

# The Wish to Grow - Growth Expectations for Side Activities in Rural Areas

MARIANNA MARKANTONI<sup>\*</sup>, SIERDJAN KOSTER<sup>\*</sup> and DIRK STRIJKER<sup>\*</sup>

<sup>\*</sup>*Urban and Regional Studies Institute (URSI)*

*Faculty of Spatial Sciences, University of Groningen, Landleven 1, 9747 AD Groningen, the Netherlands*

*Emails: M.markantoni@rug.nl, sierdjan.koster@rug.nl, and D.Strijker@rug.nl*

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MARKANTONI M., KOSTER S. and STRIJKER, D. Diversification of economic activities in rural areas is a prominent theme in regional development studies. This article examines the expectations of the side activities' owners about the future development of their activities. From a policy point of view, these activities may have spatial and economic effects on rural areas. The main conclusion is that although a large number of side activities do not intent to grow, there is a group of owners who surely have the expectations to grow and develop their side activity. For them, individual aspirations and the strive for economic wellbeing are the most common motivations. These characteristics can be used to predict the development of side activities.

Side Activities      Growth Expectations      Rural Small Businesses      Rural Development

## INTRODUCTION

Diversification of economic activities has become a prominent theme in rural development studies (BEZEMER, 2003). The wide range of the emerging activities not only hold the promise of ameliorating negative developments in rural areas, such as agricultural decline, rural depopulation, one-sided economic composition, and weak performance. Diversification could also realign with new societal demands and strengthen the economic base of rural areas (GURRIA, 2007). Growth of existing or new emerging firms could add to the diversification of economic activities in rural areas and influence regional development as well. In particular, small firms are often regarded as important vehicles to regional development and a promise of rejuvenating stagnated economies, especially in rural areas (GIAOUTZI et al., 1988). An important aspect in this respect is their growth potential. In line with that, SHEPHERD and WIKLUND (2005) hold that it is hard to imagine that small business will have an economic impact without growing; growth is considered fundamental for regional development.

Beside small firms, there is another type of activities that could play role in regional development, the so-called secondary activities, or side activities. These activities, like small firms, may also have the potential to grow and add to the development of communities by diversifying the regional economy. This study concentrates on an important part of the region: the rural. In this article, side activities are defined as, *activities which aim to provide the initiator a side income and take place in rural households*. From the definition, it is explicit that these activities yield an *extra* income for the household and they are home-based activities. While literature and research of small business growth is relatively abundant, side activities forms a forgotten group in scientific literature so far. In this article, small firms are used as a kind of a proxy and as a background to examine side activities and especially their growth.

Although it could be expected that growth of small firms may have higher economic and employment impact in rural areas than side activities, the focus of this article is on the last group and more specific on the expectations to grow. There are different reasons for that. Examining growth expectations of side activities first will show whether this forgotten group have indeed a longer-term perspective. Will these activities soon stop, be sold, are they going to continue or even develop into a main activity? This could also give an indication of the 'seriousness' of the activity. Continuation and growth of these activities may also have an

impact on the future economic and social development of communities. Finally, there is an underlying policy question, if side activities have the potential to grow in general, there could be concerns for their spatial impact. Therefore, the primary focus of this study is on side activities and more specific on the growth expectations of their owners. Two research questions are addressed to achieve this: 1) What are the growth expectations of the side activities' owners? 2) Which factors influence the growth expectations of side activities?

It is important to mention that most studies on rural diversification and secondary activities (e.g. other gainful activities, off-farm, non-farm activities, diversified activities) have been applied to farm households (e.g. CHAPLIN et al., 2004; ILBERY, 1991; SHUCKSMITH et al., 1989). In this article, the focus is on the complement of this group, the rural non-farming families. The reason is that until now little attention has been given to non-farmers and their potential to start a secondary activity and contribute in their turn to the local development; not only in terms of their economic potential, but also in terms of social and cultural contribution and for reasons related to individual needs and desires.

The structure of the article is as follows. The second section presents a brief review of previous research evidence related to the small business growth. Section three outlines the research method and data sources employed. Empirical findings of the survey are presented in section four and section five concludes the research findings by considering policy implications and future research recommendations.

### **SMALL BUSINESS GROWTH**

As research on side activities and especially on their growth is next to nonexistence, literature of small business in general could provide a foundation in examining growth expectations of side activities. Therefore, this study will examine side activities from the standpoint of the small business. Consequently, this article will also contribute to the question whether side activities behave as small businesses when it comes to growth. The following sections briefly review small business growth and the factors influencing their growth.

In scientific literature, attempts have been made to define small firms in two ways, namely, qualitative and quantitative (SHEPHERD and WIKLUND, 2005). In general, quantitative definitions are considered a more objective way to classify small firms, than qualitative definitions. The last type of definition is theoretical in nature and difficult to operationalize because it is based on characteristics such as the market share, the environmental conditions, the personalized owners and their independent structure (SHEPHERD and WIKLUND, 2005; STOREY, 1994). For the quantitative definitions the size itself is the criterion for the smallness of the business (SHEPHERD and WIKLUND, 2005). In line with that, the most commonly used definition is the quantitative definition of small and medium enterprises (SMEs) from the European Commission (EC, 2005). According to this definition, small firms are divided into three types: *micro-enterprises*, *small enterprises* and *medium enterprises*, based on statistical criteria such as number of employees and annual income levels (STOREY, 1994). Side activities in their turn, because they employ seldom more than three persons, could be classified at the lowest level of the small businesses: the *micro-enterprises*<sup>1</sup>.

There are two ways of studying growth of small businesses, by measuring either *actual growth* or *growth aspirations*. The focus of this article is on growth aspirations. Although regional development, for example planning and economic development is fuelled by the actual growth of firms, it has been proved that growth aspirations are a good predictor of

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<sup>1</sup> Micro-enterprises are defined as independently-owned firms employing fewer than ten full-time staff (EC, 2005)

actual growth (BIRD, 1992; GRAY, 2000; MORRISON et al., 2003; SEXTON and BOWMAN-UPTON, 1991). Consequently, there is evidence that examining growth aspirations is a good predictor of the actual growth of side activities and can therefore be used in studying the future development of rural areas.

#### *To grow or not to grow?*

One of the research questions of this article is to find out whether side activities have the intention to grow or not. According to the literature, for many small business owners pursuing growth is not their main purpose and it is more likely that they want to remain small (GREENBANK, 2001; STOREY, 1994). In line with that, most firms start small, live small and die small (DAVIDSSON et al., 2005). Additionally, TOWNROE and MALLALIEU (1993) found that a significant proportion of small business owners in rural areas place a higher priority on optimizing the benefits of being able to live in a rural environment than upon aiming for growth and profitability of their business. RALEY and MOXEY (2000) in their study in micro-enterprises, found that one-third of the respondents are definitely interested in growth. Furthermore, in micro-enterprises, a consistent finding is that firms with one to four employees are less growth oriented than those who have five to nine employees (CURRAN and STOREY, 1993). This could be particularly relevant for side activities as they employ maximum three persons. Summarizing, only a small proportion of the small firm population is aiming for growth (STOREY, 1994). Hence, it could be expected that for side activities, growth may not be the main objective but limited to a small group.

#### *Factors influencing growth*

Based on small business literature, myriads of factors have been identified to explain growth of small firms (PERREN, 1999). Among them are the characteristics of the owner, the businesses' organizational structure, the available resources, external influences, and local networks (GLANCEY, 1998; STOREY, 1994). In general terms, factors influencing growth can be categorized into *external* and *internal*.

Internal factors include both factors related to individual characteristics and to small firm characteristics. As far as the individual is concerned, internal factors include characteristics such as age, gender, personal skills and qualifications but also motivations and aspirations (DAVIDSSON, 1989; STOREY, 1994; TUROK, 1991). The way these factors influence growth, varies per study and sector (STOREY, 1994). In general, a consistent finding is that individual characteristics play an significant role for growth (DAVIDSSON, 1989; TUROK, 1991).

A further important internal factor that has been found to influence growth of firms is motivations (SHEPHERD and WIKLUND, 2005; STOREY, 1994; TUROK, 1991). More specifically, STOREY (1994, p. 128) distinguishes between positive and negative motives in relation to growth. He comes up with the hypothesis that individuals with positive motives are more likely to grow their business than those with negative motives. Positive motives include the desire to make money and negative motives include unemployment and people who seek to establish a 'lifestyle' business. Moreover, PERREN (1999) argues that the owner's motivation is also a prominent factor for growth. Additionally, BARKHAM (1994) and TUROK (1991) found that entrepreneurial motivation does have a significant impact on growth. However, there are also studies that were unable to find a direct impact (WESTHEAD and BIRLEY, 1995). Therefore, examining the relation of motivations for start-ups may be helpful to predict growth of side activities as well.

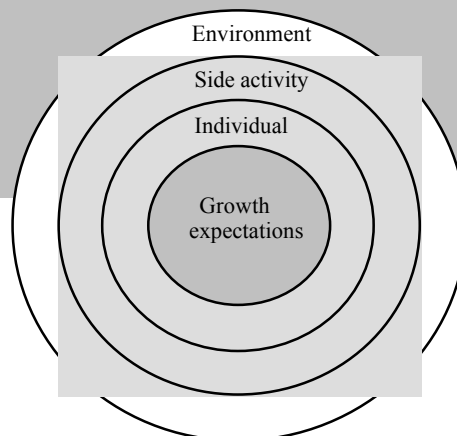
Apart from the characteristics of the owner, the characteristics of the small firm can also be seen as internal factors that may influence growth. These include factors such as, age and size of the firm (e.g. number of employees), type of sector, premises, sources of capital, type of ownership and resources such as, collaborations and available land/space (e.g. RALEY and MOXEY, 2000; STOREY, 1994; TUROK, 1991). In general, studies examining characteristics of small firms and growth are inconclusive. However, the age and the size of the firm are often found to be among the important characteristics that influence growth.

Additionally, resources such as number of employees, size of the firm, collaborations and technological innovations have also been proved to influence growth (ROBSON and BENNETT, 2000; STOREY, 1994). In terms of availability of land and space particular in rural areas, RALEY and MOXEY (2000, p. 29) argue that the *'stricter planning' regime in rural areas acts to stifle business development*. This implies that lack of space could inhibit potential growth. It could be expected that because side activities, as studied here, by definition are found in the countryside and many of them are related with the use of land and space (e.g. tourism, recreation); if they want to grow, availability of land could be of great importance for them. Later on, it will be examined to what extent the above characteristics play a role for the growth expectations of side activities.

The second category of factors that may influence growth is the external factors, which is the effect of the external *environment*. Factors such as taxes, policies, the labour and financial markets, the competitive environment, state support and firm embeddedness into the region are some of the external factors which seem to influence growth (DAVIDSSON, 1989; GÜLÜMSER et al., 2009; STOREY, 1994). Among them, embeddedness in local settings is considered to be a very important factor in order to succeed, especially because the closed social and economic systems may negatively influence growth (GÜLÜMSER et al., 2009).

In summary, small businesses growth seems to be influenced both by external and internal factors (MITRA and MATLAY, 2000). Because small firms are used in this article as a theoretical background for examining side activities, it is expected that the above mentioned factors possibly influence side activities' growth expectations as well. An important question to be answered is which type of factors are more associated with growth. A literature review revealed that for small businesses internal factors are more related to growth than external ones (SHEPHERD and WIKLUND, 2005; STOREY, 1994). More specifically, STOREY (1994) holds that motivations and personal characteristics such as age of the entrepreneur and education play the most important role for growth. Concerning firm related characteristics STOREY also argues that age of the firm also influences growth. As far as external factors are concerned, these seem to play the least important role for small firms growth (STOREY, 1994; TUROK, 1991).

Based on the distinction between internal and external factors, three components are expected to influence growth expectations of side activities: 1) *the individual characteristics* (internal), 2) *the side activity characteristics* (internal) and 3) the effect of the *environment* as an external factor. This distinction is useful because it separates the individual from the side activity and the factors external to them. As Fig. 1 demonstrates, the three components may be considered as three circles where in the middle growth expectations are to be predicted. This article will find out to what extent these three components influence growth expectations for side activities.



**Fig. 1 Schematic representation of the factors influencing expectations to grow**

## DATA AND METHODOLOGY

Because side activities are not registered in the records of any professional organization or other institution, they could not be identified without field research. Because many side activities involve tourism, services and facilities, producing and selling products, they are often recognizable with a roadside sign. Therefore, visual research was undertaken by looking for roadside signs. To avoid any missing cases, a snowballing method was applied as well. 5% of all respondents were found via snowballing. In total, 506 cases were gathered in 36 municipalities.

To gather further information a survey was developed. This quantitative approach was chosen because a variety of information was needed and also to get a broad overview of the side activities. A survey is an effective method to gather such information (ROSSI et al., 1983).

The survey was conducted by means of face-to-face interviews with people who operate the activities. This way of interviewing was chosen in order to have personal interaction with the respondents but also to get a deeper understanding of the phenomenon side activities. Moreover, visiting side activities also provided the opportunity to observe the surroundings.

The data were collected in 36 selected Dutch municipalities. Because the research was directed in rural areas, big urban centers and municipalities in short distance of these centers were left out. Moreover, because the most rural part of the Netherlands is the Northeast, more municipalities were selected there. The sample of this study was selected through a semi-stratified procedure. The motivation behind this sampling was that all side activities in the certain municipalities outside the build-up areas should be taken into account. (Further information and detailed description of the selection can be obtained via the website: <http://www.ruimte-rijk.nl/cultuurrijk/>).

During the fieldwork, 506 side activities were found. From these, 260 complete surveys were collected, resulting in a respectable response rate of 51%. This rate is relatively higher compared to small business studies (e.g. CLIFF, 1998; GREENBANK, 2001). This could have been expected because during the selection of the data the aim was to have a personal interaction with the respondents and this reduced the non-response rate (SINGLETON and STRAITS, 2001).

## RESULTS

### WHAT ARE THE GROWTH EXPECTATIONS FOR SIDE ACTIVITIES?

To find out what the future plans of the side activities owners were, three related questions were posed (Table 1). First, the respondents were asked whether they *had plans to grow their side activity* (within a period of five years). 72% of the owners indicated that they did not have plans to grow, whereas, a small proportion (28%) mentioned growth expectations. Then when they were asked if they had the intention to change their *side activity into their main source of income*. Also there it was found that the vast majority of the owners (80%) did not intend to change their side activity into a main activity. In order to check whether these two questions measure the same (growth expectations), a cross-tab test was performed. The results showed that they are indeed correlated but not very strongly (Cramer's V correlation, 0.38). It seems that the two questions highlight different aspects of growth. The first question measures growth in a broader sense. It can include many aspects of growth. The second question is more specific. It measures the specific transition from a secondary source of income to a main income. This indicates that the business is pursued seriously by the respondents. It denotes a significant step in the growth process. More so than the growth in general. Going more into depth in asking for growth expectations, another question was posed: *what will be the likely development of the side activity in the future*. As Table 1 shows, half of the respondents expect to keep the activity at the same level. On the other hand, a quarter of them expect to grow, while 18% indicated that they expect to quit either by stopping, selling, or pass the activity over to other family members.

Growth is not considered to be a main concern for the vast majority of the side activity owners. Yet, a small proportion of owners intend to grow their side activity. In literature,

although it is well supported that for small firms in general, growth is not a main objective, STOREY (1994) postulates that indeed some firms intent to grow but they constitute only a small proportion of the small firm population. In the question how many SMEs want to grow, rates vary per sector and type of small business. In general, with regard to small business growth studies, the argument that growth is not the main purpose, is well supported and empirically tested for side activities as well (CURRAN and BLACKBURN, 2001; RALEY and MOXEY, 2000; STOREY, 1994). In comparison, for micro-enterprises in rural areas RALEY and MOXEY (2000, p. 39) found that 30.2% of these enterprises were definitely interested in growth, 19.9% expressed the possibility to grow, and 33.0% of them did not want to grow. This implies that growth for micro-enterprises is not the main goal for many of them. From the results of this study, is clear that for side activities the share of growth intended entrepreneurs is even smaller from micro-enterprises.

**Table 1**  
Future perspectives of side activities

	Count (n)	Percentage (%)
Are you going to grow your side activity? <sup>a</sup>		
Yes	72	28
No	188	72
Will the side activity become your main source of income? <sup>b</sup>		
Yes	52	20
No	204	80
What is the likely development of the side activity in the future?		
Remain as it is	130	50
Grow it	66	25
Stop/sell/pass it over	46	18
Other reasons/I don't know	18	7

<sup>a</sup> Main dependent variable for the multivariate regression analysis

<sup>b</sup> Second dependent variable for the multivariate regression analysis  
(n=260)

As mentioned earlier, growth can be measured in general but also in more specific terms, such as growth in terms of hours spend in the activity, land/space, employees, collaborations. In order to interpret what the respondents actually meant referring to growth, they were also asked to indicate which resources they expect to increase. These resources reflect the side activities characteristics mentioned earlier in the theoretical part. Table 2 shows that most of owners expect to increase their personal time spend on the activity either in the short or long term. Investing in time is quite common in small business; it is generally agreed that people are committed when they run their own business (LOSCOCO and LEICHT, 1993; RALEY and MOXEY, 2000). Besides time investment, people also expect to collaborate with others in order to grow their side activity. For small businesses, it is known that it is important to establish links with other SMEs in order to pursue growth and improve their performance (GOMES-CASSERES, 1997). In line with that, ROBSON and BENNETT (2000) found that collaborations appear to be associated also with growth. Furthermore, the number of employees and the current land/space are unlikely to grow (Table 2). Considering the low expectations of increasing the number of employees, it can be concluded that the role of side activities as a job creator is not fully supported. In general, small businesses play an important role in rejuvenating stagnated economies through employment creation (NORTH and SMALLBONE, 1995). However, as the results show, side activities will not influence employment rates in rural areas as small businesses do. Moreover, pursuing growth by increasing land/space appears also low in comparison with the other resources. Side activities are not expected to expand in terms of land or space. A closer look at the small business literature revealed that especially in rural micro-enterprises, availability of workspace was considered among the factors of growth constraint but was not the most important one (RALEY and MOXEY, 2000). In the report of RALEY AND MOXEY (2000), the vast majority of the firms were constraint with finding source of capital, employees and third by the lack of workspace in order to grow. Moreover, business premises have also been reported to influence growth. In particular small firms who intent to grow are more likely to be based

on business premises than at home (TUROK, 1991). As side activities by definition are home based, this may already have implications on their growth and expansion potentials.

**Table 2**  
Resources expecting to grow

Growth factors (resources)	Time period	
	<2 years Increase	> 2 years Increase
Hours	<b>48 %</b>	<b>58 %</b>
Collaborations	<b>30 %</b>	<b>40 %</b>
Employees	10 %	20 %
Land/space	11 %	17 %

(n=72, respondents who will grow their side activity)

### WHICH FACTORS INFLUENCE THE FUTURE PERSPECTIVES OF SIDE ACTIVITIES?

Now that the future perspectives of side activities have been identified, the focus is on the second research question referring to the factors influencing the expectations to grow. Two methods were employed to achieve that. First, by directly asking the respondents and secondly, by means of a multivariate regression analysis.

#### *Direct questions*

On the closed question *which factors played a role to grow the side activity*, the respondents placed a great importance on the availability of resources such as land/space and time spend on the activity (Table 3). Taking a closer look at the availability of land and space, although the respondents mentioned previously that they do not expect to expand them, in this question land/space is considered to play an important role in order to pursue growth. An explanation could be that side activity owners probably have abundance of land and space, so that there is no reason to expand it. Land and space are not considered a constraint but an incentive to grow the side activity. Therefore, they rated the availability of land as an important factor for growth.

Side activity is a secondary activity; therefore, it is expected that in order to adjust into a main activity more resources are required. The possibility to earn more and the perspectives of the market seem to play a role as well. If people can earn more, and the market offers potentials, they may consider growth as an option. With regard to literature of small businesses, availability of resources in general influences growth (SHEPHERD and WIKLUND, 2005; STOREY, 1994). Resources related to land/space are not well represented in literature, whereas, time resources have been proved to play a role in order to succeed (SCASE and GOFFEE, 1982).

**Table 3**  
Factors that play a role to grow a side activity

	To no extent (%)	To a little extent (%)	To a great extent (%)
Availability of land/space	30	16	<b>54</b>
Availability of time	25	25	<b>50</b>
The possibility to earn more	26	25	<b>49</b>
Market perspectives	25	26	<b>49</b>
The possibility to cooperate with others	56	26	25

(n=72, respondents who will grow their side activity)

The respondents were also asked to indicate *which factors were important on their expectations not to grow their side activity* (closed question) (Table 4). The fact that people refer to their activity as a hobby, scored high (53%). However, a side activity is not the same as a hobby. By definition hobby should not aim to any economic rewards per se, whereas, side activities involve income earnings. In line with that, STEBBINS (1998, p. 50) explicitly distinguishes secondary activities with hobbies saying that: 'sideline businesses are not considered true hobbies'. As far as availability of time is concerned, this does not seem to influence growth expectations of side activities. The owners do not want to spend much time

and energy on the side activity, because it is not their main source of income. Moreover, local governmental restrictions (10%) do not seem to influence growth expectations for side activities. In literature, government restrictions are mainly referred to as planning growth permissions (RALEY and MOXEY, 2000). More specific, RALEY and MOXEY (2000, p. 31) in their report on rural micro-enterprises, they found that in aggregate, ‘development control does not directly fetter growth of the majority of the micro-businesses’. They also argue that this could be explained because of the limited development plans of most of these firms.

Although in the small business sector, external restrictions may play a role on growth, for side activities it does not seem to be of a great inhibitor. On this basis, it is plausible to say that because side activities are small, local governments may not have considered them as part of their spatial regime and may not have specific policies concerning their growth. Finally, among the factors that barely play a role for growth, are the lack of the available resources and the fact that people do not earn much. This could also be due to the fact that these activities aim only for a secondary income and possibly people do not want to invest much on them.

The direct questions above give an indication on what people perceive to play a role to grow or not their side activity. Below multivariate regression analysis is performed not only to explore hidden relations that may influence growth expectations but to confirm whether reasons mentioned above appear in the models as well.

**Table 4**  
Factors that played a role not to grow a side activity

	Yes (%)
It is a hobby	53
Too much time and energy	17
Local government restrictions	10
Not the available resources	7
Because of the age	7
Do not earn enough income from it	6
Total	100

(n= 188, respondents who will not grow their side activity)

### *Multivariate regression analysis*

Multivariate regression analysis and more specific binary logistic regression was applied as a second method to find out which factors may influence growth expectations. Table 6 summarizes the variables used for this analysis. The main dependent variable of the analysis is defined as *whether people are expecting to grow their side activity or not* (see Table 1). In the following analysis, the factors related to such expectations are examined. Based on the theoretical framework (see Fig. 1), factors influencing growth are divided into three components: 1) *the individual characteristics* 2) *the side activity characteristics* and 3) the effect of the *environment*. Below it is examined to what extent these factors can predict the growth expectations of side activities’ owners.

**Variables.** The variables referring to the *individual characteristics*, include *motivations* of starting a side activity and the *background characteristics of the respondent*. As mentioned earlier, motivations are considered to play a prominent role for the growth of small firms, therefore, it is expected to play an important role for predicting growth for side activities as well. From a previous analysis on motivations for side activities start-up, a varimax-rotated factor analysis was performed resulting into three factors: F1) *Internal aspirations and pursuits*, F2) *Economic wellbeing* and F3) *Rurality*, together accounting for the 42.94% of the variance (eigenvalues over 1 and factor loadings over .5) (MARKANTONI et al., 2010). The first factor is personal in nature, with motivations related to the individual such as personal growth, to meet a challenge or to achieve quality of life. The second factor is related to financial considerations. The last factor is associated with the fact that people live in rural areas because it fits to their rural lifestyle and furthermore, because they have the available resources (e.g. land and space). Referring to the background of the respondents variables

related to age (on average 52.2 years old and st.dev. 12.5), gender (61% female, 39% male), and whether people had experience with a side activity before (19.1%) are also examined. The educational level is measured as primary (9.3%), secondary (60%) and higher as university degree (30.6%).

The second component refers to variables related to the *side activity characteristics*. The average age of the side activities is 11.5 years (st.dev. 11.0), the vast majority of the businesses is carried out by only one person (61.5%) and the availability of land/space in the start-up represents the 84.6% of the cases. Finally, the type of side activity is also included in the analysis. A distinction is made between activities related to tourism and other type activities (e.g. services, antiques, produce own products). This distinction was decided as touristic activities form the bigger part of the sample. The variable related to the land/space because it did not add to the robustness of the models, does not appear in the models below. This variable although reported by the respondents to play a role (see Tables 3 and 4), was not confirmed to be statistically significant.

The last component refers to external factors influencing growth. Whether people received a subsidy to start their activity (4.6%) is included as a variable. However, the factor of government restrictions (20.8% of the respondents faced government restrictions) although it was mentioned by the respondents (see Table 4), it does not appear in the models below. First because, it did not add to the explanatory power of the models and second, because of its reverse causality. The last implies that if people want to grow, it is more likely to encounter more restrictions from the government. The last two variables, the years the individual lives in the current household (in average 19.7 years, st.dev. 16.6) and whether people were city dwellers five years ago (34.5 %), although they are considered as personal characteristics, in this article are found under the external factors. This is because they measure in a way local embeddedness. In relation to that, the degree of local embeddedness could be measured with the characteristics of the individuals concerned (KALANTARIDIS and BIKA, 2006). More specifically, it is logical to expect that the longer someone is living in a specific region, the more is expected to be embedded in that region. Furthermore, whether someone previously lived in an urban area, this could also affect the level of embeddedness in the region.

**Results.** Binary logistic regression was performed on the three components, *the individual, the side activity, and the environment* (Table 5). For the analysis, variables from each of the three components were included separately and at the end, all variables were added together to check their combined effect on growth expectations. Because motivations are expected to play a prominent role in predicting growth, they are first examined alone (Model 1) and second, in combination with the rest of the variables. More specific, Model 2, 3 and 4 besides the effect of the motivations includes the effect of the individual, the side activity, and the environment respectively. Model 5 is the result of all variables combined.

As a result, the analysis produced five statistically significant models (Table 5). Model 1 shows the important role of the motivations in predicting growth. Even more convincing, they remain statistically significant in all the other models of the analysis. Especially motivations related to the individual aspirations and the economic wellbeing are statistically significant and positively related to growth expectations. However, the motivation related to rurality does not seem to play a role for predicting growth in none of the models. A possible explanation could be that growth does not fit in rural lifestyle. The results indicate that indeed positive motivations such as the desire to earn more are significant and positively associated to growth (STOREY, 1994). However, negative motivations as STOREY define them give a mixed picture. Rurality is not related to growth but motivations that are connected to the individual show a significant association to growth in all models. The search for a lifestyle business based on STOREYs' distinction is considered to be a negative motivation related to growth, but it is not considered a negative motivation (push factor) to start a side activity.

It could have been expected that people who previously had a side activity would gain in experience and possibly are more directed to growth. However, the results do not support that. Previous experience with a side activity is hardly associated with expectations to grow. Consistent with the findings, TUROK (1991) found that previous experience was not

associated with growth oriented firms. However, other small business studies suggests that experience of owning one's own business affects growth (STOREY, 1994).

With regard to age of the respondent, the results indicate that it is significant and negatively associated with growth (Models 2, 5). The younger the person the more prone to pursue growth for the side activity. Referring to the previous small business studies, it is observed that evidence on the relationship between age and growth is mixed. There are various studies where age does not influence growth of the business (TUROK, 1991; WIKLUND and SHEPHERD, 2003). However, STOREY (1994, p. 134) supports the view that the age of the owner does negatively influence the growth rates of that business.

Gender on the other hand is significantly associated with growth expectations (Models 2, 5). Interpreting the results, in the case of side activities, men are more prone to strive for growth than women. This is consistent with the study of CLIFF (1998), where she examined the desire to grow in relation to gender. In a similar study (ROSA et al., 1996) also found that men were significantly more likely than women to grow their business. In contrast, in an extensive literature review, STOREY (1994, p. 136) concluded that gender is not a key influence predicting growth.

Finally, education does not play a role in predicting growth expectations of side activities in any of the models. In line with this, BARKHAM (1994, p. 124) also did not find a significant influence of education on growth. However, there are studies where a positive relationship has been found (SHEPHERD and WIKLUND, 2005; STANWORTH and CURRAN, 1976).

**Table 5**  
Predictors of side activities' growth expectations

	Model 1 <sup>a</sup>	Model 2 <sup>a</sup>	Model 3 <sup>a</sup>	Model 4 <sup>a</sup>	Model 5 <sup>a</sup>	Model 6 <sup>b</sup>
<b>1. The individual</b>						
<b>Motivations</b>						
(F1) Individual aspirations/pursuits	0.61 (0.16)***	0.67 (0.18)***	0.49 (0.17)***	0.62 (0.17)***	0.66 (0.19)***	0.57(0.23)**
(F2) Economic wellbeing	0.40 (0.16)***	0.31 (0.17)*	0.37 (0.16)**	0.42 (0.16)***	0.36 (0.18)**	0.81 (0.21)***
(F3) Rurality	0.22 (0.15)	0.16 (0.16)	0.27 (0.16)*	0.18 (0.16)	0.17 (0.17)	-0.20 (0.20)
<b>Personal characteristics</b>						
Experience (0=No)		0.65 (0.40)			0.70 (0.42)*	0.34 (0.48)
Age		-0.04 (0.14)***			-0.03 (0.02)**	-0.04 (0.02)**
Gender (0=female)		0.98 (0.34)***			1.06 (0.37)***	0.24 (0.42)
Education (primary)		Reference			Reference	Reference
Education (secondary)		-0.28 (0.59)			-0.17 (0.62)	0.01 (0.80)
Education (higher)		-0.14 (0.62)			0.17 (0.65)	-0.06 (0.83)
<b>2. The side activity</b>						
Type of side activity (0=Tourism)			0.24 (0.32)		0.06 (0.36)	0.68 (0.44)
Age of the side activity			-0.04 (0.02)**		-0.05 (0.02)**	-0.07 (0.33)**
People employed (0=more than 1 person)			0.09 (0.32)		-0.31 (0.36)	-0.31 (0.41)
<b>3. The environment</b>						
Subsidy (0=No)				-0.18 (0.72)	0.03 (0.76)	1.64 (0.75)**
Years in the household				-0.07 (0.01)	0.01 (0.01)	0.02 (0.2)
City dweller (0=No)				-0.60 (0.34)*	-0.59 (0.37)	-0.27 (0.47)
N	243	236	237	240	229	230
Cox and Snell R <sup>2</sup>	0.094	0.156	0.115	0.108	0.188	0.225
Nagelkerke R <sup>2</sup>	0.136	0.225	0.166	0.156	0.270	0.352

<sup>a</sup> Dependent variable: are you going to grow your side activity? (1=yes, 0=no)

<sup>b</sup> Dependent variable: will the side activity become a main activity? (1=yes, 0=no)

\*p<0.1, \*\* p<0.05. \*\*\* p<0.01

Examining the variables related to *side activity characteristics*, only the age is significant and negatively associated with growth. The younger the activity the more it is expected to pursue growth. This is also in line with small businesses studies. The rest of the side activity characteristics variables such as the type and the number of people employed are not significant. Concerning the relation between the type of the side activity and growth, in literature there is no similar distinction to make a comparison. However, there are studies referring to different sectors of small businesses. In the bulk of these studies there are

significant differences between different sectors (e.g. manufacturing, services, constructions) and the typical growth rates of firms (STOREY, 1994; TUROK, 1991). For side activities it could be expected that different types of activities could have a different impact on growth, as different type of sectors do. However, this is not empirically supported. Whether side activities are related to tourism or other types of activities did not reveal significant relations with growth expectations. Hence, variables related to the side activity appear to have less influence in predicting growth than variables related to the individual.

As far as variables related to *the environment* are concerned, these appear to be less associated with growth expectations in comparison with the previous components. For example, whether the side activity owners had received a subsidy or not did not reveal any significant association with growth expectations in Models 4 and 5. The variables connected to the local embeddedness also do not seem to play a role (Models 4, 5). Only Model 4 shows a slightly negative significance suggesting that people who previously lived in a city probably do not have expectations for growth. A possible explanation is that people moving from urban locations, may be looking for a rural lifestyle. For them, growth may not be the main objective and maintaining the side activity is probably enough. The variable measuring the years living in the current household also did not reveal significant relationship with growth. The lack of this relationship conflicts with research findings in small business concerning local embeddedness. Based on theory, local embeddedness is a key factor for business success but for side activities, it does not seem to be the case.

As shown earlier, there are different ways to measure growth expectations based on different aspects of growth (see Table 1). Until now, the results were based upon the broader way of measuring growth. As a robustness check, the Model 6 below applies a second depended variable, *namely will the side activity become a main activity*; which represents a more specific way to measure growth.

What is interesting to observe is that variables that played a prominent role in predicting growth in previous models, remain significant in Model 6. Thus, this shows the robustness of the models even though the new dependent variable measure a slightly different aspect of growth. Particularly, motivations related to the individual and the economic wellbeing are significant associated to growth. Age of the respondent, and age of the firm remain significant as well, whereas, gender disappears and the effect of subsidy comes into play. In particular, the subsidy variable becomes only significant in Model 6, suggesting that people who have received a subsidy will possibly adjust their side activity into a main activity. In contribution to that BRIDGE *et al.* (2003, p. 289) argue that research findings are inconclusive in determining whether financial support indeed generates growth. The underlying differences between the Models 4, 5, and 6 when examining subsidies are perhaps no surprising in view of the high percentage on people who did not have a subsidy. Some differences in the two models exist but this could have been expected as they are different variables, measuring slightly different aspects of growth.

In summary, referring to Fig. 1, the individual first, the side activity second and the environment third influence in this order growth expectations. As it was expected from theory, internal factors play a more important role than external ones in predicting growth expectations. More specifically, factors related to the individual characteristics and especially motivations appear to play the most important role. In that sense, when it comes to predict growth, side activities behave as small firms.

## CONCLUSIONS

Owners of side activities behave, as far as growth expectations are concerned, a bit like owners of small firms. For most of them growth is not the main issue, but for a small group it is. In terms of resources, side activity owners expect to increase their own time spend on the activity and the possible collaborations, in order to pursue growth. Concerning the use of

land/space side activities are not expected to grow; possibly because this resource is not a constraint; some of the respondents may already possess enough land/space and expanding is not within their main goals. Moreover, although it is well supported in theory that small firms make a major contribution to job creation, this is not empirically supported for side activities. Based on the low employment impact, and land use and because only a small group expect to grow, this article has indicated that there is not a need for side activities to be concerned in rural policies and spatial schemes of local governments.

Another underlying policy question is whether there is a need for rural policies to aim on those owners who only expect to grow their activities. For example, TOWNROE and MALLALIEU (1993, p. 19) argue that in rural small businesses, sometimes policy support encourages firms that do not want to grow. According to them, there is a need for selectivity in support, with a special attention to those firms which express the wish to grow. This appears also to be the case for side activities as well. Policies could also aim to encourage side activities owners who expect to grow, because these type of activities are expected to have a greater impact for regional development and not the ones who do not have any expectations to grow.

As far as factors influencing growth expectations are concerned, this article has shown that, as was expected from theory, internal factors and more specific motivations play a more important role than external factors in predicting growth expectations for side activities. These results could be applicable for rural policies that seek to find out which type of factors may play a role in predicting growth. This study has indicated that in order to spot growth oriented side activities, individual characteristics have to be spotted. Rural policies, besides the financial incentives, could be more individual oriented, by focusing on personal incentives. For example by promoting trainings aiming to develop specific entrepreneurial skills.

In summary, even though many scholars and policy-makers have promoted small businesses as a means of rural economic and employment development, few have explored the growth expectations of side activities and their possible effect in regional development in general. Since this article has examined only growth expectations and not actual growth, further research is required to develop a deeper understanding of the latter and the factors behind it. This article has made one step towards this end. It has shown that although a large number of side activities do not intend to grow, there is a group of owners who surely have the expectations to grow their side activity. For them, individual aspirations and the strive for economic wellbeing are the most common motivations. These characteristics can be used to predict the growth of side activities.

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