, its bringing both worlds together. In an age where a lot of people work from home you don’t need to be in the city.”

An analysis of her business identifies several regularly repeatable processes. These routine, repeatable processes are given the nomenclature ‘common business processes’ throughout this research. These processes have been identified and are detailed in table 29.

Table 29: Nigella’s common business processes

Common Business Processes	
1	Meeting and building relationships with clients
2	Managing and motivating team
3	Networking (industry events) and marketing (website and social media)
4	Plan shoots (wedding and prortrait)
5	Take photographs and digitally edit
6	Run training courses
7	Manage suppliers
8	Present and sell work to clients
9	Plan for future growth and development of business

Although all the processes are regularly enacted not all can be considered indicative of the development of dynamic capabilities. In fact, processes 1, 2, 3, 5, 7 and 8 are required to ensure the day to day running of the business, these processes are considered ordinary capabilities. Deeper analysing of processes 3,

4, 6 and 9 suggests that dynamic capabilities for business development is present within her business.

Over the years Nigella has grown her business, using her commercial awareness developed within the corporate world to help her identify ways to expand her business. This commercial awareness manifests itself in understanding her market and clients to identify new opportunities and achieve the best results possible as illustrated in the quotation below.

“I'm very client focussed. It's all about my clients, spending time with them, getting to know them and that's how I get those magical photographs”

Networking, industry and customer knowledge led her on three separate occasions to identify potential opportunities. Firstly, expanding her business's services to offer portraiture. Secondly, establishing a commercial photography brand and finally, running industry training courses. These business expansions indicate that the process of business development has repeatability, a key component in the conceptualisation of dynamic capabilities used within this research.

Focussing upon her latest venture, setting up industry training courses, the opportunity resulted from understanding the industry and a desire to bring about positive change within the industry; as Nigella says,

“I want to pass that information on. I think you have a responsibility to pass on information to the next generation so that every generation get a little bit further, so you progress. That's one thing in the photography industry, you chat to people in the same field, when I started you would metaphorically have doors slammed in your face and I think what it is, is that the photography industry is very creative, whereas I come from a business background; so, although I am a very creative person, I have also got a business head which is quite rare in this industry. So, I don't look at people as competition because nobody could take these images because they [other photographers] are not in my head.”

“What I'd like to do is get the next generation coming through but at a certain standard, so the photography industry has a really good reputation, like becoming an ambassador for the industry.”

The consequence of these business development activities has been a re-organisation of the businesses assets to enable the new ventures to become reality. For example, portraiture requires a more flexible studio, training programs require a change in her business model resulting in a reduction in the number of weddings covered in a year to free up her time to conduct the training courses. The new ventures prompted the start of feasibility planning regarding the viability of relocating to a larger studio with the flexibility for future growth. The business development activities of Nigella’s photography business as viewed through the lens of dynamic capability and segmented in line with Teece’s (2007) three fundamental areas of dynamic capability disaggregation, sensing, seizing and transforming activities, is presented in table 30.

Table 30: Evidence of enacted dynamic capability of business development

	Sensing	Seizing	Transforming	Result
Portraiture	Local market had an opportunity for premium portraiture, particularly ladies portraiture.	Review location, moving to more flexible studio that can double as consultancy and studio space. This enabled the portraiture business to be created.	Adapt the studio space from office to portrait studio thus entering a new market segment	Establishment of portrait photography run to the same exceptionally high standards as the wedding photography business
	Sensing	Seizing	Transforming	Result
Commercial	Local market had a gap for high quality, creative corporate photography	Create a commercial photography arm with the same values as the core wedding business. Bring commercial experience of sales and marketing to create more compelling images	Developed on-site or in-studio photography service for local businesses looking to present themselves more professionally	Launch of commercial photography business with focus on creating strong images to sell and/or promote products/services
	Sensing	Seizing	Transforming	Result
Training	Need in the industry to support and encourage new talent	Create a series of 4 training courses aimed at guiding new industry entrants to run a successful business - focus on business area not taking pictures	Extend the scope of the business, spreading risk away from 100% client focus photography. Position business as industry leader in best practice and ambassador	Suite of 4 training courses designed and launched with the objective of improving industry standards and creating a more diversified business

The dynamic capability of business development is illustrated by three different business development events which have helped the business to flourish in a challenging business environment.

Table 31: Micro-foundations of Business development dynamic capabilities

	Sensing	Seizing	Transforming
Micro-foundations	Industry knowledge	Networking	Communication
	Commercial awareness	Learning	People management
	Local knowledge	Innovation	Prioritisation
	Vision	Problem solving	Engagement
	Customer knowledge	Resilience	
		Agility	

The micro-foundations of customer and local knowledge, as detailed in table 31, have helped the business develop portraiture and commercial photography ventures in the knowledge that there is a market for premium quality and premium price photography within these sectors of the industry.

“We pile it low and sell it high. My client base; at the lower end often market the client base will have a budget for their photography and will have to pay in instalments and have to wait to save up 18 months Our clients are older.... they have savings, money already sitting there.”

After sensing market opportunities, future business planning is evident whilst seizing the opportunities. The owner-manager is aware that dedicated space is needed for the customer facing business activities to succeed and compete at the top end of the market. This is illustrated in the following quotation describing the need to plan and make the best use of the space available.

“I took this on two years ago in September to see what would happen. It’s proved successful which is great. I will be looking, business willing, to expand. Every time I do a shoot its quite a lot of work to turn it around, so I tend to have my consulting weeks and studio weeks so I’m not changing it around every few minutes. In time I would like a much bigger areas, almost twice, three times this size so I can have an area for consulting, an area for shooting and an area for clients”

Within her business Nigella, the owner-manager, is embedded within the rural micro-enterprise driving her business forwards. However, Nigella and her business are separate entities and as such this research contends her business has developed organisational-level dynamic capabilities. Her dynamic managerial

capabilities are a principal micro-foundation underpinning the organisational-level business development dynamic capability. The business processes are documented and her staff are trained to follow and develop them, although she has tight control over her business.

“I don't do it is because it is my name above the door and I have a ridiculously high standard. A few of us went out to the photography show last year, sat I with industry leaders and they looked at me and said afterwards, your standard is ridiculously high.” “It’s my name above the door I keep a very tight rein in all things so if somebody doesn't perform they don't last very long.” (Nigella)

The above quotations emphasis the attention to detail Nigella has within her business and the control she exerts to maintain those standards.

4.4.2. Ian and his engineering business

Ian was looking for a new opportunity after working in the premium sector of the automotive industry for many years. He was brought into this precision engineering rural micro-enterprise four years ago by the retiring founder of the business to run the business.

There are many processes regularly enacted within this business, however a lot of these are routine such as equipment testing, machine set-up and stock checking. The principal processes are detailed in table 32. Ten processes have been identified, processes 4, 5, 7, 8 and 9 are judged to demonstrate dynamic capability of efficiency improvement.

Table 32: Ian’s common business processes

Common Business Processes	
1	Manufacture precision chokes for guns
2	Receive, check-in guns then fit choke/work to gun
3	Arrange pressure testing
4	Manufacturing process improvements to increase efficiency
5	Admin process and systems development to improve efficiency
6	People management
7	Networking within the industry to increase sales and awareness
8	Networking with associated product manufacturers (cartridges)
9	Marketing and promotions (website, advertising, exhibitions, shoots, shows, competitions)
10	New market development (US/UK sectors)

Business efficiency is being improved by making incremental changes throughout different areas of the business, thus the process of improving efficiency is repeatable with outputs that lead to a better use of assets such as money, machinery and time.

Table 33: Enacted dynamic capability of improving efficiency

	Sensing	Seizing	Transforming	Result
Infrastructure	Improve the consistency of product output by reducing machine vibrations	Apply learning from automotive industry, source new flooring to dampen vibrations	Install new flooring and reduce machine tolerances	The high quality standards become more consistent
	Sensing	Seizing	Transforming	Result
Process	Existing process of booking in was too reliant upon paper records	Create a simple electronic system with increased functionality	Customer details found more easily and repetitive tasks automated	Increased traceability of customer details and less time wasted searching paper files to find information
	Sensing	Seizing	Transforming	Result
Product range	Existing product range does not meet the needs of potential new market	Commission new tools to enable production and train team to manufacture new products	Create a line extension to existing product range	Range developed to effectively compete in a new market area
	Sensing	Seizing	Transforming	Result
Marketing investment	Existing sponsorship strategy is not delivering the desired business results	Develop a new strategy focussed around a different market segment (youth)	Communicate positive brand values to the new team of ambassadors	Brand promotion, PR and general visibility increased

Improving the efficiency of the business, which sits within a specialist market is close to Ian’s heart. Since taking over the business many areas where improvements could be made have been identified and steps taken to close the efficiency gaps. Table 33 shows examples of some of the major efficiency improvements which have occurred during the past 4 years.

Applying experience gained during his previous role he sought to improve consistency within the manufacturing process. Ian identified an opportunity to improve production efficiency and consistency by installing a specialist floor which reduces mechanical vibrations in the machinery.

“I worked for [marque] in the motor-car industry for 32 years. Hence, why we have a floor out there like it because I knew how important it is to get that right and it’s made it more accurate”

“We have been making improvements, we put the specialist floor down which helps stop the vibrations and improve efficiency and quality.”

A key area of efficiency improvement is attributed to making incremental improvements across the business's processes, from booking in customer's goods, as described in table 33, to stock control as illustrated in the following quotation.

"We make stock control sheets so we can see what we are getting low on, then we get manufacturing involved. We have only just started to do this properly, it's more efficient, less time consuming. No need to keep resetting the machines in there. So, that's what we are doing now. We are evolving and upgrading all the time."

Improving the stock control process has efficiency benefits for customer service and manufacturing as well as administration. However, the business recognises that improving process efficiency is not an isolated event but an ongoing activity in the struggle to remain competitive within the market through better utilisation of the available capacity within the business. The dynamic capability identified is underpinned by many micro-foundations, the principal ones are detailed in table 34.

Table 34: Principal micro-foundations of the enacted dynamic capability

	Sensing	Seizing	Transforming
Micro- foundation	Industry knowledge	Networking	Team engagement
	Technical knowledge	Learning	Communication
	Customer knowledge	Innovation	Resource allocation
	Competitor knowledge	Collaboration	Resilience
	Regulatory knowledge	Agility	
		Creativity	

Industry and customer knowledge underpin the enacted dynamic managerial capability. This is evidenced by the feedback Ian received when he was networking at industry events and attending competitions whilst seeking a distributor for their products in a new market.

"When we was in [location] it was very noticeable that the products they want, they want long stuff sticking out the end of the barrel. The longest we can do is 3.5 to 4 inches and we need to go 4.5 inches. So, I made notes while I was in [location], come back, rung [engineer friend] and said, "look, we need to extend our products, we need a special borer, there's not one on the market, can you make one". So, he has been making us one"

A range extension to satisfy consumer requirements in the new market was identified as a prerequisite for success. Networking and collaboration with an 'engineer friend' led to the development of an innovative new tool to work with the existing machinery. The new tool enables down time on the machinery to be utilised in the manufacture of a new product which can be sold in the new territory. This range extension will help expand the reach of the business.

Changing the sponsorship strategy over time has led to improving the return from the marketing investment. It was identified that the established brand ambassadors were not wholly supportive of the brand.

"I let some good [sports people] have some stuff and they have done nothing for us. All they do is have it, try it, and sell it. I get no feedback or nothing. So, I took the decision, the only people I now sponsor are young [sports people]."

By changing the approach away from sponsoring established sports people to only sponsoring up and coming young sporting talent the sponsorship investment became more efficient. The improvement in the return on investment was achieved through greater brand visibility at important events, more introductions of other sports people to the brand by the ambassadors and the creation of energy around the brand. These factors altered the brand's positioning. It became seen by potential customers as a dynamic successful brand across social media, as illustrated in the following quotations.

"The young [sportspeople] are on the internet, Facebook, twitter. They are social media and it went big time. We sponsor now, 10 to 12 junior [sports people]."

"Only people I now sponsor are young shooters. I knew he was good because I used to go and practice there. I knew him quite well. I said, "I would like to sponsor you with some products" so, I gave him some products and then a couple of his friends who were good [sports people] came to the factory, we gave them a tour and I gave them some products two and a half years ago. When I was out and about I also seen some young girls.... and I sponsored them. It was noticeable when it comes to the world championships two years ago in the UK every junior, every young lady [sports person] was using [brand name] and they won everything"

This precision engineering rural micro-enterprise, although a larger micro-enterprise, is heavily influenced by Ian. His ability and views act as micro-foundations influencing organisational-level dynamic capabilities such as efficiency improvements which have developed within the business.

4.4.3. Richard and his property management business

Richard started to build his business approximately ten years ago after relocating closer to his and his wife's family. At a time when his corporate role was becoming less fulfilling and more insecure he was also facing the challenge of keeping his young son away from playing in their yard amongst the crumbling, derelict farm outbuildings. In order to remove this potential danger to his son and with the objective of start to build a second source of income for his family he stated to convert the outbuildings into micro-enterprise work units. Richard's thought process is evident from the following quotation.

"We did those first buildings as a matter of necessity for the family and then that went quite well. So [next was] an old Dutch barn,we started doing that barn and I was working out (cause I'm an accountant) if we got that let we'd pretty much have the same income as I was having from working. So, I thought I'd leave in about twelve months' time I wasn't very happy there for a while and time went on and I got more dissatisfied there"

Richard tells how his business evolved. Analysis of this story indicates there are several process which he repeats in order to maintain his business and actively grow the business by adding more work units.

Many of the processes enacted in this business, see table 35, have elements of repeatability. However, although processes 2, 7 and 8 upon initial analysis could indicate the development of Richard's dynamic managerial capabilities in the area of business development.

Richard's business is a family business, reliant upon himself to make all the key decisions with the agreement of his wife. This differs from Nigella's business and Ian's business; whilst these two businesses are also rural micro-enterprises they do employ a small team of people and because of this, although both owner-managers exert a significant influence over their business, the business is a

distinct separate entity. For example, Nigella’s and Ian’s businesses could continue to run without their day to day presence.

Table 35: Richard’s common business processes

Common processes	
1	Recruiting, supporting and retaining tenants
2	Converting derelict buildings into workspaces
3	Managing contractors on building projects
4	Solving problems (tenants and utilities)
5	Maintaining business parks infrastructure
6	Updating website and leaflets
7	Networking and building relationships with trusted partners (e.g. agents, neighbours, architects)
8	Seeking new challenges for personal development

This difference leads to the contention that without Richard’s cognition, problem solving skills, networking and relationship building abilities his business would struggle. Therefore, his dynamic managerial capabilities are influential and intrinsically linked to his business’s success.

The scenario in table 36 describes the businesses development through a dynamic capability lens. It suggests that dynamic managerial capabilities have been developed to support management decision making which in turn drives business performance; these dynamic managerial capabilities reside with the owner-manager.

Table 36: Enacting dynamic managerial capabilities for business development

	Sensing	Seizing	Transforming	Result
Business development	Opportunity to generate income and improve safety of immediate environment for family	Converted derelict outbuilding into micro-enterprise workspaces. Attract tenants to fill units and find trusted partners to work with	Re-use business skills to start and grow new venture, retain tenants and author growth plan	Operational business park providing sustainable income for family

For example, the following quotation outlines Richard’s ability to make decision about future developments which adhere to regulatory requirements and meet the needs of prospective customers.

“You do the next development you live and learn, need to consider how you plan a development and the constraints that you know about as far as you can. You build them to a certain size which meet the regulations in the best way possible. It’s not the regulations driving,

you need to know what your customers want and design it that way and making sure that it also meets the regulations; so, regulations are the tail. At the end of the day you can't ask them to pay the rents so the customers are the most important."

Furthermore, the quotation below evidences the presence of dynamic managerial capabilities because Richard has used his intellect to learn from previous building development projects to avoid the same issues reoccurring whilst he manages the next phase of building conversions. He is also taking account of customer demands and local knowledge to ensure the end product is evolving and is the best it can be, meeting the needs of prospective tenants.

"If we did expand we would do what we are doing now with the lessons we have learnt so it would be slightly different but basically the same. I would probably do slightly bigger units, some slightly bigger units, because I have got sufficient customers that I can generate demand from my existing customers for bigger units"

Dynamic managerial capabilities are considered by Adner and Helfat (2003) to be analogous to dynamic capabilities and thus are underpinned by micro-foundations. The principal ones in this case are detailed in table 37.

Table 37: Micro-foundations of dynamic managerial capabilities

	Sensing	Seizing	Transforming
Micro-foundations	Legislative knowledge	Learning	Adaptability
	Environmental awareness	Marketing	Flexibility
	Local knowledge	Networking	Finance planning
	Learning	Tenant management	Communication
	Vision	Project management	
	Innovation	Resilience	

A second example of Richard exhibiting dynamic managerial capability for learning is illustrated below. Richard has an accountancy background and marketing was not within his skill set when he started his rural micro-enterprise.

"the marketing was low key and amateur because I didn't know what I was doing, you learn what you're doing and looking after your tenant is probably the best marketing and doing everything well, broadly, all

units are air conditioned, they are all bespoke for a small business so it's a good product it's the best product around here I say to people, and if it's not tell me what is needed cause I'll do whatever is needed to make them the best product"

Reflecting upon his early marketing activity, Richard admits that it lacked relevance and appeal to reach his target market. He learns from his mistakes, reshaping his marketing strategy achieve maximum impact. By understanding how to market his business more effectively he is able to focus upon improving the areas which will generate the highest return on his investment, such as tenant relationships. Cultivating excellent relationships with his tenants means they are more likely to promote his business. His tenants become a secondary marketing platform and are less likely to relocate their business elsewhere.

Richard is looking for his next challenge to sit alongside his business as highlighted in the following quotation.

"I also think about doing something completely different to what I do at the moment, that's why I do the federation of small businesses, I got involved in the leader project, school governor"

This quotation showcases his vision. He is looking for a new challenge where he can continue to learn and share his experience with others in both social and business settings. By continuing to learn, his new experiences could help him to further develop his dynamic managerial capabilities thus have a positive impact upon the performance of his existing rural micro-enterprise.

4.4.4. Hayley and her food business

Hayley started her business a couple of years ago after leaving her corporate, senior human resources role. She chose to set up a business making food she was passionate about, having already regularly made her product as a home cook to feed her family, as is illustrated in the quotation below.

"I'd always done it. I had a lot of recipes in my head and I had that knowledge there. You know, I could immediately, when I started the business could have turned out 20 different [products] from memory. Obviously now I've formalized it and put it into menus because I have

to follow the same ingredients and what have you. certainly beats sitting in corporate office for 10 hours a day”

She was self-taught having had no previous commercial experience. Initially she set up robust day to day administrative procedures to enable her business to adhere to the legislation within the food manufacturing industry. It is these procedures which help her to control the common business processes detailed in table 38.

Table 38: Hayley’s common business processes

Common Business Processes	
1	Order and Source ingredients
2	Make and package soup
3	Book and attend farmers markets and other retail events
4	Develop new recipes
5	Sell and sample products
6	Build networks with other market traders
7	Building awareness via social media

Processes 1, 2, 3, 5, 6 and 7 are processes enacted on daily or weekly basis to manage the day to day business activities. Developing new recipes, also a process with repeatable elements could be considered a dynamic capability because it results in incremental changes being made in the business model which helps the business to achieve a competitive edge in the marketplace. However, it is Hayley herself who senses the need to modify her business’s product range, researches new recipes and trials them. Therefore, the dynamic capability for developing new recipes resides at the individual-level with Hayley. Hence any dynamic capabilities identified in this rural micro-enterprise are likely to be dynamic managerial capabilities rather than organisational-level dynamic capabilities.

Two examples of enacted dynamic managerial capabilities within Hayley’s business are described in table 39. The examples of enacted dynamic managerial capabilities are underpinned by micro-foundations such as commercial awareness, sensing the reduction in trade and innovative vision, seeking different ways to mitigate the declining footfall such as enticing the remaining customers to spend more.

Table 39: Enacted dynamic managerial capabilities

	Sensing	Seizing	Transforming	Result
Route to market	Declining footfall at established farmers markets	Find alternative routes to market to sell products	Develop a new sales cycle to encompass different retail / sales opportunities	More stable business based with a better speed of sales risk
	Sensing	Seizing	Transforming	Result
Product range	Existing product range becoming monotonous	Create new recipes and develop a rotating 'menu' of products	Extend product range to incorporate monthly variants to entice customers to purchase	Maintaining viable business levels in declining footfall environments

The principal micro-foundations of the enacted dynamic managerial capabilities are detailed in table 40.

Table 40: Micro-foundations of dynamic managerial capabilities

	Sensing	Seizing	Transforming
Micro-foundations	Commercial awareness	Learning	Communication
	Customer knowledge	Researching	Prioritisation
	Innovation	Agility	Adaptability
	Vision	Networking	
		Commerciality	
		Resilience	

Hayley realised that the footfall has been steadily declining at her businesses primary route to market, farmers markets. This has led to an accelerating spiral of decline because more stall holders stop attending the markets as customer footfall declines and as a consequence of the reduction in stalls, fewer customer attend. This is highlighted by Hayley in the following quotation.

“They [market organisers] are struggling to get people to stay on their markets. We're still doing [town a], still doing [town b] but we've given the rest up because it was just a waste of space. With those managers, lovely as they are, do nothing to promote the markets, they don't use Facebook, they don't put banners up”

Frustrated with the decline of the farmers markets Hayley acknowledges she needs to look for different routes to market to enable her business to remain viable. Her creativity in looking for different places to sell her products and her resilience in maximising the sales opportunities at the markets she attends is illustrated in the following quotation.

“We do need to do something different we do need to do more. At this moment in time I’m not sure what. Different selling. I want to stick with [product] because that's my expertise and we have a good reputation for that. The obvious answer in terms of expanding is to sell to more shops but I don't know if I want to do that”

The quotation demonstrates she has considered selling in shops but is cautious of this option due to the challenges supplying retail outlets pose for her micro-enterprises in areas such as stock management and cash flow. For example, local shops have told her they would want to have sale or return on any line stocked. She has also investigated the feasibility of attending food assemblies and diversifying into corporate catering.

Alongside the declining footfall challenges, Hayley is seeking to encourage customers attending markets to buy more of her products. One way she is doing is this is by refreshing the product offering she takes to sell, moving away from a static menu. Introducing new variants, seasonal and unique limited edition variants provide a point of difference and a new opportunity to talk about her products. This is illustrated below.

“I always take between seven and eight varieties to each market, but certainly in terms of what I could produce yes it was more limited. The first ones I did were tried and tested family favourites. I have branched out ... I love researching, I love getting new, we went to Norway last year to my brother and sister in laws and she's a great cook and she gave me a recipe which has turned out to be an absolute seller and its cauliflower and coconut. So, it's like, its chunky cauliflower and it's like a very light Thai curry the sauce. That does well”

By encouraging more purchases, she is maximising the business opportunity from the declining route to market whilst, in parallel, looking for new places to sell her products such as shops, delis, corporate events and food assemblies. The skills demonstrated by Hayley as she develops her business indicate the presence of dynamic managerial capabilities which are influential in driving business change to ensure her business succeeds. The reason the identified dynamic capabilities are judged to be individual-level dynamic managerial capabilities is because it is Hayley who is driving her business. This business has only one other employee, her husband who provides IT support. In this rural micro-enterprise Hayley and

the business are intrinsically linked. Therefore, this research argues dynamic capabilities at the organisational-level are unlikely due to the doubtful survival of the business without Hayley as the owner-manager.

4.4.5. Kay and her craft business

Kay and her family own a traditional craft rural micro-enterprise. After learning their trade at university and completing a traditional apprenticeship in Europe they returned home, with limited finances, to her husband's family village and established their business.

"[Husband's] dad bought these buildings did them up and then we rented them off him for donkey's years. So was a kind of a mutually beneficial arrangement there. And then we bought the buildings off him about 10 years or maybe, that's what we've done and that's how we're here."

Without the support of her husband's parent this business is unlikely to have been started or developed into its present form which remains true to traditional manufacturing principals. Within this rural micro-enterprise there is little evidence of the development of dynamic capabilities. This may be due to the desires of Kay and her husband to run their business to maintain their lifestyle rather than seeking business growth; as demonstrated in the quotation below.

"We just want to stay here and carry on plodding on really. I mean we have a nice way of life. We don't, you know the house is falling down. I don't have big holidays, but I do something I love doing every day. You know, and I walk to work and can afford to help the kids which is what all the money is going on at the minute."

Acknowledging that the primary business goal is not financial gain, many repeatable processes are followed to maintain the stability of the business on a day to day basis, see table 41. Many of these processes can be described as ordinary rather than dynamic such as ordering raw materials, making the products and managing the website.

Table 41: Kay’s common business processes

Common Business Processes	
1	Ordering raw materials
2	Making goods to sell
3	Selling to public from shop and on-line
4	Designing new pieces
5	Managing exhibitions
6	Apprentice management and support
7	Building and maintaining relationships with Galleries
8	Managing website
9	Building awareness via social media
10	Press advertisements and local in-bedroom browsers - marketing activity

However, the processes related to designing the pieces and the marketing strategy for the products may have evolved over time. Emerging dynamic managerial capability for marketing is outlined in table 42 and discussed below.

Table 42: Kays emerging dynamic managerial capability

	Sensing	Seizing	Transforming	Result
Marketing	Different customers need different communications	Identify distinct customer groups, reappraise marketing platforms to meet their individual needs	Align marketing strategy and resources to target customers	Increase marketing reach to attract new customers

It can be seen from the quotations below that the marketing strategy has developed into two streams, one for marketing the workshop/shop within the village to the local visitor economy and a different strategy to market the products to potential customers who are not in the immediate vicinity or may come into contact with their products at galleries and exhibitions via social media.

“Home, we do a lot of within the visitor economy. We are advertising. We print a leaflet every year and we also pay for a lot of advertising within the different printed bedroom browsers that go into rooms.....then every now and then I’ll do some local advertising like the [local] advertiser front cover so I’m visible to local people”

“Away I do a lot increasingly more on social media on Instagram and Facebook. I used to do a lot more on Twitter than I do now. I find Facebook has a much higher return than Twitter financially. Twitter is

really good communication and for the presence, but Facebook actually does bring people in and of course we have an online presence as well”

Kay has learned which marketing approaches work best for the different consumer groups the business is targeting and demonstrates aspects of developing dynamic managerial capacities when crafting the marketing strategy.

Table 43: Micro-foundations of developing dynamic managerial capabilities

	Sensing	Seizing	Transforming
Micro-foundations	Market knowledge	Learning	Communication
	Customer awareness	Networking	Prioritisation
	Local knowledge	Resilience	
	Product knowledge	Adaptability	

These developing dynamic managerial capabilities are underpinned by the principal micro-foundations outlined in able 43. The dual marketing strategy is underpinned by Kay’s customer and product knowledge. Once the marketing opportunity has been identified, the strategy is underpinned by learning gained from experience of which tactic was most effective in the past and adapting this to the present day. Her communication and prioritisation abilities are deployed to land the strategy and advance the business marketing platform.

4.5. Dynamic capabilities within rural micro-enterprise

This research finds the rural micro-enterprise context facilitates the feasibility for both dynamic managerial capabilities and dynamic capabilities to be present, both being underpinned by micro-foundations originating from the owner-managers character attributed and abilities. The findings of this research indicate contextual factors such as the age of the micro-enterprise, the number of employees and the character attributes of the rural micro-enterprise owner-manager are significant influencers upon the development of dynamic capabilities and the level at which they reside. The previously discussed rural micro-enterprises of Nigella and Ian in section 4.4.1 and 4.4.2 evidence dynamic capabilities residing at both the micro and macro-levels.

4.5.1. Delineation between dynamic capabilities and dynamic managerial capabilities

After analysing all the rural micro-enterprise business cases through a dynamic capability lens, it becomes apparent that within rural micro-enterprises there is a blurring of the line between organisational-level dynamic capabilities and individual-level dynamic managerial capabilities. The findings supporting this contention are discussed throughout the remainder of this section. Refer to chapter 2 section 2.6 and 2.4.3 for more information about dynamic managerial capabilities and the levels dynamic capabilities reside within an organisation.

Following a common approach to analysing the business cases, the cases were segmented into businesses which have developed a degree of organisational-level dynamic capabilities and businesses which are driven by owner-manager dynamic managerial capabilities. A visual representation of the blurring of the boundaries between dynamic capabilities and dynamic managerial capabilities is presented in table 44.

Table 44: Dynamic capability orientation

		Evidence of	
		Dynamic Capabilities	Dynamic Managerial Capabilities
A	Charles Adam Drew Jane Nigella John Ian		
B	Hayley Daniel Clara Tracey Steven Richard James Karen		
C	Isla Kay Barry Alex		

Considering the cases in segment A of table 44, these rural micro-enterprises exhibit both dynamic capabilities and dynamic managerial capabilities. However, as table 45 highlights, one case contradicts the finding that time in business and number of employees are an indicator of the presence of organisational-level dynamic capabilities.

Table 45: Cases with blended dynamic capabilities and dynamic managerial capabilities

	Pseudonym	Business	No of employees	Time as owner-manager
Dynamic capabilities and dynamic managerial capabilities	Charles	Energy	6	>10 years
	Adam	Food	8	5 - 10 years
	Drew	Consultant	9	>10 years
	Jane	Leisure	8	>10 years
	Nigella	Photography	4	<5 years
	John	Property Management	8	>10 years
	Ian	Engineering	6	<5 years

Nigella has been running her business for less than 5 years. Evidence of dynamic capability development within her business aligns with McKelvie and Davidsson (2009) who suggest young businesses that develop dynamic capabilities have a better chance of survival. In Nigella’s business, highlighted in yellow, as well as the other six cases in table 46, there is a complex mix of dynamic managerial capabilities and organisational-level dynamic capabilities facilitating business change. This blending could be due to the rural micro-enterprise context where owner-managers exert a direct and significant influence over their business. Owner-manager influence in these rural micro-enterprises is not diluted by management layers that would typically exist in larger organisations.

It is noted that dynamic managerial capabilities are not present in all the rural micro-enterprise business cases, reflecting the idiosyncratic nature of the owner-managers. In sector B of table 44 the business cases analysed indicate they are succeeding because the owner-managers are using their developing dynamic managerial capabilities to some degree to successfully navigate the changing business ecosystem. Hayley is continually developing her processes to improve efficiency as illustrate in the two quotations below.

“I used to make vast amounts of [product] in a great big pan and I used to leave it to cool which could take hours and hours and hours and then put it into the tubs and seal it.”

“Put it straight into the tubs and put the lids straight on. Now that makes sense hygienically and it makes huge sense time saving wise as well. So now the target is, and it has to be, from having it in the tubs to be refrigerated has to be 90 minutes or under”

This learning and process adaptation has saved time and helped improve efficiency. Hayley is continually looking at ways to make her business more efficient going forwards. It is this individual-level dynamic capability which is enabling change within her business processes.

The business cases in segment C of table 45 exhibit scant evidence of dynamic capabilities and limited evidence of dynamic managerial capabilities and are detailed in table 46. These businesses exist largely to provide for the desired lifestyle of the owner-manager.

Table 46: Cases with limited evidence of dynamic managerial capabilities

	Pseudonym	Business	No of employees	Time as owner-manager
Limited dynamic managerial capability	Isla	Leisure	3	>10 years
	Kay	Craft	3	>10 years
	Barry	Craft	1	>10 years
	Alex	Retail	5	<5 years

With the exception of Alex’s business, they have all been trading in excess of 10 years. In these businesses, business challenges are treated as unique occurrences and resolved in an ‘ad hoc’ fashion with minimal changes made to the business process. Alex’s problem of prospective customers arranging to try out products at his premises and then buy them from a cheaper on-line retailer is a risk he is aware exists but is unquantified.

“From our point of view, it’s difficult because people can come here... I don’t think it really happens very often in here... but people can come in and try things out and then just go and buy them online, and get it for a far, far cheaper price.” (Alex)

The quotation above evidences his awareness of this challenge, it also illustrates that he does not have a process in place to deal with such customers because he has no awareness of how frequently he may be losing sales to on-line competitors. Therefore, when he is faced with a customer challenging him on price he is likely to make an ad hoc decision to resolve their issue.

If Alex’s business is confronted with the same issue a second time it is likely that the issue will be treated the same way as any new challenge. A new solution is likely to be sought for the reoccurring problem rather than applying leaning from a previously enacted problem solving process.

Extant research claims dynamic capabilities develop over time in businesses as the business learns from repeating routinised process. Assuming the processes identified from analysing the business cases are being regularly followed, within the rural micro-enterprise context other factors could be inhibiting the development of dynamic capabilities. These factors being linked to the owner-managers and their character attributes. In this research 'owner-managers faculty' including owner-manager ambitions and motivations for running their rural micro-enterprise are likely to be influential contributory factors to whether a business develops dynamic capabilities. A lifestyle rather than growth ambition for Kay's business has led her to treat her business more akin to a hobby than a commercial enterprise. The following quotation shows Kay has no desire to grow her business, just remain trading doing something she is passionate about.

"We just want to stay here and carry on plodding on really. I mean we have a nice way of life. We don't, you know the house is falling down. I don't have big holidays, but I do something I love doing every day." (Kay)

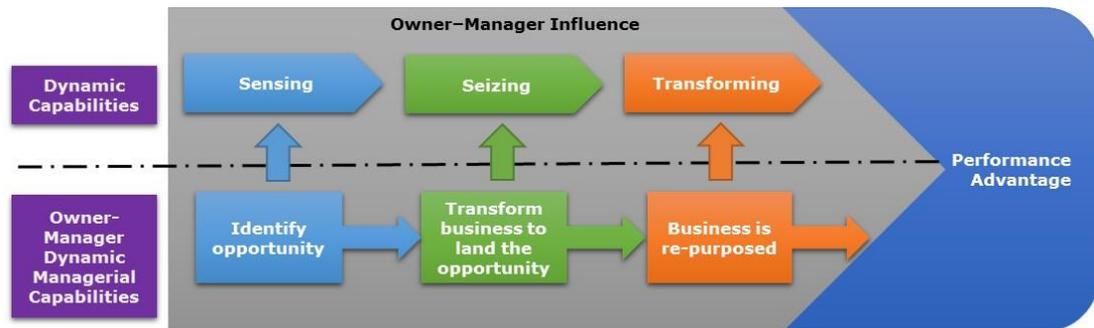
Likewise, Isla keeps running her business to help her retain her mental agility and stay active as is illustrated in the two quotations below.

"I enjoy working, I think I've done quite well really. I've had my ups and downs, enjoyed myself here." "Keep running the business, to keep my brain working." (Isla)

In such rural micro-enterprises, it is anticipated that any change occurring within the business is likely to be 'ad hoc' rather than following a systematic dynamic capability led process. This hypothesis is informed from the lack of change processes found within the business. Process which support the day to day business activities were identified but there was scant evidence of change enabling processes nor learning from the processes.

Due to the influence of the owner-manager, the small size of the business and the resource poverty within the business the blurring of the line between dynamic managerial capabilities and dynamic capabilities in rural micro-enterprises is pronounced. This delineation of the boundary between dynamic capabilities and dynamic managerial capabilities is illustrated in figure 22.

Figure 22: Influence of the owner-manager upon dynamic capability, dynamic managerial capability and business success



Source: Adapted from Teece (2007, p.49) and Adner and Helfat (2003)

Following Teece's (2007) sensing, seizing and transforming dynamic capability architecture and Adner and Helfat's (2003) position that dynamic managerial capabilities is analogous to dynamic capabilities, the model shows the owner-manager influence depicted by the grey section within figure 22. It is in this grey section where in rural micro-enterprise, owner-manager dynamic managerial capabilities can act as a micro-foundation of dynamic capabilities, they can also act upon the business to deliver change and competitive advantage. This duality of roles is due to the unique micro-enterprise context where there is a blurring of the lines between dynamic capabilities and dynamic managerial capabilities both acting to deliver sustained competitive advantage for the business.

In some of the business cases the cognition, networking and asset management ability of the owner-manager coupled with their business motivation, is likely to be the principal determinant of business survival. Both dynamic managerial capabilities and dynamic capabilities are working alongside each other within such rural micro-enterprises to maintain the commercial health of the business.

4.5.2. Influence of the owner-manager upon dynamic capability development

Within the rural micro-enterprise context, the dominant influence of the owner-manager shapes the development of and the level at which dynamic capabilities reside within the business. In rural micro-enterprises, the underpinning foundations and micro-foundations of the business routines are conceptualised and repeatedly enacted by the owner manager (for example assessing local

market demand, setting product prices, marketing the product and re-focussing the business to target prospective customers).

For their businesses to succeed, the findings of this research submit rural micro-enterprise owner-managers require the ability to interpret, work with and leverage external resources. External resources include complementary micro-enterprises as observed in Drew's business when tendering for new contracts or, as informed by Hayley, advice from specialist practitioners such as accountants and marketing agencies when developing new ideas. It is the motivation of the owner-manager which is driving them to seek new opportunities. This finding allies with Kelliher et al., (2018) in suggesting owner-managers need motivation to sense new opportunities both inside and outside their business.

Owner-managers also need the ability to leverage, combine and bundle resources to maximise capabilities and create value from the identified opportunity. The transforming or reconfiguring of resources is noted by Kelliher et al., (2018) as the most challenging stage in dynamic capability development for owner-managers and the area they are most likely to need external support. In fact, Kelliher et al., (2018) recommend a high level of dynamic managerial capability residing with the owner-manager and management team of the micro-enterprise is advisable to enable transforming dynamic capabilities to develop.

Upon disaggregating dynamic capabilities into its sensing, seizing and transforming constituent parts (Teece, 2007) this research does indeed find more evidence of sensing and seizing activity by the rural micro-enterprise owner-managers than transforming activities. Sensing activities include Charles' regular reviewing of the frequently changing government regulations relating to his energy business. This enables him to see if regulatory changes may open up new business opportunities. Seizing activities include Jane's time spent networking with and selling her project concepts to funding bodies such as her local council to secure money to develop new and innovative projects to attract more visitors to her leisure attraction. A lack of transforming activity may be due in some cases to the relative lack of experience the owner-managers have in running a business. Six of the owner-managers have been in business for less than 5 years, namely Hayley, Karen, Tracey, Nigella, Alex and Ian.

Amongst the more mature rural micro-enterprises, the owner-managers are more actively working with external actors. For example, Steven works with local packaging experts and carpenters to help his new project reach the market. Drew works alongside established complimentary businesses such as surveyors and

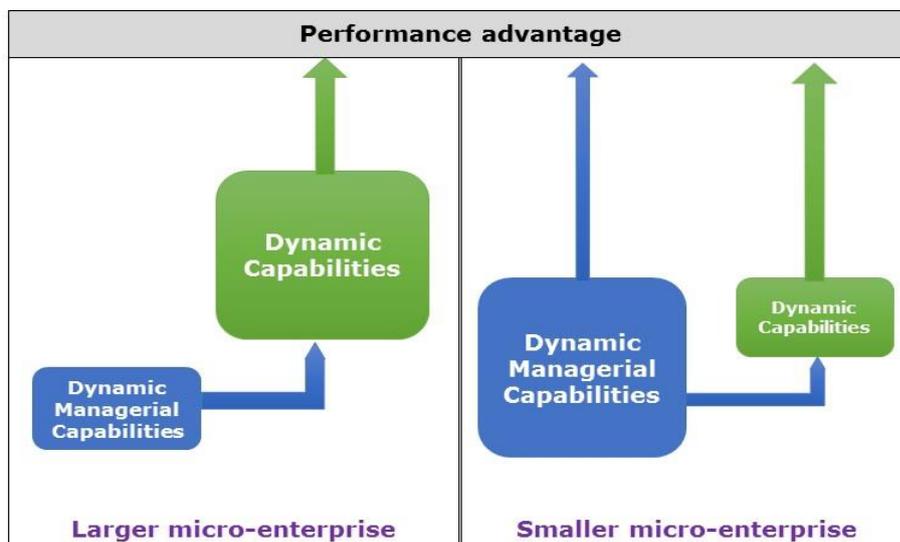
architects when tendering for new contracts and John uses a sub-contractor network to provide a fast and efficient national service. Networking with external organisations helps the rural micro-enterprise owner-managers overcome some of the barriers to growth due to a lack of available specialist resources when developing their businesses.

4.5.3. The level at which dynamic capabilities reside

Within this research sited in the rural micro-enterprise context the individual owner-managers of several of the business cases analysed are indistinguishable from the organisations as an entity. For example, in the rural micro-enterprises of Barry, Clara and Steven, the businesses would not exist in their current form if the owner-managers changed. In these rural micro-enterprises, the blurring demarcation between owner-manager and rural micro-enterprise is so pronounced that if dynamic capabilities were to develop it is likely they would be at the individual-level.

The smaller rural micro-enterprises, those with less than 4 employees, for example Nigella’s business and have evidence of dynamic managerial capabilities, in such businesses the influence of dynamic managerial capabilities may exceed that of organisational-level dynamic capabilities due to the authority the owner-manager exerts over the business (Blackburn et al., 2013; Duarte et al.,2016; Kearney et al., 2013) as illustrated in figure 23.

Figure 23: The influence of dynamic managerial capabilities on rural micro-enterprises



Source: author

Figure 23 also shows that in the larger rural-micro-enterprise with evidence of dynamic capabilities, for example those of Charles, Drew, Adam, Jane and Ian, then the owner-managers dynamic managerial capabilities drive business change as a micro-foundation of organisational-level dynamic capabilities. This finding supports Helfat and Peteraf's (2015) position that dynamic managerial capabilities influence organisational-level dynamic capabilities.

Within Helfat and Martin's (2015) research context, organisations with managers who have superior dynamic managerial capabilities have the propensity to adapt and change more successfully than organisations with management teams who have minimal dynamic managerial capabilities. The findings from this research support this point of view as evidenced by comparing Hayley's food business with Tracey's food businesses. Both these businesses are artisan food producers in North Yorkshire and both are suffering from a reduction in sales due to reduced footfall at their primary selling events, farmers markets. However, Hayley has approached this challenge in a more systematic way, researching the locality for other events, outlets and ways to market her products. She has also broadened her horizons beyond selling direct to customers into corporate event catering as illustrated in the following quotation.

"I will look into more shops as well that's another outlet. There is a lady who has a cafe in [village] and again she was interested. What would be great, is if I did a couple corporate lunches like before Christmas." "Something else I'm trying to get involved and it hasn't really happened around here is food assemblies. A brilliant idea" (Hayley)

Hayley's approach is indicative of developing dynamic managerial capabilities relating to problem solving, researching opportunities and networking. She is actively seeking new routes to market for her products. Whereas Tracey, upon facing the same challenge is looking to find more opportunities to sell to customers directly without widening the search to consider more diverse options.

"The farmers markets probably have another 3 to 4 years ... I would still make things for Delis and cafes probably but not do the farmers' markets, I'd cut back. I could still work from home and deliver to them." (Tracey)

The above quote from Tracey demonstrates her lack of vision in seeking new ways to sustain her business in the face of declining footfall at the farmers' markets she

attends. She has not considered the more diverse route to market such as food assemblies or corporate catering which Hayley has.

4.6. Micro-foundations of dynamic managerial capabilities and dynamic capabilities

The dynamic managerial capabilities and dynamic capabilities identified from analysing the business cases are underpinned by many micro-foundations, as detailed in the five cases analysed in section 4.4. Although some commonalities exist, micro-foundations are influenced by the context of the rural micro-enterprise and the owner-manager's characteristics, hence their heterogeneity. The most commonly occurring micro-foundations identified are detailed in table 47.

Table 47: Micro-foundations commonly occurring across the business cases

	Sensing	Seizing	Transforming
Micro-foundations	Competitor knowledge	Adaptability	Adaptability
	Customer knowledge	Agility	Communication
	Environmental awareness	Collaboration	Engagement
	Industry knowledge	Creativity	Finance planning
	Innovation	Innovation	Flexibility
	Learning	Learning	People management
	Local knowledge	Marketing	Prioritisation
	Market knowledge	Networking	Resilience
	Product knowledge	Problem solving	Resource allocation
	Regulatory knowledge	Project management	Team engagement
	Technical knowledge	Researching	
Vision	Resilience		

Beck and Wiersema (2013) contend managers are individuals and their dynamic managerial capabilities are informed by their life choices and experience. Similarly, the findings indicate that rural micro-enterprise owner-managers are a diverse cohort with a broad range of experience and individual life-choices. Their inherent abilities and character attributes such as their owner-manager faculty afford a unique micro-foundation of their dynamic managerial capabilities. In fact, depending upon the rural micro-enterprise context, some of the identified micro-foundations were found to underpin more than one cluster of dynamic managerial capabilities or dynamic capabilities. For example, in Richard's business learning was found to underpin both sensing and seizing activities because he is learning from his past actions and this accumulated knowledge informs his opportunity search as he scans the business environment and seizing because he is improving

his processes such as dealing with utility firms and managing building contractors to enable him to land the opportunity.

Much has been written about owner-manager individual characteristics within entrepreneurial literature. However, the combination of character attributes into 'owner-manager faculty' has not before been considered as a micro-foundation of dynamic capabilities or dynamic managerial capabilities in rural micro-enterprises. Owner-manager faculty will be discussed in more detail in the following chapter.

4.7. Summary

This chapter has outlined the findings from analysis of the narrative interviews conducted with the rural micro-enterprise owner-managers and photographs taken at locations close to where the businesses are sited. It has described the dynamic nature of some of the rural micro-enterprises and evidenced the presence of dynamic managerial capabilities and dynamic capabilities within some of the business cases, noting that in rural micro-enterprises there is no clear delineation between dynamic managerial capabilities and dynamic capabilities whereas extant dynamic capability literature suggests there is. The section continued, identifying the common micro-foundations underpinning the enacted dynamic capabilities and dynamic managerial capabilities. The findings from this research are discussed further in the next chapter, chapter 5.

5. Discussion

5.1. Introduction

In this chapter the findings of this research are developed. The chapter is structured in line with the research objectives outlined in chapter 1 section 1.4. The first area discussed is that within rural micro-enterprises there is a blurring of the lines between dynamic managerial capabilities and dynamic capabilities in their role as change agents within business. This leads to consideration of a dynamic capability framework for rural micro-enterprises in support of the research objective seeking to understand how dynamic capabilities manifest themselves within the rural micro-enterprise context.

The chapter progresses with a discussion regarding the influence of the owner-manager upon dynamic capabilities, specifically owner-manager faculty. Consideration given to how owner-managers as well as owner-manager faculty can act as micro-foundations which underpin the identified dynamic capabilities. This is followed by examination of the moderating effect of rural micro-enterprise employee numbers and duration of the rural micro-enterprise within the market have upon the presence or not of dynamic capabilities within the businesses. Finally, having reflected upon factors and challenges which distinguish rural from urban micro-enterprises a revised taxonomy of rural micro-enterprises is discussed. This chapter concludes with a summary of the principal contributions to knowledge, policy and practice which have been identified during this research.

5.2. The presence of dynamic capabilities within rural micro-enterprises

Over 20 years ago, the fashionable yet controversial topic of dynamic capability was deemed important and brought into scholarly consciousness. Research in this arena, although prolific still remains fragmented and contested, controversial and criticised due to a lack of clarity surrounding definitions, drivers, outcomes and underlying processes (Albort-Morant, Leal-Rodríguez, Fernández-Rodríguez, & Ariza-Montes, 2018; Burisch & Wohlgemuth, 2016; Peteraf et al., 2013). Mahringer and Renzl (2018) suggest the difference in scholarly approaches pursued by the followers of Teece et al., (1997) and Eisenhardt and Martin (2000) when researching dynamic capability accentuates its ambiguous nature. Within this research dynamic capabilities, when conceptualised as "the capacity of an organization to purposefully create, extend, or modify its resource base" (Helfat

et.al., 2007, p. 4) are considered purposeful entities. They help the rural micro-enterprise modify its resource base thus delivering a platform for developing business performance advantage.

The output of this research, when seeking to answer research objective a; to determine if dynamic capability is present within a rural micro-enterprise, amplifies the ambiguity of dynamic capabilities. The ambiguities are heightened within the rural micro-enterprise context due to the identified demarcation between organisational-level dynamic capabilities and individual-level dynamic managerial capabilities which reside in some of the rural micro-enterprises. The degree of dynamic capability development and the level at which dynamic capabilities reside is influenced by many factors including the characteristic of the owner-manager, the age and size of the business and the owner-manager faculty.

In the rural micro-enterprise business cases, dynamic capabilities were difficult to observe in action (Burisch & Wohlgemuth, 2016). This is because dynamic capabilities are in essence a theoretical construct (Krzakiewicz & Cyfert, 2017). Evidence of their presence is gleaned through study and analysis of the procedures, processes and change within the rural micro-enterprise. Indeed, the presence of established processes and regularly enacted repeatable routines point to the development of dynamic capabilities and dynamic managerial capabilities in some of the business cases. In the businesses without observable repeatable routines there is minimal evidence of dynamic capability development. However, within the rural micro-enterprise context the presence of routines is not the sole predeterminant of dynamic capability development. Other factors which support the development of dynamic capabilities are the nature of the owner-manager and owner-manager faculty.

As maintained throughout this thesis, context is important. Learnings about dynamic capability theory from one context is not directly applicable to a different context due to inherent differences between contexts. For example, an organisation with thousands of people located in multiple countries is likely to have a different decision making structure to that found within a micro-enterprise; due to the scale and complexity of the larger organisation. Thus, how dynamic capabilities develop in a large multi-national organisation with more functional resources and capabilities is likely different from how they develop in a rural micro-enterprise. This position aligns with Wilden et al's., (2013) empirical research using large Australian organisations which outlines the importance of context. They suggest firms with dynamic capabilities are not guaranteed superior performance unless the dynamic capabilities are activated and context specific.

The research finds many contextual factors influence the development of dynamic capabilities. These factors include the age of the firm, (rural micro-enterprises which were younger than five years tended to evidence less developed organisational-level dynamic capabilities) the number of employees in the firm (organisational-level dynamic capabilities were more likely evidenced in rural micro-enterprises with more than five people.) and the rural micro-enterprise owner-managers' faculty.

It is debated in literature whether dynamic capabilities are present at the start of a new enterprise or develop over time. One theoretical platform in extant literature claims that dynamic capabilities develop over time in businesses (Teece et al., 1997; Teece, 2007) as the business learns by repeating routinised process. This viewpoint suggests dynamic capabilities are not present in young businesses (Eisenhardt & Martin, 2000). Teece et al's., (1997) and Eisenhardt and Martin's (2000) complementary yet contradictory conceptualisations of dynamic capabilities (Peteraf et al., 2013) are acknowledged in this research and explored in more detail in chapter 2 section 2.3. Contrary to the viewpoint that new businesses do not have dynamic capabilities, evidence of dynamic capability development within some of the younger businesses is noticed in this research. This research's observation aligns with Corner and Wu (2011) who advocate the presence of dynamic capabilities at business start-up to enable establishment of the businesses resource base and with McKelvie and Davidsson (2009) who suggest young businesses which develop dynamic capabilities have a better chance of survival.

Furthermore, not all of the businesses with identified regularly enacted processes have developed dynamic capabilities. Following analysis of the rural micro-enterprise business cases it was found that not all the processes identified are being regularly enacted. This would indicate that within the rural micro-enterprise context other factors are inhibiting the development of dynamic capabilities. The other factors in this research are found to include the owner-managers lifestyle requirements, reasons for running their rural micro-enterprise and the owner-manager faculty.

5.3. The owner-managers' influence in the development of dynamic capabilities.

Teece's (2018) insight suggests that dynamic capabilities, underpinned by the routines and processes within an enterprise have evolved through managerial

intervention. For example, dynamic capabilities for seizing is influenced by managerial cognition, an acknowledged foundation of dynamic managerial capability. Furthermore, an enterprise's dynamic capabilities reflect "idiosyncratic characteristics of entrepreneurial managers" (Teece, 2018, p. 43). The rural-micro-enterprise owner-managers interviewed in this study demonstrate varying degrees of entrepreneurial behaviour when running their businesses.

Each owner-manager participating in this research could be considered idiosyncratic. Their unique characteristics influencing the development of individual-level and organisational-level dynamic capabilities. The owner-managers characteristics, attitudes and personality inform business strategy and direct business performance because they are embedded within the micro-enterprise. The findings of this research indicate that facets of the owner-manager's character combined in the concept of 'owner-manager faculty', act as micro-foundations, underpinning the developing and developed dynamic managerial capabilities. These facets include resilience. For example, Daniel demonstrates his resilience by continuing to strive to launch his own sustainable successful business venture, this drive leads to repeatable actions of researching opportunities, planning business start-up and launching business which can be considered as indicators of the presence of dynamic managerial capabilities within himself.

Within the rural micro-enterprise context, the dominant influence of the owner-manager shapes not only the development of but also the level at which dynamic capabilities reside within the business. Delineating where dynamic capabilities and the micro-foundations of dynamic capabilities reside is neither a new nor a transparent phenomenon. It is steeped in interpretation, conceptualisation and context as highlighted in the debate about social capital discussed in chapter 2 section 2.6. This thesis considers the owner-manager, number of employees and maturity of the rural micro-enterprise as significant factors shaping the delineation between individual and organisational-level dynamic capabilities.

Within this research sited in the rural micro-enterprise context the individual owner-managers of some of the business cases analysed are indistinguishable as separate entities from the organisations they own. For example, both Steven's and Barry's businesses would not exist without them. This is because it is Barry's unique talent that enables the production of his businesses artwork and it is Steven's specialist knowledge which is in demand, without his knowledge and experience there would be no product to sell. Without their owner-managers both of these business would likely cease to exist. This inextricable blending of owner-

manager and rural micro-enterprise engenders a blurring of the line between dynamic managerial capability and dynamic capability, or in other words between the individual-level and the organisational-level at which dynamic capabilities reside.

Evidence of both dynamic capabilities and dynamic managerial capabilities are found in this research. These findings are analogous with Helfat and Martin's (2015) thinking about how managers orchestrate organisational resources and routines in response to market dynamism by exploring dynamic managerial capabilities within large organisations. They argue dynamic managerial capabilities "support patterned behaviour and activity" (Helfat & Martin, 2015. p. 1285). No two rural micro-enterprise owner-managers have the same level of dynamic managerial capability. Some owner-managers have limited levels, others have greater capability and this may indicate they are more effective than their peers.

Thus, this research partially supports Mudalige et al's., (2018) viewpoint that individual-level dynamic capabilities, which this research contends are akin to dynamic managerial capabilities, can directly influence dynamic capabilities. Resulting from this direct link between dynamic capabilities and dynamic managerial capabilities the meso-level, as defined by Salvato and Vassolo (2018) from a large organisation perspective, is bypassed. However, this research goes further by suggesting not only do dynamic managerial capabilities influence dynamic capabilities, they also influence the achievement of performance advantage within the rural micro-enterprise context. For example, in Richard's business, he has learned from previous experiences of expanding his business how to efficiently and effectively schedule tradespeople to complete a project in a timely manner. The aforementioned tasks are not daily task, they are processes which facilitate change, for example business growth, to happen within his business. In this research's finding it is as evidence of Richard developing a dynamic managerial capability for problem solving and directly affects his business' efficiency. Given the size of his business there is no interpersonal consultation with colleagues as would typically occur in the meso-level, therefore organisational level dynamic capabilities are not developed. Moreover, this research contends within the rural micro-enterprise context, in the smaller micro-enterprises the meso-level blurs into the micro-level and the macro-level due to the influence of the owner manager across all levels of the business.

5.3.1. Delineating the levels dynamic capabilities reside at with rural micro-enterprises

Delineating where dynamic capabilities and the micro-foundations of dynamic capabilities reside is neither a new nor a transparent phenomenon. It is steeped in interpretation, conceptualisation and context. This research considers Salvato and Vassolo’s (2018) multi-level model in which the individual-, meso- and macro-levels require synchronicity to enable dynamic capability development and extends this model into the unique rural micro-enterprise domain, figure 24, where a blurring between the levels is observed.

Figure 24: Level dynamic capabilities reside within rural micro-enterprises

Levels	Mechanisms	Outcomes	Micro-enterprise context
Macro- Organisational level Dynamic Organisational Capability	Resource dynamization	Fitting resource dynamization Implementation of best fit approach in dynamic environment	<p>LEVEL BLURING</p> <p>Owner-manager influence active at all levels:</p> <ul style="list-style-type: none"> • Experience and behaviour influences habits and emotions • Cognition reflects decision making • Interpersonal skills influence networking • Resource activation, utilisation and redeployment
Meso- Interpersonal level Dynamic Interpersonal Capability	Inter-personal participation	Intense participation Inter-personal managerial relationships enable advising and acceptance of resource base changes	
Micro- Individual level Dynamic Managerial Capability	Individual integration	High integration Individual managers recognise if actions require resource base change	

Adapted from: Salvato and Vassolo (2018, p.1734)

As depicted in figure 24, the micro-enterprise context extension to Salvato and Vassolo’s (2018) model, evidence from this research indicates the presence of dynamic capabilities residing at the meso-level is lacking. In fact, this research extends the view of Bogodistov and Botts (2016) to declare that there is little evidence of the meso-level existing within rural micro-enterprises. The meso-level is where refining of and acceptance of change within a business is likely to occur with this acceptance partly emanating through interpersonal communication between colleagues.

In the rural micro-enterprise context, due to the small number of employees coupled with the dominance of the owner-manager upon strategy there is no

evidence of dynamic capabilities residing at the meso-level. Low employee numbers in rural micro-enterprises suggests interpersonal discussions, if they occur at the meso-level are unlikely to be meaningful or helpful in contributing to rural micro-enterprise strategy development. There tends to be an insufficient number of people within a rural micro-enterprise to create an effective meso-level. This research does not imply that employees and owner-managers do not discuss business issues. However, it does suggest that in matters of business strategy, future direction and forward planning any discussions between employees emanate from the owner-manager telling the rural micro-enterprise employee base how they plans to take the business forward and what changes will occur; rather than consulting within the business and using the consultation process to evolve strategy and future resource plans.

The lack of evidence of the meso-level does not mean that this research implies effective communication between employees does not matter nor the businesses lack dynamism within their environmental ecosystem. This thesis' findings build upon Hermano and Martín-Cruz's (2016) dual axis of requirements for organisations to develop dynamic capabilities which promote, firstly the capacity to renew assets in a dynamic environment and secondly the managers role within a dynamic environment to adapt, integrate and reconfigure such assets. In fact, this doctoral research envisions that rural micro-enterprise owner-managers have a significant role to play within the dynamic capability framework. Owner-managers develop dynamic managerial capability to some extent and in some cases where there is a distinction between the owner-manager and the business. This occurs through repetition of common processes and by learning from repeatedly enacting the processes. For example, Hayley regularly refreshes her product range by introducing new lines for sale. The activity of refreshing her product range has enabled her to develop dynamic managerial capabilities for product development and range planning. In her business, although she is the key decision maker, the business has evolved so that it could be transferred to another manager, for example to provide cover for holidays, and continue trading. In such rural micro-enterprises, it is noted that organisational-level dynamic capabilities can also develop as well as dynamic managerial capabilities.

It was noted that in the rural micro-enterprises where processes were documented and the business sustainability not wholly dependent upon the influence of the owner-manager or their specialist knowledge, organisational-level dynamic capabilities were more likely to develop. This contrasts with the rural micro-enterprise cohort where the business is intrinsically linked to the owner-manager.

These owner-managers run their businesses in an ad hoc manner to suit their needs, as is the case with Clara's business. Clara is the primary animal keeper and the only member of the business who is able to produce the woollen goods from the spun fleeces; the business success is directly linked to her availability and ability.

Organisational-level dynamic capabilities and owner-manager dynamic managerial capabilities are developed by "establishing routines, workflow patterns, and work procedures" (Hermano & Martin-Cruz, 2016, p. 3455) and regularly enacting these routines. This notion of linking the presence of enacted change routines with the presence of dynamic capabilities aligns with the findings of this thesis because the development of dynamic capabilities and dynamic managerial capabilities within the rural micro-enterprises partly stem from repetition of commonly enacted routinised processes. The case of John's business illustrates this finding.

John's property management business has developed over the years from a one man start-up to a business employing eight people across multiple locations. His attitude to work has helped to create a positive, friendly and productive atmosphere in the office. This supportive environment motivates his employees to be proactive and deliver against their targets. John's employees feel they are important to the business and invest their time to help develop the business. This is a larger micro-enterprise, the positive interpersonal relationships which are active in the workplace lend this rural micro-enterprise to develop organisational-level dynamic capabilities. These develop by repeating actions, learning from the actions and modifying the process in response to the learning. An example of such a dynamic capability is customer service provision. Clients' requirements are constantly changing as are the types of clients the business services. To enable the business to thrive the team has to learn how to adapt their approach to customer service to satisfy the needs of more resource deprived corporate clients seeking the cheapest solution and contrastingly for the more demanding private clients who require their issues to be resolved in the shortest possible timeframe.

Within the large organisation context Hermano and Martin-Cruz (2016) suggest that the routinised processes of senior managers act as a micro-foundation for organisational-level dynamic capabilities triggering a cascading effect across the organisation to aid learning and effectiveness. This analysis from this research questions this assertion within a rural micro-enterprise context. It submits one way owner-managers can influence the development of dynamic capabilities and drive rural micro-enterprise effectiveness is through harnessing their managerial competency and aptitudes to act as micro-foundations of dynamic capability. It is

also found that the processes enacted by rural micro-enterprise owner-managers are more likely to result in dynamic managerial capability development rather than underpinning the development of organisational-level dynamic capabilities. Hence, it is construed that owner-managers can directly influence their businesses development and learning, leading to business performance advantage through harnessing their innate characteristics. Owner-managers can influence organisational culture, creating a climate for success within the organisation, manage stakeholders, drive projects to successful completion and help shape the environment.

In rural micro-enterprises this research suggests that dynamic managerial capabilities can directly influence the businesses to achieve performance advantage, discussed further in section 5.4. The direct influence of dynamic managerial capabilities upon firm performance is arguably due to the blurring and delineation between dynamic capabilities and dynamic managerial capabilities as well as the contraction of the meso-level. This delineation is a consequence of the size of the organisations coupled with the intertwining of the owner-manager and business entity, in some cases as previously discussed these are indistinguishable from each other.

Furthermore, there is a complex mix of dynamic managerial capabilities and organisational-level dynamic capabilities influencing the development and sustainability of the rural micro-enterprises. This blending is attributed to the rural micro-enterprise domain explored in this research, where owner-managers exert a direct and significant influence over their business. Owner-manager influence within rural micro-enterprises is not diluted by hierarchical layers of management which typically exist in larger organisations and likely act as a moderating influence upon the organisation's executive teams' cultural direction.

5.4. A dynamic capability framework for rural micro-enterprises

The findings from this study of rural micro-enterprises and their owner-managers confirm dynamic capabilities are present within rural micro-enterprises. This answers research objective a; to determine if dynamic capability is present within rural micro-enterprises. However, in contrast with extant literature informed predominantly from a large organisation context, the level at which dynamic capabilities reside within the rural micro-enterprise does not respect accepted theoretical constructs. Established thinking concerning where dynamic capabilities reside within a firm needs extending to fit the rural micro-enterprise context.

As previously discussed, within rural micro-enterprises dynamic managerial capability is not only driving the rural micro-enterprise as a micro-foundation of organisational-level dynamic capabilities but also directly influencing business change due to the control the owner-manager has upon the rural micro-enterprise's business strategy. The interpersonal engagement required to evolve dynamic managerial capabilities and influence the macro-level, which would be expected to occur at the meso-level within larger organisations does not happen as described by Salvato and Vassolo (2018) in rural micro-enterprises. This is because in the business cases analysed for this research there was scant evidence of an effective meso-level as previously discussed in section 5.3.1. Within rural micro-enterprises dynamic capabilities develop without the presence of the meso-level because interpersonal discussion between employees which would typically inform organisational-level dynamic capability development in larger organisations do not occur. It is the owner-manager who underpins the development of dynamic capabilities within rural micro-enterprises. This research suggests there is a blurring of the boundaries between dynamic managerial capabilities and dynamic capabilities. This blurring is detailed in the framework for dynamic capabilities within rural micro-enterprises depicted in figure 25.

Figure 25: Levels dynamic capability reside within rural micro-enterprises

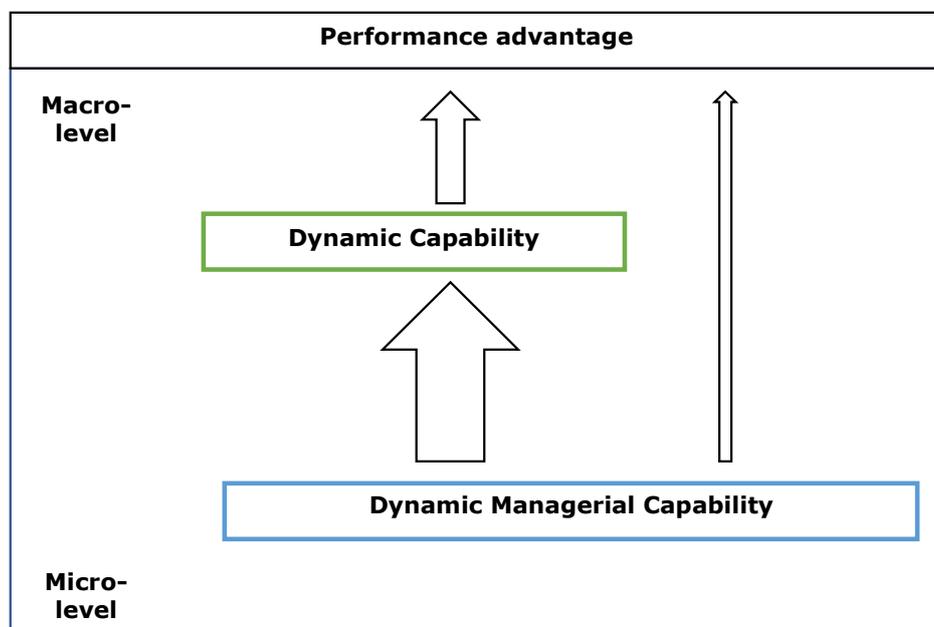


Figure 25 illustrates the blurred transition between the micro- and macro-level without the distinct meso-level. For clarity, within this thesis performance

advantage is conceptualised as an aspiration for the rural micro-enterprise to achieve. It is conceived that the development of dynamic capabilities and/or dynamic managerial capabilities will improve the likelihood of the rural micro-enterprise achieving sustained performance advantage ahead of peer competitors without the development of such dynamic managerial capabilities and/or dynamic capabilities. However, this study did not measure the impact dynamic capability development has upon rural micro-enterprise performance. So, the supposition that owner-manager dynamic managerial capabilities does indeed enable a rural micro-enterprise to achieve a performance advantage is inferred from interpreting the analysed data in combination with learnings from extant dynamic capability theory.

The owner-manager is found to be influential across both the micro- and macro-levels and acts as a micro-foundation for micro-level dynamic capabilities. These developed dynamic managerial capabilities subsequently underpin the development of dynamic capabilities in certain rural micro-enterprises and also act directly to deliver a performance advantage. For example, Ian in his engineering business which is one of the larger rural micro-enterprises participating in this research, having six employees, has developed dynamic managerial capabilities for improving efficiency and incremental product accuracy learned throughout his extensive career in engineering. This dynamic managerial capability is the result of him continuously seeking ways to improve all aspects of process and production, which in turn delivers a performance advantage to the business. His enthusiasm, motivation and passion for the business engages the employees within the business to also seek efficiency improvements and challenge the status quo. A culture of continuous improvement has been created and organisational-level dynamic capabilities for manufacturing process improvement have been developed. From this example it can be seen that Ian, the owner-manager underpins the developing organisational-level dynamic capabilities and has individual-level dynamic managerial capabilities both of which support the rural micro-enterprise to deliver a performance advantage against its competitors without any dynamic capabilities.

The overarching contribution of this discussion point is that unlike extant dynamic capabilities research founded in the large organisational context there does not appear to be the linear relationship of dynamic managerial capability acting as a micro-foundation of organisational-level dynamic capability. Instead both dynamic managerial capabilities and organisation-level dynamic capabilities are considered to directly support the rural micro-enterprise to achieve a business performance

advantage. This proposed framework creates a more chaotic business environment because ownership for the strategic clarity to drive business change and growth resides with the owner-manager alongside the day to day responsibility for running the rural micro-enterprise.

5.5. Micro-foundations of dynamic capabilities within rural micro-enterprises

Each rural micro-enterprise pursues its own strategy. Abel, Felin, and Foss (2008) maintain company strategy is underpinned by micro-foundations, intimating there are likely to be many micro-foundational explanations for macro-level actions. They define micro- as individual and macro- as the collective organisation. By ascribing to view of Oliveria et al., (2015) who assert small businesses are not scaled down versions of larger organisations and Inan and Bititci (2015) who claim small organisations do not necessarily need the same tools to succeed as larger organisations do, this research has increased understanding about the micro-foundations which underpin the development of dynamic managerial capabilities and those which underpin the development of dynamic capabilities within rural micro-enterprises.

Increasing understanding about which micro-foundations underpin dynamic capabilities in rural micro-enterprises is important due to their contextual differences to large organisations. In fact, in this research many micro-foundations of dynamic capabilities and dynamic managerial capabilities were identified during the analysis of the business cases. These micro-foundations are listed in chapter 4 section 4.6. Individuals, in this research rural micro-enterprise owner-managers, make a significant contribution to dynamic capability development within their organisation.

Mahringer and Renzl (2018) identify a tension existing between routinisation of processes and entrepreneurship within dynamic capability theory. Individual entrepreneurial initiative is commonly cited as an important micro-foundation (Eisenhardt et al., 2010; Felin et al., 2012; Mahringer & Renzl, 2018; Teece, 2012). Considering this thought within the context of this research it becomes evident that processes are developed and ideas are communicated within rural micro-enterprises by their owner-managers. It is these individuals whose actions have an impact upon organisational strategy.

The remainder of this section contributes to answering research objective b; understanding how dynamic capability develops within rural micro-enterprises and which micro-foundations underpin the identified dynamic capabilities. Increased understanding about the micro-foundations underpinning dynamic capabilities and dynamic managerial capabilities are uncovered in this research and this knowledge contributes towards closing the "significant gap in understanding the microfoundations of organisational performance" (Eisenhardt et al., 2010, p. 1263) within the rural micro-enterprise context. The actions of the owner-managers include regularly enacting routinised process such as product development, seeking new routes to market for products and expansion plans to change and develop their business, helping their rural micro-enterprise to achieve a performance advantage against its peer competitors; more detailed examples are provided in chapter 4 sections 4.4.1 to 4.4.5. By acting to evolve their businesses the rural micro-enterprise owner-managers are developing dynamic managerial capabilities and in some instances enabling their businesses to develop organisational-level dynamic capabilities.

Many of the micro-foundations identified in this research emanate from the rural micro-enterprise owner-manager's ability and characteristics, such as resilience, agility and ambition. As Manfield and Newey (2017) remind us, resilience has already been discussed in disciplines as diverse as psychology, engineering and ecology. Within entrepreneurial literature resilience is associated with resourcefulness and absorbing adversity. However, existing literature focusses upon resilience within an organisational context, for example organisational resilience to overcome challenges, rather than resilience at an individual level. Scholarship acknowledges that organisations can develop specific resilience capabilities, akin to dynamic capabilities, over time by repetition and learning. Assuming resilience is required to overcome organisational adversity then, by extrapolation, this research suggests that resilience is also needed to overcome individual level challenges. Framing resilience as an individual character trait, this research contends that resilience is innate. A latent characteristic which can be developed and deployed by the rural micro-enterprise owner-manager. As such, resilience is envisioned in this research as a micro-foundation of dynamic managerial capability. It is the resilience of the owner-manager, for example in the case of Daniel, which enables him to learn from his mistakes and continue to scan for new opportunities. Thus resilience is conceptualised as a micro-foundation of his opportunity identification dynamic managerial capability.

Another micro-foundation identified in this research is ambition. Literature discusses linkages between organisational growth and entrepreneurial ambition (Collinson & Shaw, 2001; Grundström & Uddenberg, 2015). Colclogh, Moen, Hovd, and Chan (2019) suggest that owner-managers' growth ambitions can influence the growth of their businesses. However, in this study ambition is considered an owner-manager character attribute. Ambition is displayed by Nigella as she develops her business by expanding from wedding photography into different photographic services. As a character attribute this research positions ambition as a micro-foundation of dynamic capabilities, for example Nigella's business development dynamic capability.

A further example of an identified micro-foundation of dynamic capability in this research is agility. Fartash, Davoudi, and Semnan (2012) maintain that a business needs agility to successfully compete in a changeable environment, describing agility as a dynamic process. Scholars such as Battistella, De Toni, De Zan, and Pessot (2017) discuss agility at an organisational level. However, this study contends that agility can act at an individual level, enabling owner-managers to react to changes in their business environment. In this study Hayley is reacting to a changing trading environment and looking for new places to sell her products. Her agility underpins the development of her dynamic managerial capability of seeking new routes to market.

Conceptualising owner-manager's character attributes as micro-foundations of dynamic capability supports Pentland et al's., (2012) submission that people can act as micro-foundations by means of their characteristics such as motivation. In fact, these micro-foundations can act as a conduit connecting the micro-level with the macro-level. Similarly, Helfat and Peteraf (2015) pose that an individual's cognitive ability when acting as a micro-foundation of dynamic capability suggests owner-managers with dynamic managerial capabilities are better able to sense and seize opportunities then transform their organisations' resources to deliver optimal business advantage from an opportunity.

As Beck and Wiersema (2013) claim dynamic managerial capabilities are influenced by managers' unique decisions, experience and choices. Similarly, this research argues, rural micro-enterprise owner-managers are a diverse cohort with distinctive individual attributes. Their inherent ability and experience affords a unique foundation of managerial cognition, social capital and human capital, which underpins their unique dynamic managerial capabilities.

However, not all of the owner-manager's identified capabilities are dynamic. Each rural micro-enterprise is different, has unique resources hence unique management is needed. This heterogeneity may partly explain why in some of the rural micro-enterprises there was scant evidence of the owner-manager having developed dynamic managerial capabilities. This contention is highlighted by considering Isla. Although she has been in business for many years Isla chooses to remain in business to keep herself active, her business is akin to her hobby. Her approach to running her business is 'ad hoc' with limited evidence of repeatable processes or systematic problem solving. Moreover, she has no ambition to develop the business or increase its commercial worth.

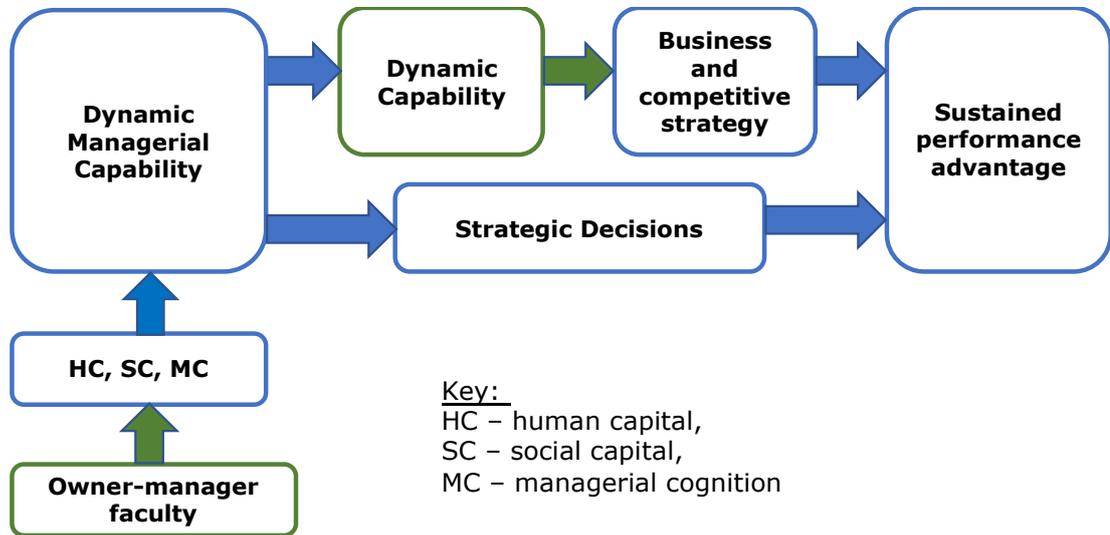
This research agrees with Beck and Wiersema's (2013) contention that dynamic managerial capabilities are the province of individual managers, require management intent to enact and encompass elements of patterned behaviour. Nonetheless, this research challenges the assertion that dynamic managerial capabilities are a subset of dynamic capabilities. It contends dynamic managerial capabilities mimic dynamic capabilities in the rural micro-enterprise domain.

This is an important finding because it emphasises the importance of context within dynamic capability theory. The importance of context has already been identified within dynamic capability theory (Helfat et al., 2007). However, as discussed in chapter 2 section 2.9.8 the rural micro-enterprise context has rarely been explored using a dynamic capability lens. The role dynamic managerial capabilities can play in rural micro-enterprises is significantly different to its role in larger organisations. This is demonstrated by the blurring and delineation between dynamic capabilities and dynamic managerial capabilities which is present whilst rural micro-enterprises change and evolve to achieve a performance advantage. Whereas, dynamic capability theory informed from the large organisation context suggests that dynamic managerial capabilities are solely a micro-foundation of organisation-level dynamic capabilities, a distinct difference to the findings from this research.

Furthermore, as illustrated in figure 26, "dynamic managerial capabilities drive differences in firm strategies and performance primarily by influencing the unique composition and deployment of the firm's resource bundle" (Beck & Wiersema, 2013, p. 417). The owner-manager's dynamic managerial capabilities are underpinned by the owner-manager's human capital, social capital and managerial cognition which in turn is influenced by experience, ability and their unique bundle of characteristics. However, this research goes further; proposing that owner-

manager faculty is an important foundation for the development of dynamic managerial capability. Owner-manager faculty is discussed in section 5.6.1.

Figure 26: Owner-manager influence upon firm's performance



Influenced by: Beck and Wiersema (2013)

By developing dynamic managerial capability, the owner-manager is supporting their rural micro-enterprise's evolution in two ways. Firstly, the owner-manager is leveraging their strategic decision-making ability to positively drive business to achieve a performance advantage. Secondly, dynamic managerial capability enhances the owner-manager's ability to optimise resource utilisation to deliver corporate and competitive strategy and sustained business performance, should this be their goal. This research contends that owner-manager dynamic managerial capabilities increases the likelihood of maintaining a successful rural micro-enterprises when compared to a rural micro-enterprise run by an owner-manager without dynamic managerial capabilities.

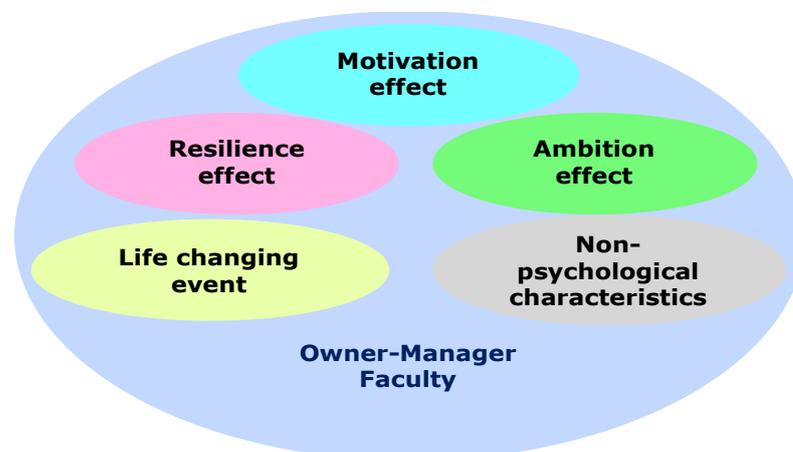
5.5.1. The influence of 'owner-manager faculty'

This thesis considers owner-manager faculty acts as a foundational influence upon the owner-manager's dynamic managerial capabilities. This new concept of owner-manager faculty is conceptualised to explain the idiosyncratic decision making and heterogeneity of rural micro-enterprise owner-managers. Owner-manager faculty contributes to answering research objective b; it is a micro-foundation found to underpin the development of dynamic capabilities within rural micro-enterprises.

Faculty, when applied to the context of the owner-manager, does not refer to its academic connotations but embraces its etymological stem from the Latin word *facere* meaning 'to make do'. The term *facere* has evolved over time into the present meaning of faculty as an ability, competence or skill (Oxford living dictionary, 2019b). This research conceptualises owner-manager faculty as the owner-manager's innate mental power coupled with their aptitude for action. Owner-manager faculty is defined as the idiosyncratic characteristics, aptitude and actions of the owner-manager.

An alternative yet common usage of the word faculty refers to the five traditional human senses. Honouring this meaning of faculty, the new term of owner-manager faculty as conceptualised in this research is comprised of the five themes. During the analysis of this research the owner-manager's character attributes were aggregated into four segments, life-changing events, motivation effects, ambition effects and resilience effects forming four of the five blocks which in conjunction with the owner-managers non-psychological characteristics, such as age and gender, comprise owner-manager faculty as shown in figure 27.

Figure 27: Owner-manager faculty



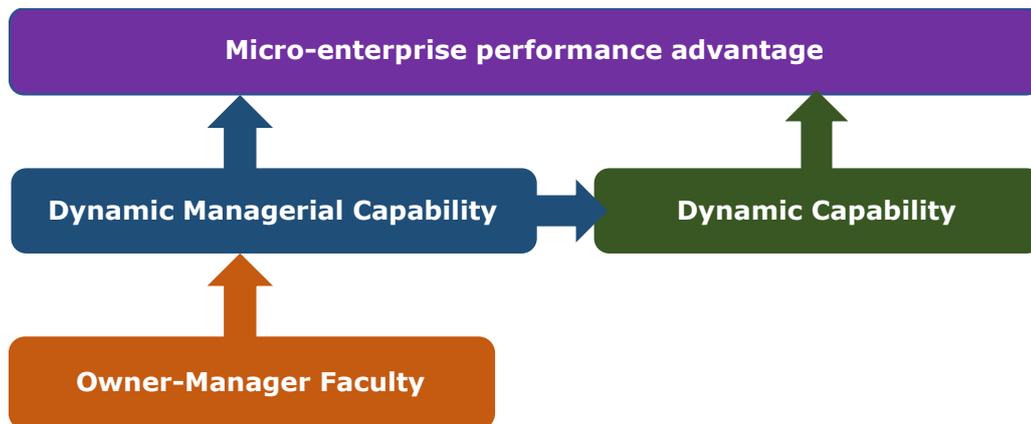
Each of the five segments has an effect upon the rural micro-enterprise; the effect varies depending upon the nature of the owner-manager. For example, the resilience effect was seen to be more pronounced in the more mature rural micro-enterprise, such as John and Drew businesses which have been trading for ten years or more. Whereas, the reverse holds for the ambition effect, this is more pronounced in younger businesses such as those of Nigella and Hayley. The impact of the owner-manager's life-changing event is less noticeable in those micro-enterprises with more than 5 employees. These variations are discussed in more detail in chapter 4 section 4.3.

Owner-manager faculty is exhibited to varying degrees by the rural micro-enterprise owner-managers participating in this research and it is the level of owner-manager faculty within the individual owner-managers which assists their dynamic managerial capability development. In fact, reflecting upon Oliveria et al's., (2015) perspective that within small businesses the owner-managers should have specific managerial abilities such as organisational, communication and business delivery abilities which enable them to run and manage a successful business, the findings from this research extend this thinking. This thesis suggests that within rural micro-enterprises, the owner-manager's faculty helps them to steer their business towards success. Success being a relative term depending upon the orientation of the ambition and motivation effects within their owner-manager faculty.

Not all rural micro-enterprise owner-managers have the same level of owner-manager faculty. Nor do all the attributes which comprise owner-manager faculty have a consistent relationship with each other. It is conceived that in some owner-managers such as Daniel the ambition and resilience elements of owner-manager faculty are more dominant than the motivation element. This is because he is constantly looking for new projects and bouncing back from failed initiatives yet his does not appear to have the motivation to stick with an initiative in difficult times to build a long-term successful business. Whereas in Kay's business, her motivation element is more influential than her ambition element because her aim is to maintain her business at a level which affords her family a pleasant yet modest lifestyle rather than drive the business to achieve financial growth.

Nevertheless, owner-manager faculty acts as a micro-foundation underpinning the owner-managers dynamic managerial capability and, in some instances, indirectly influences organisational-level dynamic capabilities which are underpinned by dynamic managerial capabilities as illustrated in figure 28.

Figure 28: Owner-manager faculty influencing rural micro-enterprise performance advantage.



5.6. The importance of rural for the rural micro-enterprises

During the data analysis stage of this research the rural micro-enterprise business cases were segmented into two sectors. The first sector are those businesses which are considered to be tied to the land due to the nature of the business (animal husbandry, rural leisure or business parks in the rural) and the second sector are those business which could be located anywhere. By segmenting the cases findings were explored which support research objective c; defining what is meant by a rural business within the context of this research. The businesses which are tied to the land more closely follow the conventions established by previous scholars (see articles by Gaddefors and Anderson (2018), Korsgaard et al., (2015) and Pato and Teixeira (2018) for more information) as being embedded within the landscape and needing the land to run their business. Without the use of the land these businesses would not exist in their current form.

5.6.1. Not all rural micro-enterprises contribute equally to the rural.

The owner-managers of businesses which are embedded within the rural due to their use of land are more likely to follow traditional rural stereotypes because they contribute both economically and socially to rural life. This is highlighted in the following examples of embeddedness in rural village life. One of the business owner-managers is the chairman of the local parish council whilst another owner-manager embraced village life by becoming part of the local pub cricket and quiz teams whilst his wife shops in the village shop. Another owner-manager is involved in mentoring start-up rural businesses and chairs his local FSB branch. Likewise,

one owner-manager has grown his rural micro-enterprise and now provides graduate jobs within the village, these positions enable 'young professionals' to remain in the village and they in turn help to sustain village amenities including the petrol station, grocery store and primary school.

These rural micro-enterprises can be considered net contributors to the rural economy. They support the sustainability of the rural through their business activity and contribute to village social activity via the networks they have built within the community. These rural micro-enterprises largely meet Henry and McElwee's (2014, p. 4) tests of employing "local people, uses and produces local services and generates income for the local community" to determine if a micro-enterprise is indeed a rural micro-enterprise.

When analysing the data collected for this research, it was found that traditional conventions relating to rural micro-enterprises and owner-manager behaviour such as being growth orientated and community focused to deliver tangible results for the sustainability of the community (Winther, 2017) does not apply to the majority of the rural micro-enterprise business cases in this study. The owner-managers of thirteen out of the nineteen businesses interviewed made a conscious choice to establish or relocate their micro-enterprise into the countryside for personal, intangible reasons. Their reasons varied from moving closer to family, preferring a tranquil location, not having to worry about their car being vandalised in their business' car park to desiring a better work-life balance. The attainment of which they perceived was easier to achieve if their business was sited in a rural location.

These owner-managers overcame life-changing events which ranged from redundancy to serious injury. This event disrupted the course of their life and acted as a catalyst to spur them into action to establish their business. In this owner-manager cohort the decision to establish their business in a rural location was a conscious choice based upon a personal preference for being in the rural. In these businesses the location of the business is down to the whim of the owner-manager. Therefore, because they chose to establish their business in a rural location following their life-changing event it is equally likely, if they were to experience another significant life-changing event, they may choose to relocate their business into an urban location or close the business down. This life-changing event influencing the owner-manager's desire to establish a rural micro-enterprise is guided by Jaouen and Lasch's (2015) life issues debate. In this debate Jaouen and Lasch (2015) highlight an entrepreneurs' priorities are shaped by the concerns in their life and their personal characteristics.

The rural micro-enterprise owner-managers whom have established their micro-enterprise in a rural location through choice may not be net contributors to the sustainability of their local community. Engrained patterns of behaviour may endure. They may retain a preference to commute beyond their local community to a hub town or city for their groceries where they can continue to shop at a grocery multiple superstore or travel into towns and cities for entertainment and socialising rather than frequent village events. For example, Hayley, although she lives and works in a village travels into the local hub town to buy her groceries because she believes they are better value and fresher than buying them from the local shop. Most of these owner-managers are over 50 years old with grown-up children either working away from home, remotely settled with their own families or away at university. Therefore, neither the owner-managers nor their families are helping to sustain local village schools, shops or pubs.

The smaller micro-enterprises; businesses which consist of one or two people usually a husband and wife team comprise approximately half of the business cases which are deemed not tied to the land. This means a significant proportion of smaller rural micro-enterprises are not even creating employment opportunities within the rural community. Consequently, the wider economic impact of their choice to establish a business in a rural location is limited. It could be argued that some of these owner-managers are actually making a negative contribution to their location. They are taking their perceived work-life balance benefits of living and working in a tranquil, safer and bucolic location but are not investing either socially or economically back into the rural community to balance the equation. Conversely these owner-managers may argue that running a business, paying council tax, renting or owning and maintaining a property to house the business in a rural location is in actuality contributing to the local economy.

5.6.2. An alternative perspective on rural space/place challenges

By taking an alternative perspective to the use of land to define a rural business, it could be argued that utilising a rural building to run a business from is in fact tying the business to the rural via a tenancy agreement or mortgage. Thus, what seems at first glance to be a business which is not embedded within the rural community in any way may actually be a business where the owner-manager is just as committed to maintaining and developing sustainable rural communities as more traditional 'land based' enterprises such as agricultural and tourism based businesses are. This contrary viewpoint of 'tied to the land' challenges established

definitions of embedded rural business which are tied to the land (Korsgaard et al., 2015). If these owner-managers had not chosen to locate their business in a rural location, then the community would be less diverse, the local council would have less funds to reinvest into rural public services and property may remain empty.

Furthermore, these owner-managers do not see the rural as a challenging business environment (Siemens, 2013), but as their ideal location to work. In some cases, having previously run a micro-enterprise in a town centre, owner-managers chose the rural to provide a more creative space to run their business from. The rural location itself delivers a benefit for their business, for example as one rural micro-enterprise owner-manager explained, when she has a creative 'block' she needs only to step outside her workspace door and view the tranquil landscape surrounding her for her creativity to feel regenerated. Also, she feels the rural location has commercial benefits because when her clients come to her rural micro-enterprise for a meeting they feel like they are having a 'day out' in the countryside rather than conducting business.

Extant literature professes rural businesses face challenges unique to the rural which need to be overcome. This thesis argues that these rural challenges are no greater than specific challenges facing urban businesses due to their urban location, merely different. Rural and urban micro-enterprises alike face business challenges due to the availability of and their ability to access finance, resource scarcity, limited business development support, attracting customers and sustaining the micro-enterprise itself for the future. The difference between urban and rural micro-enterprise business challenges viewed through a rural lens can be traced back to the commonly acknowledged 'rural problems' of transport infrastructure, ICT, business services and support availability. However, the cohort of owner-managers which site their business in the rural through choice accept that these challenges exist.

Running a rural micro-enterprise necessitates the need to work around the unique rural challenges. For example, the challenging rural issue of broadband speed. Kay's business is not tied to the land in a traditional sense but she and her husband chose to locate their business in a rural village to take inspiration for their products from the flora and fauna surrounding them. They were aware of the IT challenges presented by life in the rural when they established their business. Indeed, they have been active in their community petitioning to improve the service because they are dependent upon technology for designing their product. However, in the village where they live the broadband is so slow that they need to take their

computer 30 miles to the nearest town to update their design software each time the manufacturer release an upgrade. These technology challenges were known to them when they were planning to establish their business. They still chose to situate their micro-enterprise in a rural location because for them the lifestyle benefits accrued by living and working in a rural location outweigh the rural broadband challenges they face.

In some instances, as illustrated by the example of Kay's rural micro-enterprise, owner-managers perceive there are benefits in establishing a business in the rural. These benefits include lower costs resulting from lower business overheads such as, wages and property costs as well as a more loyal workforce. The owner-managers acknowledge that broadband speeds could be faster and more robust, mobile phone signals could be stronger, transport links could be better and recruitment is not always easy. However, their acknowledgement of the magnitude of these problems is clouded by their personal desire to be in the countryside and the lifestyle pull of running and owning a micro-enterprise within a rural location. In summary, these owner-managers view the unique rural challenges as a necessary trade-off for being in the rural. For them, the balance of location perceived benefits outweighs the identified, recognised and well documented rural challenges.

5.6.3. The owner-manager is not always an 'entrepreneur'

The conceptualisation of entrepreneurship emerging from this research allies with Verduijn et al's., (2014) as an owner-manager who takes responsibility for innovatively creating and increasing a positive financial return from their micro-enterprise as their primary objective. The findings, after analysing the research data, indicate not all of the owner-managers can be described as entrepreneurial because they do not all evidence innovative activity or seek financial returns as their primary motivator or business objective. Some owner-managers such as Barry, Isla and Tracey choose to run their business at a marginal return for their own pleasure and emotional fulfilment. An example of a business which this research does not consider entrepreneurial is Isla's business. Her business does not evidence the presence of dynamic capabilities, see chapter 4 table 44, nor was innovation discerned or entrepreneurial behaviour identified during the analysis of her interview transcript. In fact, only one owner-manager in this research, Daniel, describes himself as an entrepreneur.

Throughout this thesis the term owner-manager rather than entrepreneur has been used to describe the founders and owners of the participating rural micro-enterprises. This is a conscious decision because the term entrepreneur does not feel to be an appropriate descriptor for many of the owner-managers participating in this research. The owner-managers' motivations for maintaining their businesses are many and varied. They range from keeping busy and mentally active, something to do for a few years until their partner retires then the business can become more of a hobby to provide a bit of extra spending money in retirement, whereas other owner-managers are seeking to earn sufficient money to support their children through university. Upon closer inspection many of these rural micro-enterprises are in fact just treading water. The owner-managers are doing what they love to do because they enjoy it. Their rural micro-enterprises are sufficiently financially successful to enable them to remain trading within the owner-managers' preferred rural location.

Given the owner-manager's desire to maintain their business for their personal aspirations rather than economic growth and considering some of the challenging environmental conditions these businesses are facing due to Brexit, technological issues and globalisation a more appropriate term for this cohort of owner-managers could be 'survivalist'. The survivalist nametag refers to the owner-manager's desire to stay in business in order to support their chosen lifestyle. This does not mean to say these survivalist owner-managers do not have any actions that could be considered entrepreneurial or have entrepreneurial capabilities, they simply choose not to focus upon economic or wealth creation as primary motivators. Therefore, in the context of this research survivalist owner-managers do not adhere to all the criteria classification as an entrepreneur would entail, nor do they identify themselves as entrepreneurs.

The group of rural micro-enterprises owner-managers with businesses which are more embedded within their local communities may be considered more entrepreneurial. There are examples within this cohort of business expansion and job creation which in turn improves the productivity of the business and leads to wealth creation. This increasing wealth filters back into the local community through local spending by the owner-manager and the rural micro-enterprise employees, as documented by scholars such as Bosworth and Turner (2018), Finke and Bosworth (2016) and Gaddefors and Anderson, (2018) and adds to the sustainability of the local rural economy.

5.7. Refreshing established rural micro-enterprise classifications

Segmentation of the rural micro-enterprises interviewed in this research afforded multiple opportunities to generate classifications base upon owner-manager characteristics (see Jaouen and Lasch (2015) for examples of such typologies for micro-enterprises) or the nature of the rural micro-enterprise (see McElwee and Smith (2012) for an example of how a segmentation framework can be applied to farmers pursuing entrepreneurial strategies). Although developing taxonomies which update either of the aforementioned classifications would have merit, this research chooses to take elements from both Jaouen and Lasch’s (2015) and McElwee and Smith’s (2012) taxonomies to develop a classification for rural micro-enterprises viewed through the dynamic capability lens. In creating this revised taxonomy, research objective e; to review existing business classifications and create a revised taxonomy of rural micro-enterprise is fulfilled.

McElwee and Smith’s (2012) segmentation framework and previous taxonomies with the rural literature, such as those of McElwee and Annibal (2010) and Henry and McElwee (2014) influence the creation of this taxonomy. This research integrates owner-manager behavioural characteristic, akin to those used by Jaouen and Lasch (2015) in their classification of micro-enterprise owner-managers, into the segmentation framework developed by McElwee and Smith (2012) to classify farm diversifications, see figure 15, chapter 4. This thesis synthesises the extended segmentation framework, figure 19, chapter 4, with an analysis of the presence of repeatable enacted business processes as discussed in section 4.4. This multi-level analysis of the data forms the foundation for compiling a reimagined taxonomy of rural micro-enterprises.

Classifying the rural micro-enterprises into a taxonomy is also influenced by both endogenous, internal influences and exogenous or external influencing factors upon the rural micro-enterprise. Such factors are highlighted in figure 29.

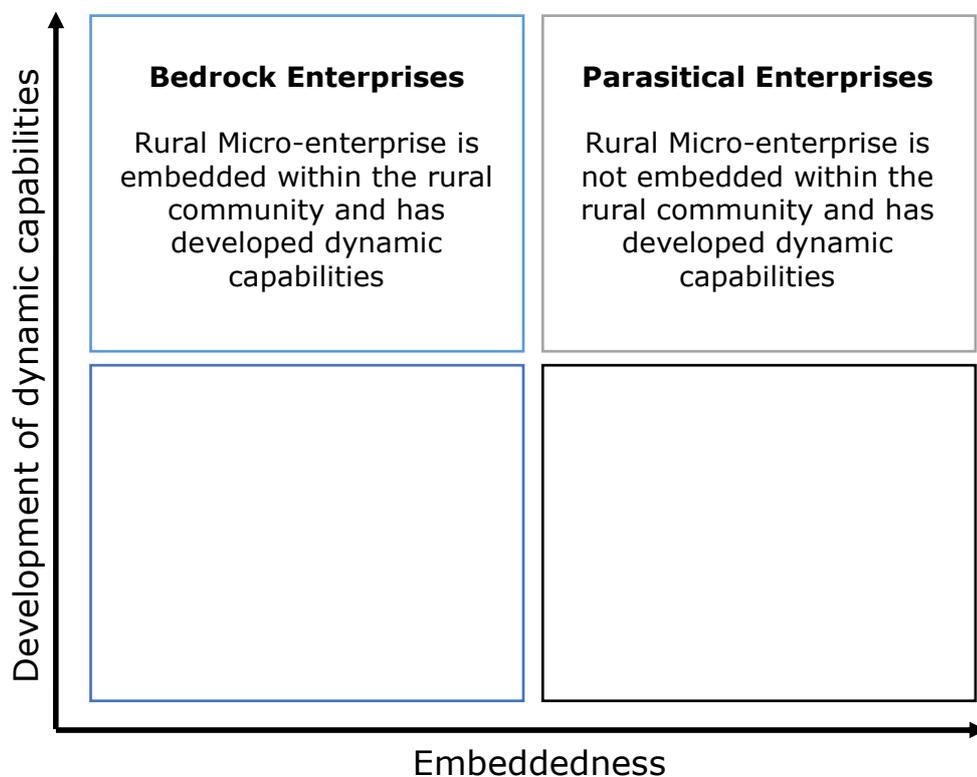
Figure 29: Taxonomy endogenous and exogenous influences

<u>Exogenous Factors</u>	<u>Endogenous Factors</u>
Geographical location Technology Innovation Global issues (e.g. Brexit) Market dynamics Environmental factors Government policies Activities and processes	Owner-manager faculty Owner-manager skills Size of organisation Years in business Owner-manager experience of running a business

Within this research exogenous factors include legislation such as changing levels of subsidies for green energy adoption which impact Charles' business and high speed broadband availability which is referred to frequently by the owner-managers as being a challenge of running a business in a rural location. Common endogenous factors include owner-manager faculty, the number of years of experience the owner-manager has of running a micro-enterprise and the size of the rural micro-enterprise.

The taxonomy informed by this empirical research is outlined below in figure 30.

Figure 30: Taxonomy of rural micro-enterprises



An explanation of the four segments within the taxonomy follows;

i. **Bedrock Enterprise**

This group of rural micro-enterprises are considered to be embedded within the rural community, such as those run by Charles, Adam and Jane. Their businesses are deemed tied to the land and would not exist in the same form should the business relocate to a more urban environment. The owner-managers fully embrace rural life. They contribute to the rural community through their participation in rural social events, support local rural businesses such as shops and pubs and serve their local community.

These businesses have developed dynamic capabilities, be they individual-level dynamic managerial capabilities and/or organisational-level dynamic capabilities to enable the business to have a performance advantage over similar businesses without dynamic capabilities.

ii. Parasitical Enterprise

This group of rural micro-enterprises are not considered embedded within the rural community such as those run by Nigella, John and Ian. Their businesses are not tied directly to the land and could exist in the same form should the owner-manager choose to relocate the business to a more urban environment. These rural micro-enterprise owner-managers are typified by their lack of engagement with their local community. They tend not to shop in local businesses nor do they participate in village life preferring to shop and socialise in an urban environment. Their business is established in the rural so they can maximise the lifestyle benefits associated with living in the countryside. These businesses have developed dynamic capabilities, be they individual-level dynamic managerial capabilities and/or organisational-level dynamic capabilities to enable the business to have a performance advantage over similar businesses without dynamic capabilities.

iii. Anchored Enterprise

This group of rural micro-enterprises are considered embedded within the rural community, such as those run by Isla and Clara. These businesses are tied to the land and would not exist in the same format should the business relocate to a more urban environment. Owner-managers of anchored businesses are embedded within village life and support their local facilities. Their daily business and social lives are centred upon their local community. These businesses have not developed or have very limited development of either individual-level dynamic managerial capabilities or organisational-level dynamic capabilities.

iv. Perfunctory Enterprise

This group of rural micro-enterprises are not considered have businesses which are embedded within the rural community, such as those run by Barry and Simon. These businesses are not tied to the land and could exist in the same form should they relocate to a more urban environment. These owner-managers live and work in the rural but they gravitate to the urban environment for social and cultural fulfilment. Likewise they tend to support shops in urban locations ahead of their local

village amenities. These businesses have not developed or have very limited development of either individual-level dynamic managerial capabilities or organisational-level dynamic capabilities.

By focussing upon whether the business is 'embedded within the rural' and the dynamic capability orientation of the rural micro-enterprise, illustrated by the horizontal and vertical axis of embeddedness and development of dynamic capabilities in figure 30, four rural micro-enterprise segments emerge. Each segment having its own set of strengths, weaknesses and support needs. Understanding the development of dynamic capabilities and dynamic managerial capabilities within the rural micro-enterprise provides an insight into the potential degree of owner-manager faculty. Without demonstrable levels of owner-manager faculty it is likely, even if repeatable routines are evidenced and regularly enacted, that neither dynamic managerial capabilities nor organisational-level dynamic capabilities will develop. Similarly, the degree of embeddedness of the rural micro-enterprise within their local rural community, as identified within this research and discussed earlier in section 5.7 is likely to impact upon the resilience and sustainability of the rural economy.

This classification, once within the domain of policy makers can facilitate the focusing of available resources to encourage rural micro-enterprise establishment and drive economic activity within the countryside. Rural micro-enterprises are diverse. The heterogeneity within the rural micro-enterprise population due to the many industry sectors they span, geographically remote locations they operate within and idiosyncratic owner-managers can, to scholars unfamiliar with rural enterprise, appear chaotic. Therefore, creating a taxonomy to classify diverse businesses by common attributes can help to bring order to the sector. This formal classification makes it easier for policy makers to understand sector dynamics and formulate policies to support sector development. For example, this taxonomy can be used to direct resources to support owner-managers who have chosen to site their business within a rural location.

If the motivations of this group of owner-managers are better understood by and more accessible to policy makers then support could be specifically directed to build a rural business climate more suited to attracting similar owner-managers to establish businesses in the rural. Once new owner-managers have established their rural micro-enterprises, increased levels of understanding about their businesses and lifestyle motivations can inform policy makers which services (such as ICT and amenities access) they need to improve and thrive. Making policy decisions based upon relevant, rural sited research may encourage owner-

managers who have established a business in the rural through choice to remain within the rural. Furthermore, encouraging this group of owner-managers to remain within the rural may induce them to integrate themselves more fully into the rural economy, contributing both socially and economically to rural life.

A further benefit of classifying rural micro-enterprises in a taxonomy is to evidence 'best practice' to owner-managers. Once the taxonomy is defined and understood by policy makers it can be cascaded through regional support groups such as knowledge hubs, the FSB and business incubator services. Case studies can be documented from each quadrant of the taxonomy and used as evidence of best practice for less experienced or new rural micro-enterprise owner-managers to learn from. Therefore, the taxonomy compiled from the findings of this research has the potential to inform both policy and practice.

5.8. Summary

Within this chapter, how the contributions link to the research objects outlined in chapter 1 section 1.4 has been highlighted. The principal findings and contributions from this research have been discussed and placed within extant academic literature. The principal contribution to knowledge, policy and practice are detailed below;

- In rural micro-enterprises there is a blurring of the line delineating dynamic capability and dynamic managerial capability with both acting to directly influence organisational performance; this is potentially due to the lack of evidence of an active meso-level.
- The owner-manager has a significant influence upon the rural micro-enterprise. This research finds that owner-manager faculty acts as a micro-foundation of dynamic managerial capabilities.
- Rural micro-enterprises established in the rural through owner-manager choice are not always net positive contributors to the rural economy.
- Taxonomy of rural micro-enterprises developed through a holistic segmentation process groups rural micro-enterprises by their dynamic capability orientation and embeddedness within the rural. This taxonomy has the potential to influence both policy and practice.

These contribution are deemed the most important emanating from this research. In the concluding chapter of this thesis, consideration of how further research could develop and extend the contributions is one of the topics addressed.

6. Conclusion

6.1. Introduction

The final chapter of the thesis, chapter 6, synthesises the discussion points and clarifies the answers to the research questions identified in section 1.5. This chapter revisits and reflects upon the extent this research has adhered to the proposed quality standards defining excellent qualitative research identified by Tracy (2010). The primary focus of this chapter is to concretise the contribution to knowledge, practice and policy made by this research as well as outline limitations of this research and potential next steps to develop the research agenda of dynamic capabilities within the rural micro-enterprise context.

6.2. The purpose of this research

The purpose of this research is to increase understanding about the role dynamic capabilities play within the diverse rural micro-enterprise population in the UK. An extensive literature review identified dynamic capability research has rarely ventured into the rural micro-enterprise context. This omission is judged problematic because of the significant contextual difference between rural micro-enterprises and larger organisations where most dynamic capability research is sited. As discussed throughout this thesis context is important and dynamic capability theory developed within one context is unlikely to be directly transferable into a different context. Therefore, an extension of dynamic capability theory into the rural micro-enterprise realm is warranted.

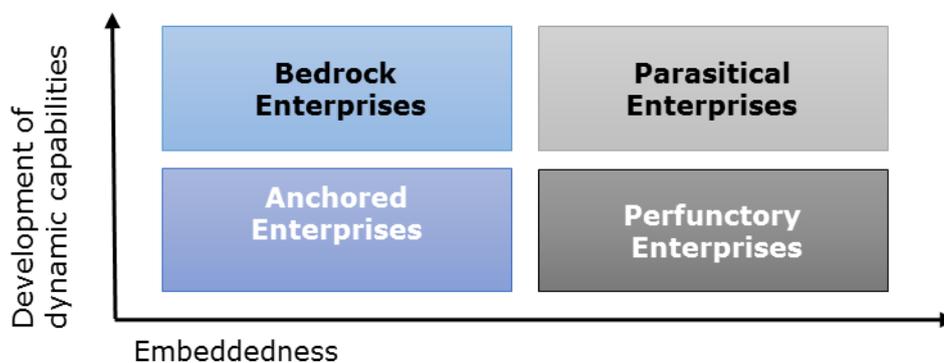
Having justified the theoretical gap to locate this research within, the rural literature establishes the importance of rural micro-enterprises to the rural economy. Consideration is given to the conceptualisation of a rural enterprise within the bounds of this research and what defines the micro-enterprise as a rural micro-enterprise. Given the significant contribution rural micro-enterprises make to the rural economy it is important to understand how they evolve and develop. Within this research, the evolution and development of the rural micro-enterprise is considered from the perspective of the influence of the owner-manager upon their business and the presence of dynamic capabilities within the rural micro-enterprises. Which micro-foundations underpin the identified dynamic capabilities are discussed, as is where within the rural micro-enterprise any identified dynamic capabilities reside.

6.3. Key findings from this research

This research encompasses both rural enterprise and dynamic capability bodies of literature. The key findings emanating from this research are summarised in section 6.5, table 49. Within the dynamic capability arena several of the findings contribute towards closing the underexplored gap relating to dynamic capability theory within rural micro-enterprises. Firstly, this study has identified that within the rural micro-enterprise context there is a delineation between dynamic capabilities and dynamic managerial capabilities. Secondly, it considers that this blurring of dynamic capabilities and dynamic managerial capabilities which is occurring in rural micro-enterprises with few employees is likely due to the lack of a meso-level akin to those observed in studies of larger organisations. Thirdly, the rural micro-enterprise owner-manager is responsible for driving their business, influencing all aspects of business development including strategic decision making. Their owner-manager faculty acting as a micro-foundation of dynamic managerial capabilities.

Upon considering extant rural enterprise literature there are several findings which add to contemporary debates. These include the finding that rural micro-enterprise owner-managers chose to locate their business within the rural even though the business is not be tied to the land. Such owner-managers are not as embedded within rural communities nor contribute to the rural economy as indicated in extant rural enterprise literature. The taxonomy established which blends the rural micro-enterprise's rural embeddedness and dynamic capability orientation identifies four classifications of micro-enterprises, see figure 31 contributes to scholarship within both rural and dynamic capability literature.

Figure 31: Summary Taxonomy



6.4. Methodological reflections

This research follows a qualitative methodological approach. Primary data collected from narrative interviews and photography. Secondary documentary data sourced from government documents and the rural micro-enterprises' websites.

6.4.1. Revisiting Tracy's (2010) framework for excellent qualitative research

Prior to embarking upon the data collection this qualitative research project was evaluated against the eight standards set out by Tracy (2010) which determine excellence in qualitative research. Whilst concluding this research it seemed appropriate to repeat this exercise from a reflective perspective. This reflective analysis is detailed in table 48 been achieved. Reflecting upon the benchmarking criteria, some areas proved to be more challenging than others. For example, consider 'credibility'. This research initially anticipated that data triangulation could occur using photographs taken at the rural micro-enterprise locations. Upon reviewing the photographs during the data analysis phase, their value to triangulate was judged limited due to the necessity of adhering to the stringent ethical guidelines imposed by the university when taking them. To combat this potential credibility gap extra care was taken during the transcription of the interviews. For instance, ensuring the participant's words were faithfully recorded and during the analysis ascribing the participant's meanings to their words rather than the researcher's interpretation of them.

Table 48: Post research evaluation of Tracy's (2010) criteria of excellence in qualitative research

Criteria	Description	Fit to my research
Worthy Topic	The research topic is interesting, relevant, timely and significant.	This research sought to increase understanding about the presence of dynamic capabilities within rural micro-enterprises in the UK. Although there is a growing body of dynamic capability research within a micro-enterprise context and research into aspects of rural enterprise has gained popularity over the past 20 years, there is a notable gap in understand of dynamic capability research within a rural micro-enterprise context. This study has helped to bridge this gap, extending dynamic capability theory into the important area of rural micro-enterprises. The topic is significant because extant research from other contexts indicate organisations with dynamic capabilities have a

		performance advantage compared to their peer companies without dynamic capabilities.
Rich Rigour	The research study includes an abundance of appropriate theoretical constructs, data (collection and analysis) context and samples.	A pilot interview was completed, then the primary data collected over an 11-month period. To collect as much observational data as possible all the interviews (except one due to travel issues) were conducted face to face. This enabled reflective notes to be made after the interview recording nuanced details about the participants, such as non-verbal signals. Photographs were taken around the locations of the interview, however due to stringent ethical guidelines many of these photographs were only useful as a record of the location rather than a rich source of additional data as was initially anticipated
Sincerity	The study's methods and challenges are transparent as is self-reflexivity about the researcher's values, bias and beliefs.	The interview protocols were provided in chapter 3, thus showing transparency of method and enabling the method to be replicated in future studies. Care was taken during the interview transcription to record the participant's words faithfully and not apply the researcher's perspective to the participant's words. Throughout the extensive analysis phase, a frequent revisiting of the transcripts occurred to ensure the meanings interpreted remained true to the words of the participant and were not overridden by the views of the researcher.
Credibility	There is clear evidence of triangulation, the presence of thick descriptions, details and the story is shown rather than told, rendering the research trustworthy and plausible.	When designing this research, a decision was made to triangulate the data collected based upon locations. Three diverse 'predominantly rural' geographies were used. It was also envisioned that using photographs would also contribute to method triangulation to ensure trustworthy results. Post analysis the photographs were deemed not detailed enough to credibly triangulate the narrative interviews, access was sought to rural economic policy makers within three councils, however at the time of drafting this chapter the researcher is still striving to identify the correct contacts to speak with. The process for data collection is outlined in chapter 3 in sufficient detail to enable fellow researchers to replicate the study within a different context.
Resonance	The research has the ability to engage, influence and move many audiences due to its transferable findings.	The research findings, detailed in chapter 4, were written up in a manor designed to engage the reader. Quotations from the transcripts were used to increase the relevance of the findings and add authenticity to the participant's viewpoint. Segmentation of the data to inform a taxonomy was presented in tables and graphs making the information more attractive and easier to interpret for the readers of this thesis.

Significant contribution	The research professes a significant contribution to academic knowledge, practice and policy whilst stimulation the need for future research.	The discussion chapter outlines and develops the contributions this research makes to knowledge theory and practice. This research challenges conventions is extant dynamic capabilities research, extends dynamic capability theory into the rural micro-enterprise context and makes theoretical contributions to current ongoing debates within the rural enterprise arena. These contributions are discussed in detail in chapter 6. Upon completing the research and considering its potential limitations an agenda of future research projects has been identified. All contributions, including these to practice and policy are summarised in table 49 in chapter 6.
Ethics	The research is conducted with approved procedural, situational and relational ethics irrespective of the research paradigm being followed.	Ethical approval was gained before starting the data collection. The ethical approval conditions were adhered to at all times. Being conscious of the ethical consideration for conducting this research ensured that both the participants and researcher were behaving in a safe and responsible manor; being respective of each other's objectives and concerns.
Meaningful Coherence	The research aligns with its stated aims, used appropriate methods to achieve its objectives and there is a line flowing from the research questions through the literature to the findings and interpretations.	Throughout this research the focus has remained upon the rural micro-enterprise analysed through the dynamic capability lens. This focus started in the introduction and developed in chapter 2 through detailed literature reviews. The methodological design was tailored to answer the research questions regarding dynamic capabilities within rural micro-enterprises. The findings and discussions structured around rural micro-enterprises and dynamic capabilities, synthesising the two fields of research to assemble coherent and meaningful contributions to theory, practice and policy.

Source: Adapted from Tracy (2010, p.840)

6.5. Summary of contributions

This research contributes to theory within dynamic capability, micro-foundation, micro-enterprise and rural enterprise literatures. The outline contributions are detailed in table 49 influenced by Nicholson, LaPlaca, Al-Abdin, Breese, and Khan, (2018). Within the table RQ refers to research question and RO to the research objective. The research objectives and research questions, along with their alphabetic descriptors are detailed in appendix A.

Table 49: Summary of contributions to knowledge

RO/RQ	Finding	Contribution	Contribution to..
A,B/B	Dynamic capability and dynamic managerial capability present and work in different ways than in larger organisations. dynamic managerial capability if present, can be seen in all stages of the businesses life, dynamic capability if present develops after time.	Incremental (theory extension): Dynamic capability theoretical framework for the rural micro-enterprise context.	Dynamic capability theory for micro-enterprise discussion within dynamic capability literature.
A,B/B	Blurring of line between dynamic capability and dynamic managerial capability in micro-enterprises.	Incremental (theory extension): Dynamic capability theoretical framework for rural micro-enterprise context which differs from the larger organisation context.	Dynamic capability theory for micro-enterprises, discussions in dynamic capability literature
A,B/B	Lack of evidence of meso-level in rural micro-enterprises.		
C/A	Owner-manager influence/ preference for previously enjoyed urban comforts/habits – embeddedness of rural micro-enterprise.	Incremental (theory extension): Rural as hygiene factor. Does owner-manager and rural micro-enterprise always contribute to the rural economy?	Rural business debate in rural micro-enterprise literature
C/B	Owner-manager motivated by desiring a certain lifestyle and business survival rather than entrepreneurial growth motives.	Incremental (theory extension): Challenge contention that all rural micro-enterprise are entrepreneurial - is it all about growth?	Rural entrepreneurship discussions in rural literature
D/C	By presence of dynamic capabilities / dynamic managerial capabilities orientation and perceived contribution business makes to the rural economy	Incremental (theory extension): Segment by dynamic capability / dynamic managerial capability orientation and contribution /embeddedness in local economy	Rural micro-enterprise owner-manager typologies in rural micro-enterprise literature
A/A	Barriers to growth identified (ICT, resources, skills etc) Less IT issues in southern based rural micro-enterprises.	Differentiated replication: Support previous findings, but barriers appear amplified in the rural micro-enterprises situated in more northern geographies.	Rural enterprise debate about barriers to business success in rural literature.
C/B	Preference of owner-manager for rural – tied or not to land, the embeddedness of the rural micro-enterprise	Differentiated replication : Owner-manager preference for rural acts as a micro-foundation of dynamic capability and rural preference for rural micro-enterprise	Owner-manager underpins desire for rural business in rural micro-enterprise literature
B/B	Micro-foundations identified plus owner-manager influence	Incremental (theory extension): Resilience as micro-foundations of dynamic capability	Micro-foundations of dynamic managerial capability / dynamic capability in micro-foundations of dynamic capability literature
B/B	Owner-manager character attributes as micro-foundations of dynamic capability and dynamic managerial capability	Incremental (theory extension): Owner-manager faculty defined which encompasses key attributes of owner-manager characteristics.	

The output of this research contributes to extending current debates within rural enterprise literature such as the importance of space and place (Gaddefors & Anderson, 2018; Korsgaard et al., 2015) see chapter 2 section 2.10.3. In some instances, the findings challenge conventional thinking pertaining to the holistic contribution rural micro-enterprises make to the rural community (Bosworth & Turner, 2018; Henry & McElwee, 2014), especially when owner-manager choice of where to site their business is taken into account, see the discussion in chapter 5 section 5.6 for more detail.

This research extends theory within the micro-foundations of dynamic capability literature by introducing the concept of owner-manager faculty' and positioning this as a micro-foundation of dynamic managerial capability, see chapter 5 section 5.6.1. A framework of dynamic capability theory for rural micro-enterprises is proposed. In the proposed framework both dynamic capabilities and dynamic managerial capabilities directly influence organisational performance, section 5.4 figure 23, due to the blurring of the lines between dynamic capability and dynamic managerial capability and the lack of a meso-level within rural micro-enterprises. Thus, dynamic capability theory is extended and reimagined to fit the unique rural micro-enterprise context.

The rural micro-enterprise taxonomy discussed in chapter 5 section 5.7, builds upon and refreshes previous academic segmentation frameworks such as those developed by Jaouen and Lasch (2015) and McElwee and Smith (2012). The segmentation framework presented in this research adds an additional dimension of behavioural characteristics to the model conceptualised by McElwee and Smith (2012), see chapter 4 section 4.2.3. The four classifications outlined in this taxonomy, namely bedrock, parasitical, anchored and perfunctory micro-enterprises, can act as a guide to policy makers when they are considering how to best support rural micro-enterprises within the UK.

The barriers rural micro-enterprises face whilst running their businesses should be considered when policy makers are deciding where to focus resources to best support rural micro-enterprises to compete in the global marketplace. By understanding these challenges and making support available, for example in marketing expertise or building business networks, the potential long term success of some rural micro-enterprises could be improved. Therefore, by policy makers providing relevant training informed from the identified barrier to success, contributions from this research can also inform practice. This training should include topics ranging from IT skills to practical advice on how to access finance as discussed in Chapter 4 section 4.2.2.

6.6. Limitations of this research.

This research is positioned within the sparsely researched area of dynamic capabilities within rural micro-enterprises and as such is an exploratory empirical research study. The rural micro-enterprise context is unique and important, the rural dimension adds an extra nuanced layer to this research in addition to the micro-enterprise context. Whilst the rural micro-enterprises business sector is diverse, the results of this research can be considered generalisable across micro-enterprises due to their similarities from limited resources, capabilities and access to additional resources perspective irrespective of business sector. However, the results are unlikely to be generalisable to firms larger than micro-enterprises as defined in chapter 3 section 3.9.1 of this research. This lack of wider generalisation is due to the rural domain in which this research is situated. Non rural micro-enterprises do not face the same rural specific challenges such as poor transport and ICT infrastructures.

6.6.1. Methodological Challenges

The nature of this study, seeking to understand if dynamic capabilities are present within rural micro-enterprises, which micro-foundations underpin them and where they reside, is an excellent subject for qualitative research. The qualitative approach is necessary to provide the richly detailed depth of data needed to ascertain if dynamic capabilities are present. Without the rich descriptive text transcribed from the narrative interviews, it would have been more difficult to fully understand the authority each owner-managers exert over their rural micro-enterprise and how they underpin the development of dynamic managerial capabilities and dynamic capabilities within their businesses.

Whilst following the methodological design outlined in chapter 4, several obstacles became apparent which needed to be overcome. These obstacles included participant recruitment, digression of participants during the interviews and the challenges inherent in evidencing the intangible concept of dynamic capability within an empirical situation. These challenges are discussed in more detail in appendix C.

6.7. Opportunities for future research.

During the course of this research many opportunities for additional and future research have been identified. These range from replicatory studies to projects which expand the rural micro-enterprise dynamic capability research agenda. There is an opportunity to repeat the methodology used in this research with urban micro-enterprises. This repetition will further test the importance of the rural context in relation to micro-enterprises and increase understanding about the importance of the rural dimension for rural micro-enterprises. Such a study will act as a counterpoint to the results from this research regarding the presence of dynamic capabilities and the delineation between dynamic capabilities and dynamic managerial capabilities as well as adding to current space / place discussion occurring within entrepreneurship literature, specifically rural entrepreneurship literature. Likewise repeating the study across additional geographies within the UK and beyond will identify commonalities existing whilst dynamic capabilities are developing within rural micro-enterprises. A broader geographic study will potentially add confirmatory data to support the proposed dynamic capability theory framework outlined in chapter 6 section 6.5 to extend dynamic capability theory into the rural micro-enterprise context and help build understanding about how dynamic capability theory in this research's context is different to dynamic capability theory in SME's and larger organisations. Building upon this thought, a comparative study between businesses of different sizes within the rural will be beneficial to further develop understanding about rural as a context within dynamic capability research.

To extend the contribution this research makes to dynamic capability theory within the rural micro-enterprise context, there is an opportunity to conduct a project to build upon these findings. Within dynamic capability empirical research there is an opportunity to revisit the same business cases to develop a longitudinal study to ascertain how dynamic capabilities and dynamic managerial capabilities change over time. Therefore, there is an opportunity to repeat this study with the same rural micro-enterprises after five and again after ten years to track how the business and owner-managers have changed, what different challenges and barriers to growth they are facing, consider how they are interacting with the rural and understand how the development of dynamic managerial capabilities and dynamic capabilities has evolved or not in the intervening time periods. There is also merit in conducting quantitative research using the qualitative findings from the nineteen cases within this research as a platform to construct a survey. Building upon the valuable findings from this qualitative research, the quantitative

survey constructed will be tailored to rural micro-enterprises. The survey will be used to investigate the degrees which the owner-manager influences certain aspects of their businesses, find out more about the effect of owner-manager faculty and definitively identify dynamic capabilities and dynamic managerial capabilities present. Thus, a more substantial data pool to explain the blurring of the lines between dynamic capabilities and dynamic managerial capabilities within rural micro-enterprises can be built.

6.8. Concluding comments

This study is one of the first to focus upon exploring rural micro-enterprises through the dynamic capability lens. Although context has been widely acknowledged in literature as an important consideration when studying dynamic capabilities, this study contends that the rural context adds new and additional information to dynamic capability theory due to the unique challenges faced by micro-enterprises owner-managers operating their businesses in a rural setting. Building upon the study by Grande (2011) who suggests dynamic capabilities are likely to be a useful tool for rural micro-enterprises to develop, this study confirms that indeed they are not only useful but the more progressive rural micro-enterprises have developed dynamic managerial capabilities and dynamic capabilities which can help them achieve a business performance advantage.

This study has found that in rural micro-enterprises the development of dynamic capabilities follows a more delineated and blurry path than has been found in earlier studies of larger organisations. This blurriness is attributed to the significant influence of the owner-manager and the owner-manager faculty acting as a micro-foundation for developed dynamic managerial capabilities and the direct influence, in some instances, of the owner-manager upon rural micro-enterprises business strategy. The size of the rural micro-enterprises has a bearing upon the way organisational-level dynamic capabilities develop and evolve in the meso-level. Having few employees and the employees not always holding managerial or responsible business positions, it is more likely that the owner-manager rather than employee inter-personal discussions across the business will lead to the development of organisational-level dynamic capabilities. This yet again blurs the boundaries between the micro- and macro-level within the rural micro-enterprises and led to the development of a new framework for dynamic capability theory within rural micro-enterprises.

Having previously mentioned the influence the owner-manager exerts across the rural micro-enterprises; this study recognises this influence and contends this influence can be conceptualised as owner-manager faculty. Owner-manager faculty is a new term and is a unique reflection of each owner-manager. Being comprised of five facets the degree and influence of each facet varies in line with the significance of the facet to the owner-manager. Indeed, it reflects the owner-managers idiosyncrasies. This research argues that owner-manager faculty acts as a micro-foundation for owner-manager dynamic managerial capabilities which in turn underpin any organisational-level dynamic capabilities developed within the rural micro-enterprises.

The notion that rural micro-enterprises are net contributors to the rural community in which they are located is challenged within the findings of this research. Most of the owner-managers interviewed chose to locate their business with the rural and as such they are not as embedded in their local as previous literature suggests rural micro-enterprises tend to be. In many cases these rural micro-enterprises do not provide additional jobs, the owner-mangers spend their disposable income outside of their local community and do not actively partake in village activities. These rural micro-enterprise owner-manager can be considered negative contributors to the rural economy. They take the lifestyle benefits they desire from living and working in a rural environment yet they do not balance the equation by contributing to the sustainability of village life. Therefore, this research approaches the rural space versus place debate from a different perspective, one where the rural micro-enterprise owner-manager is a consumer of the rural rather than a contributor to its long term sustainability.

6.9. Personal reflections upon completing this research

Having been offered and turned down the opportunity to complete a PhD immediately post completion of my bachelor's degree in 1990, when this opportunity to embark upon doctoral level research presented itself I fully embraced it. This is because I was at a stage in my life when I was looking for a career change and a new challenge. This doctoral process certainly proved challenging.

Returning to academia from a successful career in industry was a culture shock that needed to be overcome before I could start to fully immerse myself in my new environment. Re-engaging with academics meant unlearning a way of working and thinking which I had built up during a career spanning over 25 years

and learning to re-evaluate my decisions from a different and more critical perspective. This was not a comfortable process, migrating from operating well within my comfort zone to feeling unsure and ill equipped to work at the level I was used to performing at within industry. However, with perseverance, an open-minded approach to learning and constructive criticism, along with the support of my supervisory team, I started to feel more comfortable within the new environment and after the first few months I felt able to contribute to academic life and deliver what was expected of me within the university.

The PhD journey has been an eventful one. I have learnt new skills, such as academic research skills, evidenced by the completion of this research and the PGCert course taken during the first year of my research. I have been fortunate to have had the opportunity to build upon existing skills such as presentation skills, project management skills and training skills. During the past three years I have presented papers at both internal and external academic conferences. Attending these events has helped me engage with the wider academic community in my field of research as well as start to build a network of contacts which will be useful to nurture should I succeed in securing a position within academia post-graduation. I have working drafts of two academic papers focussing upon the dynamic capability aspect of this research and plans to write additional papers from the contributions to rural enterprise literature post thesis submission. I subsequently plan to submit these papers to appropriate academic journals.

During my first and into the second year of my PhD I supported a senior colleague in the Business School complete an ERASMUS+ research project. This project provided me with a valuable insight into how cross-national research projects can work. Although my contribution was primarily administrative, I became involved with proofreading documents, tracking the project budget, attending project meetings via Skype and was fortunate to be able to present the contribution of the UK to this project at a meeting of all the projects partners in Krakow during March 2018. This was a fantastic experience for a novice academic and I was fortunate to have my industry experience of conference speaking, networking and communication skills to draw upon. Without my industry experience this would have been daunting rather than an anticipated and enjoyable experience.

A key skill needed to secure a position in higher education is teaching experience and I have benefited during the three years of my PhD by teaching across three different modules. One of the modules was supervising international student's complete investigative projects. This module helped me develop my awareness of how different cultures learn and how best to encourage international students to

learn and develop their own academic abilities. I have taught on a module for second year undergraduates across all three years. This module aims to improve their employability. Being practical in nature this model enables me to bring my industry experience of managing complex projects, recruitment and career development into the classroom to share with students. I can communicate from a position of authority why the topics covered are important and how they resonate within industry. The final module I have taught on is for third year undergraduates and focusses upon social entrepreneurship. This module enabled me to bring some of the learning from my PhD into the classroom. Two of the business cases used in my research could be classed as social enterprises, so again I could add to the lectures and seminars from a position of authority. Although I had previous experience of teaching adults in industry, I believe this teaching experience has provided me with enough insight into the life of a university lecturer to enabled me to seriously consider a future career in academia as a viable option for me in the future and motivated me to apply for membership of the Higher Education Association at Fellowship level.

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Appendix

A. Summary of Research Objectives and Research Questions

Research Objectives		Research Questions	
A	To determine if dynamic capabilities are present within rural micro-enterprises	A	What barriers to growth are influential within rural micro-enterprises?
B	To understand how dynamic capabilities develop within rural micro-enterprises and investigate which micro-foundations underpin the identified dynamic capabilities.	B	Which micro-foundations underpin the dynamic capabilities residing within rural micro-enterprise?
C	To define what is meant by a rural business within the context of this research.	C	How can rural micro-enterprises be classified in a taxonomy?
D	To review existing rural business classifications and, as a result of the primary research, consider the creation of a revised taxonomy of rural business, specifically rural micro-enterprises.		

B. Glossary of key terms

Term	Conceptualisation
Dynamic Capability	The capacity of an organization to purposefully create, extend, or modify its resource base (Helfat et al., 2007, p. 4)
Dynamic Managerial Capability	The capabilities with which managers build, integrate and reconfigure organizational resources (Adner & Helfat, 2003, p. 1012)
Micro-foundation	The distinct skills and actions underpinning individual-level and organisational-level processes which lead to rural micro-enterprise performance advantage (Eisenhardt et al's., 2010; Teece , 2007)
Micro-Enterprise	An enterprise employing fewer than 10 people which has an annual turnover or annual balance sheet of less than or equal to €2m. (European Commission, 2016)
Rural	Predominantly rural (DEFRA, 2019b; ONS, 2015)
Embeddedness	The extent to which an actor is anchored in particular territories or places (Hess, 2004, p. 177) .

C. Methodological Challenges

Participant recruitment for this research was challenging. A participant profile was defined and recruitment planned against this profile across three geographies. Having a limited network of contacts within UK rural micro-enterprises, regional LEADER groups were identified as holding a potential source of participant leads. Regional LEADER group co-ordinators were approached and lists of contacts requested. However, these requests coincided with the implementation in the UK of new General Data Protection Regulation (GDPR) legislation from the EU and consequently the contacts in the LEADER groups were unwilling to provide mailing lists or any contact details to a third party researcher. Some LEADER co-ordinators were willing to approach their rural micro-enterprise database themselves requesting that they should contact me directly if they were willing to participate in the research, others offered to send a survey to their members. Given the qualitative nature of this research the survey route was discounted.

The lack of direct access to lists of participants made actively chasing potential participants' time consuming and participant recruitment more frustrating than anticipated. Through dialogue with the LEADER groups, five rural micro-enterprises willing to participate in the research were identified, contacted and interviews with the owner-managers undertaken. After completion of these interviews a snowball approach to participant recruitment was followed, leading to an additional six interviews. Attendance at a rural small business networking event in York was disappointing because it only yielded one contact, this contact was converted into a participant only after regular chasing on both the phone and email for over six months. Interrogating rural town farmers' markets websites to identify suitable cases generated a few more leads as did persuading friends and family contacts to introduce me to local rural micro-enterprise owner-managers within their personal networks. Reflecting upon the challenges and delays identifying willing research participants, it may have been prudent to implement a snowball sampling protocol earlier in the recruitment process. Also, expanding the three targeted geographies may have helped to find more participants quicker. However, the participants interviewed were enthusiastic and willingly discussed the life story of their businesses in an open manner.

Nineteen rural micro-enterprise owner-managers contributed to this research. This relatively low number of participants enabled a deeper understanding of the businesses and owner-managers to be achieved. In fact, prominent academics such as Eisenhardt (1989) and Yin (2018) advance that theory and contribution to

knowledge can be achieved by studying one case in detail with the findings from a single in-depth case study having equal merit to those from a large scale quantitative study. Although a larger number of cases would have enabled the findings to be discussed with a greater degree of confidence of generalisability, during the interviews even though they were unstructured narrative interviews, the same comments regarding business issues, barriers to success and rural challenges were frequently reoccurring across the cohort. This repeatability of content indicated that saturation point was being reached and enables the findings to have a degree of generalisability across the rural micro-enterprise population in the UK.

During the interviews some of the participants tended to digress. Not wanting to 'lead' the participants into providing information they thought was wanted, these digressions were tolerated as much as possible. In some instances, the digressions disclosed peculiarities about the rural micro-enterprise and owner-manager's history which a more structured interviewing approach may have failed to uncover. Limiting my interaction within the interview to recapping the narrative to get back on track after an interruption and gentle acknowledgements of what had been said by the participant resulted in some interviews straying into areas unrelated to the research topic such as preferring one breed of cat to another and the challenges of purchasing property abroad. Although not directly related to the topic such anecdotes help to increase understanding about the owner-manager's character and motivations. There is merit in using narrative interviewing for this research subject as discussed in chapter 3 section 3.5.1.7, however, a slightly more structured approach will be adopted when using narrative interviewing in future research in order to better control the flow and maintain the focus of the interview.

The third major challenge faced was encountered during the analysis. Thematically analysing the data to identify emerging themes whilst maintaining a dynamic capability lens upon the analysis was challenging due to the intangible nature of dynamic capabilities. Regularly repeated business processes emerged from the data. These processes were interpreted in conjunction with comments from the owner-managers which confirmed the processes were repeatability enacted. Identification of repeatable processes acted as a marker for assessing if the rural micro-enterprises had developed dynamic capabilities. Reflecting upon the laborious process of data analysis, even with the use of N-vivo for storage and organisation of the codes, it may have been prudent to have drawn up a coding template informed by dynamic capability literature prior to starting the analysis thus, improve the efficiency of the analysis.

D. Example of Nvivo usage for data management

The screenshot displays the NVivo 12 software interface. The title bar reads "PhD Dynamic capabilities within Rural Micro-enterprises (NVivo 12)". The main window is divided into several sections:

- Menu Bar:** Home, Create, Data, Analyze, Query, Explore, Layout, View.
- Toolbar:** Includes icons for Open, Get Info, Edit, Paste, Copy, Merge, Format, Paragraph, Styles, Select, Find, and Delete.
- Left Panel (Navigation):**
 - DATA:** Contains folders for Files, Interview soundfiles, Interview transcripts, Pictures, References, File Classifications, and Externals. Sub-folders include geographical locations like Cotswolds, North Yorkshire, and Scotland, and categories like Rural services.
 - CODES:** A list of codes with columns for Name, Files, Referen..., and Created O... The "Rural services" code is selected.
 - CASES:** A section for case studies.
 - NOTES:** A section for notes.
- Right Panel (Reference View):** Shows a list of references with their coverage percentages and associated text excerpts.

Reference	Coverage	Text Excerpt
Reference 1	0.13%	I've had major problems with getting electricity right at the very beginning.
Reference 2	0.25%	he first ten units telephone wasn't too much of a problem only problem was we didn't have high speed broadband so that limits some of your customers
Reference 3	0.30%	I know everyone on first names, I see them regularly so I tell them upfront there's going to be a problem with BT only over time did I become aware that it's a lack of telephone lines
Reference 4	0.27%	I know MP's are always asking how broadband is going for small businesses cause it's a known issue, I think this would make a very good case study, what do you think?
Reference 5	0.05%	BT is an absolute nightmare
Reference 6	0.64%	I lost tenants in the end that was looking to take one office then a second one that left in the end by mutual agreement saying that they can't operate a business here because we haven't got a telephone line, so I actually lost tenants so its cost me several thousand pounds. And it could, if we had not been so financially secure . at a different stage it could have bankrupt the business,
Reference 7	0.09%	Water like all utilities they just like ripping you off,

E. Examples of coding aggregations when considering the dynamic capability aspect of this study

Code Groupings into Themes				DC lens categorisation	
Business activities	Broad scope of activity			What the business does	
	Quality service				
	Tenant recruitment				
	Tenant support				
Business aims	Tenant vetting			Objective	
Business background	Business start-up			Context	
Business challenges	Business constraints			Opportunities	
	Business change				
Business development	Business cycles		Change of focus	Seizing and transforming the micro-enterprise to maximise the identified opportunity, including networking, forward planning and shifting resource focus to optimise (eg marketing)	
	Business future		Forward planning		
	Business partners		Business relationships		
	Business planning		Business succession planning		
	Business Risks				
	Continuity				
	Business usp				
Business expertise	Expansion		Study visits	sensing	
	Reputation				
Business funding				seizing / transforming	
Business leadership				seizing / transforming	
Business marketing				seizing / transforming	
Business research				seizing	
Business strategy	Sustainability			seizing	
Business systems	Business processes			transforming	
Community	Community change			Context/resource potentially a source of business opportunities	
	Community engagement				
	Community needs				
Customer	Customer choice			Business asset / resource and could lead to dynamic capability around customer management	
	Customer focus				
	Customer needs				
	customer service				
Employees	Customer support			Resource for the businesses, in some instances influence strategy and could support development of dynamic capabilities (eg product development)	
	Employee development		Skills development		
	Employee retention				
	Employee succession planning				
	Employee training				
	Quality of employees				
External influences	Skilled workforce			External environment sensed by the Owner-manager to identify / envision opportunities to optimise	
	Employment opportunity				
	Brexit		Economic impact		
	Competitive sector		Reduced employment		
	Dynamic market				
	External advisors				
Location	Local experts			Contextual, influences the business from a resource perspective and also influences the capabilities and development of dynamic capabilities	
	Regulation				
	Family support				
	Local sourcing				
	Rural		Rural demographics		
			Rural economy		
Rural housing					
Rural politics					
Rural services					
Rural social challenges					
Marketing	Rural technical challenges		Support local enterprise	Common capability, in some cases dynamic, Potential seizing of opportunity enabler	
	Art festivals				
	Marketing support				
	Networking				
	PR		Visibility		
	Promotional brochures				
	Promotional films				
	Promotional magazines				
	Publicity talks				
	Quality of publicity materials				
Owner-manager	Social media			Significant influencer, key microfoundation of any dynamic capabilities present, individual level DMC present to some degree in most cases.	
	TV exposure				
	Websites				
	Owner-manager frustration		Time consuming		
	Owner-manager opinion				
	Owner-manager ambition				
	Owner-manager aspirations		Good intentions		
	Owner-manager qualifications		Learning		
	Owner-manager skills		Awareness		
			Completer finisher		
			Creativity		
			Decision making		
			Dedication		
			Flexibility		
Juggling priorities					
Motivation			Family focus		
			New opportunity quality of life		
Owner-manager work experience					
Owner-manager life event					
Product	Product design			Seizing opportunity, a capability, possibly dynamic depending upon the business	
	Product development				
	Differentiation				
	Product range				
Sales	Product quality product		Quality standards	Business capability, possibly dynamic depending upon the business	
			Product build quality		
Sales	Sales events		On-line sales	Business capability, possibly dynamic depending upon the business	
	Sales spike				
	Success				

Code Groupings into Themes				DC lens categorisation	
Business activities	Broad scope of activity			What the business does	
	Quality service				
	Tenant recruitment				
	Tenant support				
	Tenant vetting				
Business aims				Objective	
Business background	Business start-up			Context	
Business challenges	Business constraints			Opportunities	
Business development	Business change	Change of focus	Idea	Seizing and transforming the micro-enterprise to maximise the identified opportunity, including networking, forward planning and shifting resource focus to optimise (eg marketing)	
	Business cycles				
	Business future	Forward planning	Future plans		
	Business partners	Business relationships	Vision		
	Business planning	Business succession planning			
	Business Risks				
	Continuity				
Business usp					
Expansion	Study visits				
Business expertise	Reputation			sensing	
Business funding				seizing / transforming	
Business leadership				seizing / transforming	
Business marketing				seizing / transforming	
Business research				seizing	
Business strategy	Sustainability			seizing	
Business systems	Business processes			transforming	
Community	Community change			Context/resource potentially a source of business opportunities	
	Community engagement				
	Community needs				
Customer	Customer choice			Business asset / resource and could lead to dynamic capability around customer management	
	Customer focus				
	Customer needs				
	customer service				
	Customer support				
Employees	Employee development	Skills development		Resource for the businesses, in some instances influence strategy and could support development of dynamic capabilities (eg product development)	
	Employee retention				
	Employee succession planning				
	Employee training				
	Quality of employees				
	Skilled workforce				
	Employment opportunity				
External influences	Brexit	Economic impact		External environment sensed by the Owner-manager to identify / envision opportunities to optimise	
	Competitive sector	Reduced employment			
	Dynamic market				
	External advisors				
	Local experts				
	Regulation				
	Family support				
Location	Local sourcing			Contextual, influences the business from a resource perspective and also influences the capabilities and development of dynamic capabilities	
	Rural	Rural demographics			
		Rural economy			
		Rural housing			
		Rural politics			
		Rural services			
		Rural social challenges			
		Rural technical challenges			
Support local enterprise	Art festivals				
Marketing	Marketing support			Common capability, in some cases dynamic . Potential seizing of opportunity enabler	
	Networking				
	PR	Visibility			
	Promotional brochures				
	Promotional films				
	Promotional magazines				
	Publicity talks				
	Quality of publicity materials				
	Social media				
	TV exposure				
Websites					
Owner-manager	Owner-manager frustration	Time consuming		Significant influencer, key microfoundation of any dynamic capabilities present, individual level DMC present to some degree in most cases.	
	Owner-manager opinion				
	Owner-manager ambition				
	Owner-manager aspirations	Good intentions			
	Owner-manager qualifications	Learning			
	Owner-manager skills	Awareness			
		Completer finisher			
		Creativity			
		Decision making			
		Dedication			
		Flexibility			
		Juggling priorities			
		Motivation	Family focus		
			New opportunity		
			quality of life		
	Networking				
	Problem solving				
Project management					
Responsibilities					
Tenacity					
Owner-manager work experience					
Owner-manager life event					
Product	Product design			Seizing opportunity, a capability, possibly dynamic depending upon the business	
	Product development				
	Differentiation				
	Product range				
	Product quality product	Quality standards			
	Product build quality				
Sales	Sales events	On-line orders	On-line sales	Business capability, possibly dynamic depending upon the business	
	Sales spike				
	Success				

F. Findings and discussion from interview with Rural Support Provider

To improve the validity of this qualitative research, post analysis of the primary data rural economic policy makers in three local councils were sought to solicit their perspectives about rural micro-enterprises. The councils were initially approached via email and phone to identify the most appropriate people to talk to. It was envisaged that the viewpoint of the council policy decision maker responsible for rural development or enterprise development would add an additional layer of information about rural micro-enterprises to triangulate the data (Creswell & Miller, 2000). However, at the time of writing this thesis gaining access to the relevant contacts is proving problematical despite repeatedly phoning the councils and sending emails. This has resulted in only one telephone interview occurring to date.

This was with the Team Leader, Economic Development at Dumfries and Galloway council. The key finding from this interview is that the service provided by the council to support the development of the rural economy and specifically rural micro-enterprises is changing. The changes are due to the cessation of forward funding for the services they provide from Europe due to Brexit and the negative feedback from the rural business community for some of the current initiatives, such as The Business Gateway Program. The council officer also commented that small micro-business with one or two employees did not often request support, she thought this was probably due to the owner-managers considering themselves too busy managing the many issues they are facing when running their businesses.

There is a small team within the council responsible for delivering business support across a large rural region. This region has a poor road network and limited public transport services which has resulted in the available business support being spread even more thinly than if the team at the council were operating across an urban area benefiting from a better integrated transport network. For example, if one team member is visiting a business at the extremity of the county they may be out of the office a whole day and only be able to advise one or two businesses. The council officer commented that whilst acknowledging providing face to face advice for rural micro-enterprises is an important aspect of their role, it is not an efficient use of limited council resources.

The findings from this interview are aligned in the areas of resource and time scarcity as well as rural infrastructure challenges with those which arose from the rural micro-enterprise owner-manager's interviews.