

**URBAN CONNECTIONS WITH RURAL AREAS IN  
HOME-BASED BUSINESS: IMPLICATIONS FOR SUSTAINABLE  
RURAL DEVELOPMENT IN SASKATCHEWAN**

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in Partial Fulfillment of the Requirements for the Degree of  
Doctor of Philosophy in the Department of Geography  
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By

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## ABSTRACT

The past two decades have witnessed significant growth in home-based work (HBW), particularly home-based business (HBB) activity and self-employment. These phenomena are attributed to factors such as flexible organization of production. While some empirical accounts on HBW and HBB activity in Canada do exist, they have mostly been conducted at the national or urban level rather than in rural areas. This thesis, therefore, places greater emphasis on rural HBBs in Saskatchewan where out-migration of people is threatening the viability and sustainability of rural and small communities. It is argued that rural sustainability largely depends on economic viability. The study area for the research includes the City of Saskatoon and the countryside surrounding this city.

The overall goal of this research is to contribute to the discussion of rural sustainability by considering HBBs as a potential strategy to achieve sustainability in rural areas and small communities. Therefore, the primary objectives of the dissertation are to examine the nature and degree of relationships of home business activity between rural, rural-urban fringe and urban areas, and the implications on links for sustainability of rural households and communities; to examine the relationship of HBB activity to the concept of rural entrepreneurship and business development; and to assess the contributions of rural and small town HBBs to the sustainability of households and communities in Saskatchewan.

A combination of the concept of “sustainable community development”, the von Thunen model and the competitive strategy model (i.e., cost-leadership, differentiation, focus) provide the theoretical framework of the thesis. Through snowball sampling and mail questionnaire surveys, primary data on HBBs were obtained from Saskatoon and its surrounding regions in Saskatchewan for micro-level analysis. Both qualitative and quantitative techniques were employed to analyze the data.

Major findings of the thesis include the linkages that HBBs create among places and the impact of links on community sustainability; and the apparent spatial variations in HBBs, motivations, competitive strategies, and benefits of home businesses from the urban core to the limits of the rural hinterland. It was also found that home businesses contribute positively to the sustainability of households and communities in rural Saskatchewan. Specifically, they generate significant revenue and employment opportunities for people, while supporting local economies through their networks, purchasing and selling of goods and services locally as well as keeping managers and members of their households in rural areas and small communities for considerable number of years. Indeed home-based occupation is a vital component of the mechanisms for rural sustainability. Also, this thesis proposed a rural-urban HBB model for future social science research.

Major conceptual underpinnings of the research include rural-urban relations; regional and community economic development, sustainable community development; rural entrepreneurship, home-based work, home business, self-employment, competitive strategy, and the von Thunen Isolated State model.

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## GLOSSARY OF ABBREVIATIONS

CAA	...	...	Community Action Agencies
CAP	...	...	Community Access Program
CBs	...	...	Commercial Businesses
CED	...	...	Community Economic Development
CFDCs	...	...	Community Futures Development Corporations
FTA	...	...	Free Trade Agreement
GAHI	...	...	Gross Annual Household Income
HBB(s)	...	...	Home-Based Business(es)
HBW	...	...	Home-Based Work
ICTs	...	...	Information and Communication Technologies
NAFTA	...	...	North American Free Trade Agreement
NRE	...	...	New Rural Economy
NOC	...	...	National Occupation Classification
RCD	...	...	Rural Community Development
RED	...	...	Regional Economic Development
REDAs	...	...	Regional Economic Development Authorities
RST	...	...	Rural and Small Town
SCD	...	...	Sustainable Community Development
SRD	...	...	Sustainable Rural Development
SRC	...	...	Sustainable Rural Community
SHBBA	...	...	Saskatchewan Home-Based Business Association
WTO	...	...	World Trade Organization

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 General Background of Thesis**

Until recently, home-based work (HBW) within Western industrialized societies had largely been considered archaic, exploitative, and illegal, and it was relegated to the economic background. Today these views and restrictions on HBW are gradually changing as the last quarter of the twentieth century and the beginning of the twenty-first century have witnessed resurgence in this phenomenon. The growing trend of HBW has attracted the attention of governments, planners, businesses, researchers and academics. In this thesis, HBW refers to any paid work operated in or from the home on a full- or part-time basis solely by an entrepreneur or by one with few employees, i.e., usually not more than five (Prugl and Tinker 1997; Gurstein 1996; Good and Levy 1992). The thesis concentrates on one component of HBW, namely the home-based business (HBB). A HBB is defined here as any business activity conducted within the home and/or its surrounding facilities (e.g., living room, basement, kitchen, garage, shed, workshop, studio, backyard) for profit. Thus, HBB refers to enterprises that are not based on traditional agriculture, i.e., keeping livestock, and producing food and fibre (Rowe et al. 1999; Heck et al. 1995; Olson et al. 1995; Masuo et al. 1992). HBBs range from the processing of farm products (e.g., meat, wine, cheese, jam), pottery, arts and crafts, to the provision of cleaning, personal, accommodation, recreational, and professional services. These business enterprises occur in both rural and urban settings.

It is argued that HBBs play a pivotal role in rural sustainability. This is because, lately, these small businesses have come to dominate economic activities in the countryside, particularly in the service sectors (McDaniel 2001). In this thesis, the term “community sustainability”, “rural sustainability” or “sustainable rural community” (SRC) is defined as a community that thrives economically, which supports lifestyles and livelihoods of individuals, households and communities. Its continuous existence depends primarily on its ability to function and grow through the use and regeneration of its own resources (e.g., ideas, skills, capital, labour, nature) and its ability to offer innovative and diversified economic opportunities that help its citizens to earn a living and a better quality of life, thereby keeping its population while attracting others to the community. This suggests that, although rural sustainability is not mutually exclusive from social well-being of individuals, it depends on economic viability much more than any other dimension.

The study area of this research – the south and central regions of Saskatchewan – is dominated much more by rural (fewer than 1,000 people) and small town (between 1,000 and 9,999 population) agricultural settlements than by forestry-based and First Nations communities. This region was selected because it has experienced some of the most significant declines in rural and small town population in the province (Mendelson and Bollman 1998), due to a combination of difficulties in the agricultural sectors, low farm income, and lack of employment opportunities for individuals and households. Consequently, these factors have contributed to undermine the sustainability of rural and small communities. Therefore, it is argued that the support for the development and maintenance of home-businesses may contribute to the reversal of this trend by

diversifying the rural economy, and by providing employment opportunities and income security for individuals and households.

## **1.2 Objectives of Research**

The overall goal of the thesis is to contribute to the discussion of rural sustainability by considering home businesses as one potential mechanism to achieve sustainability in rural communities (fewer than 1,000 people) and small towns (between 1,000 and 9,999 population) in Saskatchewan. Therefore, the objectives of the thesis are:

1. To examine the nature and degree of relationships of HBB activity among rural, rural-urban fringe and urban areas, and to consider the implications of links for sustainability of rural households and communities. This objective is concerned with the type and spatial distribution of HBBs, with the sources of HBB supplies or inputs, with the location of HBB customers, with the characteristics of the rural and small town HBB operators (gender, age, etc.), and how they shape the process of sustainable community development in the countryside.
2. To examine the relationship of HBB activity to the concept of rural entrepreneurship and business development. This will be achieved by developing an “anatomy” of the rural and small town HBBs, focusing particularly on the owners and factors that influence the creation and growth of these HBB enterprises, and by examining the techniques and strategies these business owners use to compete in the marketplace.

3. To assess the role of rural and rural-urban fringe HBBs in the sustainability of households and communities in Saskatchewan. In other words, this objective seeks to examine how HBBs contribute to the generation of income, employment and well-being of households and communities in rural areas and small towns.

### **1.3 Context for the Research Problem**

The re-emergence of HBW is attributed to the socio-economic restructuring at the global, national, regional and local levels (Stanger 2000; Kean et al. 1998). This phenomenon occurs mainly as a corollary of intensified globalization, competition, government regulations, and advancement in technological and communication innovations (Deschamps 1995; Dykeman 1992). These changes are components of the new economy. The term “new economy”, also variously labeled as knowledge-based economy, information economy, digital economy, high-tech economy, flexible production economy, new capitalist economy, and ‘new’ service economy, points to profound technological, economic and social restructuring at every level of society. These structural changes are attributed largely to globalization and advancement in technology, particularly improvement in information, communication, transportation, and production technologies (Jones 2003). Generally, the latter half of the 1990s is referred to as a new economy (Barnes et al. 2000: 15). Ben-Ner and Putterman (2003: 1070) argued that “the new economy represents the culmination of a long process of accumulation of scientific and applied knowledge in diverse fields. The digital revolution acted as a catalyst and an enabler of breakthrough achievements in many field

by permitting the rapid storage, retrieval, communication, and analysis of vast amounts of information, both quantitative and qualitative.”

### **1.3.1 Characteristics of the New Economy**

The significant features of the new economy include the transformation of work and workplace (Black and Lynch 2003; Barnes et al. 2000; Carnoy 2000), and the increasing complexity of work that requires greater knowledge (i.e., general and specific knowledge) and skills (formal and informal) for performing work (Ben-Ner and Putterman 2003; Swyngedouw 2000). The past twenty-five years have witnessed more firms and businesses adopting knowledge-based work processes and other workplace innovations, which has increased the demand for skilled labour (Black and Lynch 2003). This phenomenon is referred to as the computerization of the workplace (Barnes et al. 2000) or the changing capitalist workplace (Gibson-Graham 1996). One implication is that the new technologies have largely contributed to displacement of workers or caused a shift of more workers from permanent full-time work in most industrialized countries to increasingly temporal, part-time and independent contract work (Carnoy 2000), as well as more self-employed work (Carnoy 2000; Gibson-Graham 1996). Barnes et al. (2000: 15) claimed that “[s]tandard and stable patterns of work are increasingly giving way to non-standard and more precarious forms: part-time employment (both voluntary and involuntary), contractual work, and self-employment”. These changes may have contributed to the growth of home-based occupations in many societies today.

Also, advancements in technology have led to the collapse of spatial barriers (Harvey 2000) and increased geographical mobility of workers and people in general in



the new economy (Ben-Ner and Putterman 2003). Harvey (2000) argued that the decrease in friction of distance does not imply that the importance of space is diminishing but rather it has enabled capitalists and entrepreneurs to pay close attention to relative advantages of a particular location and place. Harvey contended that “[s]mall differences in what the space contains in the way of labour supplies, resources, infrastructure, and the like become an increased significance” (ibid: 84). This explains the increasing support for the promotion of place marketing, cultural commodification, or recreation and tourism as a strategy for rural and regional development (Mitchell 1998). It is argued that spatial differences in entrepreneurial abilities, knowledge-based, technological know-how, resources, social attitudes, and networks influence the development and sustainability of communities. Thus, community sustainability, to a degree, depends on the ability of residents and community leaders to identify and take advantage of the small differences in their communities to develop new businesses, new markets, and other development initiatives.

Another implication of new technologies, geographical mobility, and decentralization in the new economy is that, lately, most work tasks are coordinated through interactive networks of ICTs. This means several work tasks can now be conducted from any location, including the home and rural areas. Undoubtedly, these phenomena have influenced the growing trend in home-based business and telework activities in most industrialized countries such as Canada. Barnes et al. (2000: 16) argued that due to the advancement in technologies and the quest for greater flexibility, “work is now less likely to be performed in traditional locations such as the worker’s own factory or office; increasingly, work is occurring in non-traditional locations such as the home,

the hotel room, and the client's establishment". Therefore, terms such as home-based self-employment, homeworking, home business and telework are used to describe the new economy. Another implication is that "whenever these workplace transitions occur, families and the communities that form around new work organization are put under a lot of stress" (Carnoy 2000: 5). For example, the new economy involves an increasingly changed role for women in the labour force. According to Barnes et al. (2000), 9 out of 20 Canadian workers today are women. They pointed to the rapidly increasing female labour force participation rate in Canada from 37.1 percent in 1968 to 57.7 percent in 1998, and to a steadily decreasing male rate from 84.0 to 74.3 percent for the same period. Increasing entry of women into the labour force has given tremendous boost to home-based self-employment, which has been a key feature of the work system for most of human history (Carnoy 2002).

The new economy can be described as a transition from mass production of wheat, meat, textile, iron and steel economy to a flexible production economy that is dominated by the service sector, including consumer, business and personal services (Winson and Leach 2002; Barnes et al. 2000; Harvey 2000); by new technologies of electronic control, small-batch production, flexible design, labour de-skilling and re-skilling, sub-contracting, flexible hiring, decentralization (Harvey 2000), and by self-employment practices (Gibson-Graham 1996). The shift from consumption of goods to consumption of services also includes entertainment, spectacles, happenings, distractions (Harvey 2000), recreation, and tourism. In Canada, the service industries grew from 67 percent of total employment in the mid-1970s to 75 percent in the late 1990s, particularly in consumer and business services (Luciani 2004). This is one of the major features of

most home businesses – they have the flexibility of tailoring goods and services to meet client’s specific needs. The new flexible economy stresses the importance of knowledge, services, networks, and customer choices, preferences, and niches (Fairbairn 2003). It is also marked by profound flexibility with regards to labour processes, labour markets, and patterns of consumption (Harvey 1989).

Reference to the restructuring process as capitalist restructuring, the new capitalism, or the new phase of the capitalist economy (Winson and Leach 2002) implies that capitalists are turning to new forms of accumulation and consumption practices. Harvey (2000: 83) pointed to the “rapid capitalist penetration . . . of many sectors of cultural production [e.g., fashion, tourism, entertainment, music, fast food] from the mid-1960s onwards.” For example, several local foods such as the cultivation and harvesting of Saskatoon berries and other locally-based cultural symbols have been tapped and reorganized through the capitalist global commodity marketing system. Harvey argued that “[t]he central value system, to which capitalism has always appealed to validate and gauge its actions, is dematerialized and shifting, time horizons are collapsing, and it is hard to tell exactly what space we are in when it comes to assessing causes and effects, meanings or values” (ibid: 87).

Gibson-Graham (1996) underscored the transition to flexible production and economic transformation but strongly pointed to the end of capitalism rather than a shift in capitalism. Gibson-Graham argued that the new economy or economic space is no longer limited to capitalist control. For example, many workers in the new economy no longer sell their labour power for wages or work under capitalist control. They pointed to non-capitalist practices such as self-employment, communal enterprises, cooperatives,

small non-capitalist firms, and voluntary labour (Gibson-Graham nd.). Further, Gibson-Graham (1996: 6-7) argued that “[n]oncapitalist economic forms may be located in ‘peripheral’ countries [or regions] that lack the fullness and completeness of capitalist ‘development’. Noncapitalism is found in the household, the place of women, related to capitalism through service and complementarity. Noncapitalism is the before or the after of capitalism”. The implication is that non-capitalist economic forms, which are dominant in rural areas and remote regions, are the key to sustainable community development. Rural areas and small towns such as those in Saskatchewan have been shaped and are being transformed by globalization and flexible production processes.

### **1.3.2 The New Rural Economy**

Rural and small communities could not escape the economic and social restructuring shaping the global economy. Accordingly, the rural version of the new economy is the “new rural economy” (NRE). Apedaile (2004: 111) argued that “[t]he NRE is the rural face of globalization, complex and dynamic.” He described the NRE as “the outcome, sector by sector, aspect by aspect, of retooling the whole rural economy through digital technology in all its forms” (ibid: 111). In other words, NRE is an essential part of the new economy. Therefore, most of the features of the new economy discussed earlier also apply to the NRE. For example, the NRE has increasingly become a service economy whereby services account for about 75 percent of gross rural product in most places (Apedaile 2004). Lately, markets for business and personal services, recreation, and tourism are displacing those for the production of primary sector goods in the rural economic base. The transformation of the rural economy raises profound

implications for the development and sustainability of rural households and communities. Some of the emerging economic sectors such as recreation and tourism enterprises in rural areas point to changing relationships between rural areas and urban settings, whereby urban citizens are increasingly patronizing rural service providers.

As with the new economy, the NRE has become largely knowledge-based and an innovative economy, considering the innumerable evidence of scientific and technological products (e.g., sophisticated farm and mining equipments, genetic plants, internet) used across the rural landscape today. Ironically, many of the knowledge-based property rights and economic rent from these innovations are held outside the rural economy by global or multinational corporations such as Monsanto (Apedaile 2004). The implication is that farmers in the NRE have now become “more like [corporate] employees than independent operators . . . or like owners of a store franchise” (Fairbairn 2003: 9) who operate farming businesses within the rules set by multinational companies.

Another implication is that significant leakages of revenue from rural areas to the global owners of knowledge and innovation rights may weaken the sustainability of communities. One possible solution to this problem is to promote more homegrown businesses and knowledge-based industries that utilize local talents and resources. Apedaile (2004: 117) contended that generating revenue in today’s NRE for rural development may come from citizens of rural communities “learning how to organize global knowledge with local relatively immobile assets in exclusive ways not available or understandable to others in their markets.” In other words, the new strategy for rural development is niche marketing and specialization in knowledge-based tradable producer services and consumer products that combine local resources, talents and innovations

with open-access to global markets. This means that the talents of individual local residents and small independent household firms largely matter in the NRE. Apedaile (2004) described rural households as “micro-conglomerates” that govern the functions of the NRE, and the small rural household business as “the workhorse of the NRE”, which often seem to be marginalized. Apedaile argued further that “the lack of internal diversity within households could be expected to repel talent and thus the learning and lifestyle that stimulate creativity” (ibid: 119), entrepreneurship, and development of small businesses for community sustainability.

Rural decline is one major consequence of global economic and social restructuring, as well as a feature of the NRE. Many rural areas and small communities in Western industrialized countries such as Canada and the United States have witnessed a continuous increase in rural out-migration (Napton et al. 1999; Bollman 1998, 2000; Stabler and Olfert 1996; Hay 1992) and to some extent, disappearance of rural communities (Nozick 1999; Paul 1977). Many believe lack of employment opportunities in rural and small communities is the leading cause of out-migration (Troughton 1992; Balkin 1989; Pacione 1984).

According to Mendelson and Bollman (1998), the proportion of Canada’s population living in rural areas and small towns (i.e., the population residing outside the commuting zone of large centres) declined from 34% in 1976 to 22% in 1996. In 1951, over two-thirds of Saskatchewan’s population lived in rural and small communities (Statistics Canada 1951). However, Saskatchewan has experienced a dwindling rural and small town population since the 1930s. The largest declines were in the eastern and south-central regions of the province, i.e., most of the agricultural areas. The exceptions

were areas with oil and gas extraction and areas accessible by long distance commuting to larger urban centers (Mendelson and Bollman 1998). In fact, the migration of labour out of agriculture to the non-farm economy and the concomitant low income of farm families, and rural-urban migration in the Great Plains region of North American started in the 1920s (Barkley 1990; Hathaway 1960). As a result, it appears there is no hope for any rural population turnaround in Saskatchewan:

The migration of people from rural and small urban areas to large urban centers continues to be a major trend in this province. Indeed, it seems to be a trend that is increasing in scope over time and will likely continue to do so in the near and distant future (Saskatchewan Municipal Affairs 1999: 6).

Closely related to the demographic problem is the rapid decline in primary economic sector employment, particularly employment in agriculture in most rural regions in North America. Troughton (1992) believed that Canada's lack of rural employment opportunities is due to a decline in agriculture. This decline is attributed to rapid modernization of agriculture, to low commodity prices and price fluctuations on the world market, and to the lack of market accessibility for agricultural products (Stabler and Olfert 1996; Troughton 1992). It is also attributable to removal of government farm subsidies due to free trade agreements (Stabler and Olfert 1996; Napton 1992), and to chronic farm surpluses (i.e., production continues to outstrip market demand for agricultural commodities) caused by improvements in agricultural technology (Napton 1992). These factors have led to low farm income (Stabler and Olfert 2000; Catrina 1999), to fewer farmers, and to a massive migration of the labour force from rural areas and small towns to urban places (Napton et al. 1999; Napton 1992; Troughton 1992; Lapping et al. 1989). Others see greater opportunity in off-farm jobs in the new rural

economy (Stabler and Olfert 1996; Olfert 1993; Troughton 1992). In extreme cases, many farm families have gone bankrupt. Among the Prairie provinces, Saskatchewan reported the highest number of farm bankruptcies between 1987 and 1997 (Alberta Agriculture 1997). About fifty percent of farm bankruptcies reported in Canada between 1988 and 1993 were in Saskatchewan (Alberta Agriculture 1997). Historically, the primary agricultural sector has been the most significant component of the Saskatchewan rural economy. Therefore, its decline contributes to weaken the sustainability of rural areas and small communities.

A depressed agricultural economy does not only suggest the need for efficient rural sustainability strategies, but also implies that alternative mechanisms for household and community economic sustainability could form important elements of regional economies. As a result, governments, communities and individuals in these geographic regions have adopted survival strategies emphasizing farm diversification, recreation and tourism, information and communication technologies, and small business approaches for diversification, revitalization and sustainability. Bollman (2001: 15) argued that “[r]ural employment solutions are not going to come from agricultural development”. Evidence shows that farm families now rely more on income from non-farm sources than farming income. For example, in 1999, 73% of every dollar in farm family income was obtained from non-farming activities (Statistic Canada 2002). Bollman (2001) pointed to farm diversification, off-farm businesses and home-based businesses as the main sources of growth in rural employment. This implies that “the survival of rural areas, and communities, is a battle fought not on one front but on many” (Everitt and Annis 1992: 215). Therefore, to a large extent, pursuing these sustainable rural development (SRD)



strategies would help reverse the trend of rural decline by retaining, promoting and sustaining many viable alternative lifestyles to that of urban centres; also, by protecting the order and work of the local system between places at its most efficient level (Gertler 1994).

Farm diversification refers to “the development of non-traditional (alternative) enterprises on the farm” (Ilbery 1992: 103). Examples might include value-added production (e.g., production of cheese, meat processing), organic farming, direct marketing (e.g., farm gate sales, pick-your-own) and multiplication of marketing channels, farm-based tourism (e.g., farm vacation, accommodation, recreation), farm land leased for non-agricultural purposes, and employment on other farms (farm labour) (Post and Terluim 1997; Ilbery 1992; Deslauriers et al. 1992). It might also include aquaculture, horticulture, and developing crops such as canola, rape seed and soyabeans for industrial and scientific uses (Napton 1992). Napton (1992) maintained that farm diversification is designed to reduce risk and increase farm income.

Recreation and tourism, which were previously perceived as a threat to the rural environment, now provide opportunities for the development of rural and small communities. Today, rural communities have taken advantage of their resources (e.g., wildlife habitats, lakes, rivers, forests, historic sites) to offer leisure, holiday, sport and retreat services to people from all walks of life. Recreational use of rural resources helps generate income and employment, sustain rural services and infrastructure, create new use of derelict sites with social benefits for rural dwellers, and improve the appearance of the environment (Glyptis 1992). Tourism is a form of recreation that normally involves travel (i.e., minimum time spent, and/or distance travelled). Rural tourism usually

involves urban residents moving to the countryside. It includes bed and breakfast homes, farm vacations, resorts, cultural festivals, art and crafts sales, shows and sight seeing activities in rural areas (Butler and Clark 1992). Bontron and Lasnier (1997) argued that tourism contributes significantly to rural employment, but in many cases it is a seasonal and part-time activity. Hence, rural tourism has generated fewer jobs than urban tourism. Bontron and Lasnier also contended that rural tourism demonstrates genuine economic potential based on local heritage resources such as landscapes, local culture and festivals. Gill (1999) argued that the impact of rural tourism extends beyond economic consideration to social and environmental concerns. One major challenge to tourism as a rural development strategy is its control at the local, municipal and provincial levels rather than at the individual and household level.

Currently, information and communication technologies (ICTs) play a role in rural development and in new rural economy in general. It is believed that ICTs have opened new opportunities for rural and small communities because they have minimized the constraints of distance and have added ability to access markets in distant locations, improved education, and strengthened social networks (Grimes 2000; Bryden 1997). Bryden (1997) maintained that telework is the most obvious new opportunity for rural areas and people. Telework refers to “activities where ‘information work’ is produced at home and delivered electronically to the enterprise” (Bryden 1997: 451). Like farm diversification and other activities, much of the expansion of telework has occurred in periurban rather than in peripheral areas. Grimes (2000) argued that telework continues to be a predominantly urban or suburban phenomenon and has less potential for rural

areas. However, Grimes does believe that ICTs in general do present opportunities for indigenous enterprises in rural areas to be connected with external markets.

The federal governments of the United States and Canada have initiated the Community Action Agencies (CAA) and the Community Access Program (CAP) respectively, to provide Internet access to rural areas and small communities. Some communities have capitalized on these computer technology initiatives to market and promote their communities for tourism, business and residential activities (Manley 1999). ICTs as a rural development strategy are not without their weaknesses. Their negative impacts on the socioeconomic life of rural areas and people include modification of local culture, exposure of rural businesses to outside competition, and high cost of installation services. Despite these drawbacks the use of information and communication technology is a potential strategy for rural development without which rural citizens may be at a disadvantage in the new economic and technological age (Bryden 1997).

Other strategies for sustainability of rural communities in the new rural economy include multicomunity partnership initiatives such as the Regional Economic Development Authorities (REDAs) and the Community Futures Development Corporations (CFDCs) (Ofosuene 1997; Stabler 1996); and consolidation of public services (e.g., school, health centre, railway services), private services (e.g., shopping malls, grain elevators) (Lapping et al. 1989) and municipalities (Saskatchewan Municipal Affairs 1999). Although consolidation of services reduces cost, it has made living in rural hinterland areas increasingly difficult. The primary goal of the locally driven partnership initiatives (REDAs, CFDCs, etc.) is to promote the development and diversification of the rural economies. These initiatives promote community economic development

(CED) through the provision of information, financial assistance, counselling and advisory services to community-based and individual development initiatives such as small businesses. Job creation is one major component of the rural development initiatives.

The foregoing rural development strategies share one major commonality: they involve the activities of small businesses, particularly HBBs. It is argued that the ability to support, develop and maintain HBBs is one of the keys for the sustainability of rural and small communities. The thesis is centred on HBBs for the following reasons. First, as noted, the small business sector, which is an essential component of the new rural economy, captures several rural development strategies including tourism, ICTs and farm diversification. Second, the HBB component of the small business development strategy is one of the oldest means of livelihood for many rural areas and small communities, and people compared with, for example, ICTs. Therefore, home business' long history makes it an appropriate and potential strategy for sustainability of households and communities. Third, rural small businesses have the advantages of flexibility, fewer restrictions and control, and lower barriers to entry.

By itself, the growing presence of the HBB sector in the new rural economy or in communities and households make it a crucial subject to investigate. While some empirical accounts of HBW and HBB in Canada exist, they have mostly been conducted at the national or urban levels (Randall 1997; Gurstein 1995; Deschamps 1995; Roberts 1994) rather than in rural areas. This thesis, therefore, places greater emphasis on rural HBBs in Saskatchewan where out-migration of people threatens the viability and sustainability of rural areas and small communities. The thesis also investigates urban

connections with rural areas and small communities using HBBs as a vehicle to better understand these relationships, and the implications for regional and community economic development. Although studies suggest that HBB activities occur in both rural areas and urban settings, virtually no study in Canada, particularly in Saskatchewan, has theoretically and empirically examined the variation of this phenomenon across a rural-urban region. Porter's (1980) competitive strategy model, which emphasizes cost-leadership, differentiation and focus; the Von Thunen (1966) Isolated State model, which examines spatial variations in economic activity; and the concept of "sustainable community development" provide the theoretical framework for the dissertation. The models are employed to examine the variation in HBBs over space, the contributions of these businesses to communities in different geographic zones (i.e., urban-core, rural-urban fringe and rural-hinterland), the connections between rural and small town HBBs and urban places, and the implications of these links for sustainability of rural households and communities. It is important to note that methodological and theoretical information on HBW and HBBs is scanty. Therefore, this thesis also seeks to add to the body of knowledge.

The significance of this research is as follows. First, recommendations that arise out of the research may help prevent the slow rural depopulation and rural employment loss in Saskatchewan and allow the rural economy to withstand the uncertainties associated with fluctuating agricultural prices. Second, development of rural home businesses could also contribute to improving the social and support networks within rural municipalities and beyond. Third, the role of small business in general and home-base business in particular may be a driving force in community economic development.

The HBB, Dykeman (1992: 292) has argued, “cannot be ignored as a legitimate rural development strategy. . . . Efforts that supply better information and understanding of home-based businesses are now needed, providing information guidance for rural community economic diversification initiatives.” Fourth, the dissertation will provide insight into the potential, opportunities and constraints of employing HBBs as an alternative strategy for rural sustainability. Fifth, it will assist in identifying types of HBB enterprises in rural areas and small towns, while uncovering the links between (a) these small businesses and the wider region, and (b) the links between these HBBs and other sectors of the rural economy including tourism and agriculture. Sixth, it will contribute to finding generally accepted definitions, or theoretical and methodological underpinnings of the concept of HBB and its correlates such as HBW.

#### **1.4 Organization of Research**

The thesis is divided into eight chapters. Chapter Two reviews the literature. It examines the relationships among the literature on the concepts of rural-urban relations, regional economic development (RED), sustainable community development (SCD) and community economic development (CED). It also reviews the concepts of entrepreneurship, self-employment, home-based work and home-based business in order to show how they are related to the concepts noted above. Chapter Three provides the theoretical framework and hypotheses for the research. It discusses the links between two economic models (i.e., the competitive strategy and the von Thunen Isolated State models) and the concept of “sustainable community development”, and how these models help explain the role of home business play in rural sustainability.

The methodology for the dissertation is presented in Chapter Four. Here, the rationale for selecting the study area and the procedures for collecting and analysing the data are presented. Chapters Five through Seven are the main empirical chapters of the thesis. Chapter Five describes and analyses the spatial distribution of HBBs, the nature and degree of links between regions, and the characteristics of HBB operators in the study region. Chapter Six considers the relationship of home business activity to the concept of rural entrepreneurship and business development. Chapter Seven examines the contributions of rural and small town home businesses to the sustainability of households and communities in Saskatchewan. The final chapter summarizes the major results of the dissertation and their implications for future research. In addition, it discusses the contributions of the thesis to the existing body of knowledge, assesses the shortcomings or limitations of the research, and discusses some conclusions.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Today, the primary goal for most regional and community economic development initiatives in North America is to achieve sustainability or to foster sustainable community development. The sustainable community development process is influenced by household, community and regional economic initiatives such as the development and maintenance of small businesses (e.g., HBBs). It is believed that the ability to support, develop and maintain small businesses, particularly home business, in the agriculturally-based south-central region of Saskatchewan where rural out migration continues to threaten the survival of rural areas (fewer than 1,000 people) and small towns (between 1,000 and 9,999 population) would contribute to minimize this problem, thereby promoting the sustainability of communities. In other words, rural sustainability to a great degree depends on economic viability and on the diversification of rural economies through household entrepreneurial and business initiatives such as HBB activity, and through regional and community economic initiatives. It is anticipated that the diversification, income and employment opportunities offered by home businesses would help in revitalizing and keeping business managers and members of their households in rural areas and small communities thereby contributing to rural sustainability.

This thesis draws on four strands of literature: first, it discusses the literature on rural-urban relations in order to provide insight into the nature of linkages between rural



and urban areas; second, it compares the literature on regional economic development (RED), sustainable community development (SCD) and community economic development (CED) with an emphasis of capturing the relationships among these concepts; third, it explores the entrepreneurship and self-employment literature to identify the links of these concepts to home-based business as a strategy for sustainable community development; finally, the literature on home-based work (HBW) and home-based business (HBB) provide a conceptual and empirical account of the growth of this phenomenon in North America.

## **2.2 Rural-Urban Relations**

The literature review on the concept of rural-urban relations is necessary because objective 1 of the thesis examines the nature and degree of relationships of HBB activity among rural, rural-urban fringe and urban areas, and considers the implications of links for sustainability of households and communities. Therefore, this literature provides insight into the nature of linkages, particularly economic linkages, between rural areas and urban settings. Also, the core-periphery model (Friedmann 1966) that characterizes the linkages between urban and rural areas has been adequately discussed in Hansen (1981), Bivand (1981), Gyawali et al. (1993) and several other studies. Therefore, this section merely summarizes the nature and factors that generate links between rural and urban areas. According to Malecki (1991: 13), “[t]he distinction between periphery and core geographically concerns levels of linkage and access” of all sorts, e.g., markets, services, resources, information, technology, etc. The core (urban) tends to play a

dominant role in this linkage and accessibility process, while the periphery (rural) plays a dependent role.

Interactions between rural and urban areas are generated by three main factors: (i) needs that cannot be satisfied by the other area (Rondinelli 1984, 1985); (ii) unequal distribution of power (Preston 1975); and (iii) unequal distribution of resources and population. Major types of rural-urban linkages include economic, social, institutional, physical, ideological and cultural dimensions (Douglass 1998; Gyawali et al., 1993; Unwin 1989a; Dixon 1987; Rondinelli 1985 and 1984; O'Connor 1983; Preston 1975). Various authors have offered different classifications of rural-urban linkages (Unwin 1989; Rondinelli 1985; O'Connor 1983; Preston 1975). Preston (1975) is, perhaps, the first to provide geographers with a typology of rural-urban relations. His five-fold classification of interactions between rural and urban areas included movement of people, movement of goods, movement of capital, social transactions, and administration and service provision (Preston 1975: 173). Douglass (1998) provided a similar typology for policy research. His typology included the flow of people, production, commodities, capital or income and information. Rondinelli (1985) and Unwin (1989) classified rural-urban linkages as physical, economic, population movement, technological, social interaction, service delivery, and political-administration and organizational. For the purpose of the thesis, the economic relationships are significant.

Microenterprises or small business activities generate links between communities (Kirby 1985). For instance, urban settings serve as markets for rural and small town HBB products such as crafts, artworks, and food products. Urban areas also provide business information and inputs such as computers, small machinery and working tools

for rural HBBs. Rural communities and small towns serve as tourist destinations for urban residents who use such opportunities to acquire special home-based products that urban centres do not provide. It is also likely that at least some rural home-based employees work for urban-based firms and corporations, while some urban entrepreneurs such as professional accountants and lawyers offer business services to their rural business counterparts. In addition, urban and rural communities occasionally organize joint trade shows and fairs to market their products. They also interact at farmers' markets. The implications of these interactions for regional and community economic development, and for rural sustainability in Saskatchewan will be discussed in Chapter Five.

### **2.3 Regional Economic Development**

The regional economic development (RED) literature is directly connected with the objective of the research, which focuses on the relationships of HBB activity among rural, rural-urban fringe and urban areas in south-central Saskatchewan (objective 1). This objective points to the role of rural and small town HBBs in a rural-urban micro region's economy or in the development of a regional economy. It is argued that this micro-enterprise activity creates backward and forward linkages of investments within and among communities. This interdependence is critical for the sustainability of the micro-region. That is, home business activities affect, first, the sustainability of the local community, and second, the development of the entire micro-region. Also, it implies that RED is a component of sustainable community development, which is central to this research. Therefore, the literature on RED has relevance to this research.

The term “regional” is a concept referring to spatial subunits at the community (rural, urban), provincial, national or global levels (Sweet 1999; Chisholm 1990; Prescott and Lewis 1975). This thesis focuses on the urban-rural region (core-periphery). The main underlying objective of development at any geographic region is to improve the quality of life of people and their environments (MacNeil 1997; Black 1991; Buller and Wright 1990; Seers 1979). Development occurs through the decisions and activities of a multitude of actors, including the individual, household, firm, community organization, municipal corporation and other governments (Nozick 1999). Regional development is, therefore, a multifaceted activity (economic, social, cultural, political, ecological, technological, etc.) and a process of generating improvement in quality of life of individuals, households and communities in a particular region and time.

Regional economic development is defined in this thesis as the economic transformation of a region (both quantitative and qualitative attributes) from a less desirable to a more desirable state in a progressive and sustainable manner. Although the economic element of regional development is emphasized here, this definition is not mutually exclusive from the other aspects of human well-being such as social and cultural aspects. In addition, the regional feature of this definition acknowledges the fact that problems and their solutions for places transcend the borders and capabilities of individuals, communities, or governments. Therefore, development activities and processes of a community should be pursued with reference to other places and may include all the agents of development in an integrated fashion. Thus, RED is characterized by coordination, partnership, cooperation, rationalization, (re)organization

and distribution of resources to promote the welfare of people within spatial units (Ofosuene 1997; Simon 1990).

The popularity of RED activities in industrialized countries since the 1950s is expressed in the overwhelming literature on regional development theories, models, policies, programmes and planning (Friedmann and Alonso 1975; Higgins and Savoie 1992; Friedmann 1966; Hirschman 1958; Myrdal 1957; Perroux 1955; North 1955). Attempts to classify the existing regional development theories have been challenging due to their overlapping features (Saku 1995). For example, the notion of core-periphery is the main underlying feature of most regional development theories and models. In spite of this concern and based on philosophical underpinnings rather than features, it is believed that regional development models can be categorized into two groups, namely development-from-above or “top-down” models, and development-from-below or “bottom-up” models (Orser and Foster 1992; Hansen 1981; Stohr and Taylor 1981).

### **2.3.1 Top-Down Regional Development Policy in Saskatchewan**

Prior to the 1990s, governments in Canada used a top-down model to implement rural and regional development policies and programs in the Prairie region. Rural and regional development in Saskatchewan and the development of the entire prairies economy have largely been influenced by governments at both federal and provincial levels for several decades. Since the 1980s, rural and regional development policies and programs in Saskatchewan, and in Canada, have shifted from welfare-based policies and programs to increasingly neo-liberal ones. Also, both staples and interventionist theories

have been used to explain the role of government in rural and regional development in the Prairies (Brodie 1990).

In fact, government involvement in the development of the prairie region started with Canada's National Policy of developing this region as an investment frontier and agricultural hinterland of central Canada or the industrial core (Stirling 2001). Not only was the economy of the prairies developed to serve the industrial core in central Canada but also to promote the export of staple products (e.g., wheat) for economic growth (Norrie 1984). The underlying idea is that the abundant natural resource endowments in the prairies are main vehicles to the economic development of this region and the country (Brodie 1990). As a result, the government supported its staple economy policy by establishing subsidization and Crow freight rate programs (Stabler and Olfert 1996). Since 1897, the Crow rate has provided lower freight rates for the shipment of western grains and flour (Troughton (2004). The termination of the Crow rate and grain stabilization programs in 1995 "left domestic agriculture production less protected in a global economy and encouraged industrialization by multinational corporations" (Troughton 2004: 261). This action of the government was due to its signing into the membership of global and continental trade agreements such as the North American Free Trade Agreement (NAFTA) with the United States and Mexico.

The Canadian government's rural intervention and regional development policies and programs that were established prior to the 1970s have been sector-specific. They focused either on agriculture, fishing, forestry, mining or energy (OECD 2002). For example, a program such as the Prairie Farm Rehabilitation Act (PFRA) that was initiated in 1935 and still operates in Saskatchewan today was designed to improve sub-marginal

lands for grazing, water conservation, irrigation, and resettlement of farm families (Agriculture and Agri-Food Canada – PFRA 1992, 1994). Although the PRFA has been diversified to integrate resource management, environmental analysis, and sustainable agriculture, it is yet to be considered a comprehensive rural and regional development program. Other similar programs such as the Agricultural and Rural Development Act (ARDA) and the Fund for Rural Economic Development (FRED) that were introduced in 1961 and 1966 respectively (Savoie 1992), focused on assisting low income farmers through improvements of land and alternative land use, irrigation, land consolidation, as well as increasing employment opportunities in the rural agricultural sector (Brewis 1976). Clearly, the development of the agricultural sector has been used as a surrogate for rural and regional development in Saskatchewan for several decades. Brown (1988) argued that rural development policies and programs should be based on the total rural economy, including the farming sector, economic activity within small urban centres in rural areas, resource extraction industries, forestry and cottage industries, tourism, and service industries. In other words, rural development policies should recognize and emphasize the interrelationships and interdependencies among these sectors and their mutually beneficial effects on rural sustainability.

The late 1960s to early 1980s witnessed a new era of government intervention in regional development in Saskatchewan. The introduction of federal programs such as those associated with the Department of Regional Economic Expansion (DREE in 1969), the Department of Regional Industrial Expansion (DRIE) and the Ministry of State for Economic and Regional Development (MSERD) (Savoie 1992), was a clear departure from the earlier agriculturally-oriented policies and programs which sought to tackle

regional development problems from the rural context to those which addressed these concerns from an urban perspective. This change may have been influenced by a transition of the dominance of rural population to that of an urban population in Saskatchewan. Therefore, three urban growth poles or special areas, namely Meadow Lake, Saskatoon and Regina, were selected and designated for infrastructure and industrial incentive assistance (Savoie 1986, 1992).

The conventional view of development-from-above models such as the growth poles in Saskatchewan is that spontaneous or induced development begins in a favourable geographic region or location and its impulses are expected to spread or trickle-down to surrounding regions (Hirschman 1958; Myrdal 1957; Perroux 1955). The main philosophical basis of these models is that limited resources should be applied where they create the greatest return, so they should not be spread thinly over space (Hansen 1981; Savoie 1992). These models also emphasize that competition among different geographic settings will facilitate growth (Orser and Foster 1992). These benefits were not achieved in the case of Saskatchewan and the government development policies were severely criticized. Anderson (1988: 251) described the federal regional development policies as “a patchwork of programs”, which meant they only addressed symptoms rather than causes of rural and regional development problems (Troughton 2004). It implies that the government’s rural and regional development policies and programs were not comprehensive or broad enough to capture the diverse and dynamic aspects of rural and regional development in Saskatchewan. The dismal results from the federal top-down or centralized development policies and program led to a significant and radical decentralization of political-economic development initiatives in Saskatchewan.



### **2.3.2 Bottom-Up Regional Development Policy in Saskatchewan**

The development-from-below paradigms, including the community development framework, and alternative or indigenous theory, emphasize grassroots development initiatives that are tailored to enhancing the quality of life of local or indigenous citizens (Anderson 1999; Stohr 1981). Friedmann and Weaver (1979) argued that the principal objective of development-from-below is to develop the full potential of human and natural resources in a particular region. The assumption is that local people have a better comprehension of their values, resources and needs. Hence, they should be allowed to control their own development process and destiny (Douglas 1989; Stohr 1981).

The post-1985 era experienced a shift from centralized federal development policies to the emergence of province-building policies and strategies that included a host of economic policies designed to stimulate economic growth and diversification in Saskatchewan. For example, small business loans, dissemination of business information, taxation, subsidies, infrastructure projects, and regulatory powers have all been used to promote new activities and to expand the scale of existing ones (Norrie 1984). In response to the rural decline conundrum, the provincial government has initiated policies to consolidate community services (Troughton 2004; Olfert and Stabler 2000) and to promote multi-community partnership in the economic development process (Ofosuene 1997; Stabler 1996). In 1984, the Saskatchewan government established the Task Force on Rural Development to investigate rural decline and regional disparity phenomena. One of the Task Force's major recommendations to the provincial government approach to rural development was the introduction of the Rural Development Corporations (RDCs) program in 1986 (Ofosuene 1997; Baker and

Ketilson 1995; Brown 1988). This program has evolved into the Regional Economic Development Authority (REDA) initiative that is in operation in the province today. The REDA initiative emphasizes a multi-community (urban and rural) partnership approach to rural and regional development. It also promotes grassroots development initiatives (Ofosuene 1997) such as self-employment-based entrepreneurial ventures and the development of homegrown small business enterprises. According to Baker and Ketilson (1995: 178), “Saskatchewan has a strong employment-generating, small-business sector. Small business, comprising 93 percent of the total number of non-agricultural private firms in the province, directly employs about one-third of all employed people.” These businesses are centered on retail trade and the service sector. This phenomenon conforms to the features of the new (rural) economy.

### **2.3.3 Rural and Regional Development in the New Economy**

The challenges of economic and social restructuring in Saskatchewan and in many regions worldwide have prompted the Saskatchewan government to revise its approach to rural development and sustainability. In 2000, the government established the Action Committee on the Rural Economy (ACRE) to analyse the economy of rural Saskatchewan and to coordinate and design strategies for rural sustainability (Government of Saskatchewan 2002). Two of ACRE’s interim recommendations were to promote access to Internet and other communication networks, and to establish skills development programs to help entrepreneurs remain in rural Saskatchewan (OECD 2002). The Committee’s final report, released in May 2005, deemed entrepreneurship and business development as pivotal to the sustainability of rural Saskatchewan. In

keeping with Baker and Ketilson's (1995) claim, the Committee found that "entrepreneurship is alive and well in rural Saskatchewan. Rural Saskatchewan has a large and growing business community. Approximately 70 per cent of Saskatchewan's businesses are located in rural areas" (Government of Saskatchewan 2005: 11). The implication is that entrepreneurial activity is the main contributor to livelihoods in rural Saskatchewan. Therefore, with access to the basic tools, strategies and skills, rural entrepreneurial ventures, including home businesses, may thrive and be more likely to support community sustainability and regional development.

Parallel to this new provincial government approach to rural development, the federal government has also revisited rural and regional development policy issues at the regional and national levels. Since the 1990s, it has revised its development policy to become more community and grassroots-oriented. For example, programs such as Western Economic Diversification (WD), Community Futures Development Corporations (CFDCs), and Community Business Development Corporations (CBDCs) have been designed to foster entrepreneurship in rural regions. This approach is built on the philosophy that local decision-making and community development are the most effective ways to transform the future of communities, where members of the community take hold of the destiny of their own rural areas. This philosophy is also shared by the provincial RDCs and REDA initiatives noted earlier. In addition, the recognition of the role of ICTs in the new economy compelled the federal government to establish the Community Access Program (CAP) in 1994. This program was designed in response to changing technology and the need to integrate rural regions in Canada into the global network. So far, the CAP has contributed to "the establishment of more than 4500 public

Internet access sites in roughly 3000 rural and remote communities” and about 8,800 sites in rural, remote, and urban communities across the country (OECD 2002: 173).

In the 1996 Speech from the Throne, the Government of Canada committed itself again to the economic renewal of rural Canada. Specifically, the government created the Canadian Rural Partnership (CRP) policy framework in 1998 to support its rural policy efforts in all provinces and territories. In addition, it established the Rural Secretariat in 1996, which is located in the Department of Agriculture and Agri-Food Canada, to lead, coordinate and facilitate CRP and federal rural policy for revitalization and sustainability of all predominantly rural regions in Canada (Government of Canada 2005). The value of placing the Rural Secretariat in this department is questionable given earlier less than successful government efforts to address rural development concerns from an agricultural perspective. Despite this uncertainty, these new developments are an indication that, at the very least, the federal government is once again playing a role in the debate over these issues.

Lately, there seems to be a convergence of all forms of development whereby governments and local communities are forming partnerships for area-wide development using the tools of community economic development (Ofosuene 1997). Also federal and provincial rural and regional development policies and programs have adopted the tools of community economic development for rural and regional development. The new policies and programs pay more attention to grassroots participation and entrepreneurial approaches for rural revitalization and sustainability.

The emergence of bottom-up philosophies is attributed to the relative dismal achievement of top-down development paradigms (Peggy 1998; Savoie 1992; Giloth

1988; Kirby 1985; Richardson 1976; Gilbert 1975). Coffey and Polese (1985) and Clarke and Gaile (1992) have questioned the effectiveness of the conventional paradigms. Consequently, alternative bottom-up development initiatives have gained the attention of many community leaders and researchers. This thesis concentrates on grassroots entrepreneurship as a strategy for achieving sustainable community development. Thus, it recognizes the compatibility of bottom-up paradigms with the growth of HBBs (Randall 1997). It is believed that mobilization of grassroots entrepreneurship is a significant component of RED and sustainable community development. As in Saskatchewan and other regions across North America, regional and community economic development (RED/CED) initiatives co-exist or are integrated to foster sustainability across multiple communities (Ofosuene 1997). RED is a multi-community collaboration or inter-community partnership initiative (Baker 1993; Hausler 1974) that employs the tools of CED and top-down strategies and resources for promoting community revitalization and sustainability. More recently, the principal underlying goal of both RED and CED is to move towards the sustainability of communities over time. This points to a relationship among the ideas of RED, CED and SCD. This relationship is considered in depth throughout this chapter.

#### **2.4 Sustainable Community Development Framework**

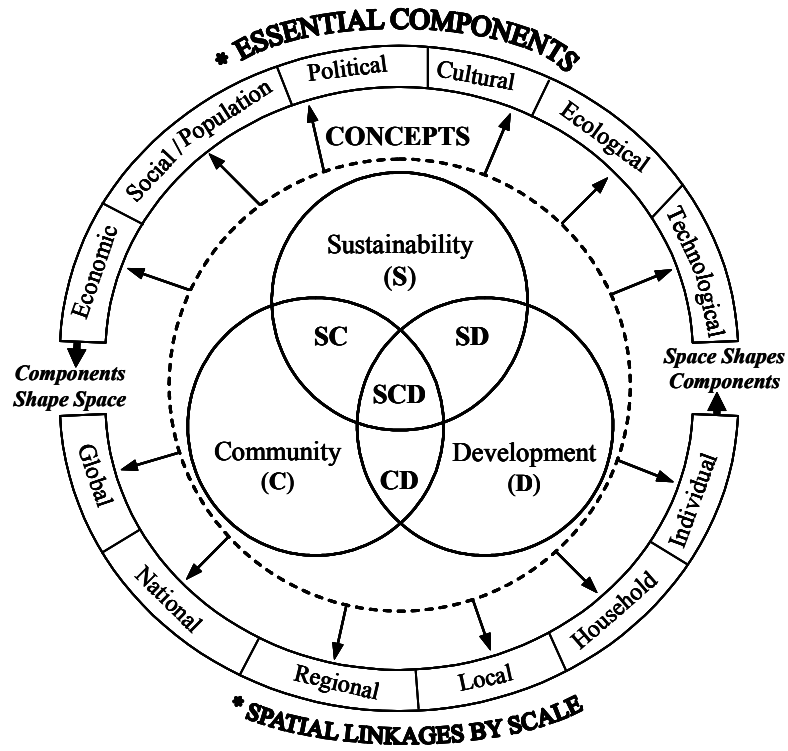
The concepts of sustainability and sustainable community development are at the centre of this dissertation. As noted earlier, the overall goal of this research is to contribute to the discussion of rural or community sustainability by considering HBBs as a key mechanism to achieve sustainability in rural and small communities in

Saskatchewan. Hence, the literature on sustainable community development, sustainable development, community economic development, and strategies for sustainable community development becomes very significant for addressing the objectives and analysing the theoretical framework of the thesis.

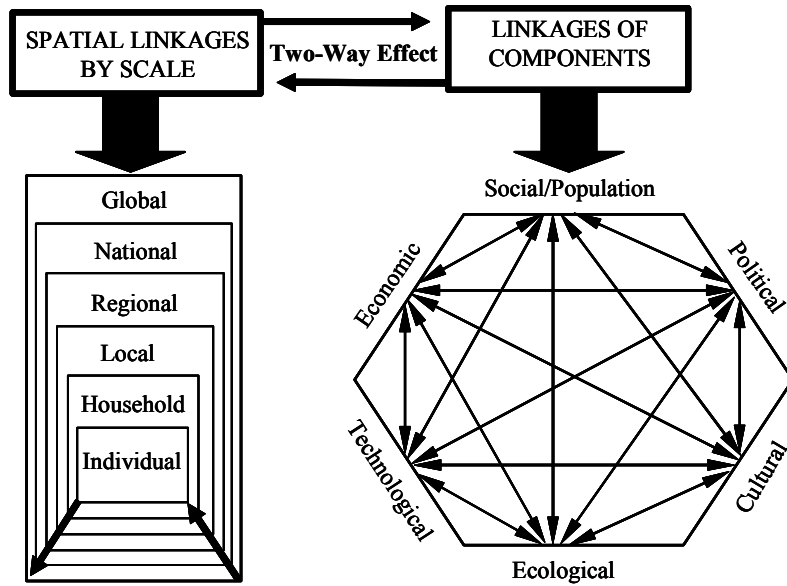
The concept of sustainable community development is broad and complex. This dissertation focuses on four principal aspects, namely community economic development, sustainable development, sustainable community, and SCD strategies. Figure 2.1 suggests a conceptualization of SCD. It indicates that SCD consists of three major concepts, namely sustainability, community and development. Six essential components (i.e., economic, social, ecological, political, cultural, technological) characterize each of these concepts or a combination of them; and these components can be examined at different geographic scales. It should be noted that SCD integrates all of these components in a holistic approach. Nevertheless, for the purpose of this thesis the economic (HBBs or small businesses) component of SCD at the regional scale, particularly the interactions of rural HBBs within urban settings, is emphasized.

One important dimension of the SCD framework is rural sustainability and the existence of complex relationships among the terms sustainability, community, household, and work. Home businesses (work), managers and their households are embedded in community and in the micro-region (Figure 2.1). This relationship implies that the conditions, behaviours, and characteristics of businesses, managers and households are essential to our understanding of sustainable rural communities and regional economic development. For example, factors such as gender, age, and the educational status of business managers all influence the performance of small business

**Figure 2.1:** Conceptualization of Sustainable Community Development



**\* Conceptualization of Linkages between Space and Components**



Source: Designed by the Author

activity (Cotter et al. 1996). These businesses in turn shape the livelihood of managers and the sustainability of communities. The reverse situation, whereby sustainable communities influence business growth and retention, is also true. Community characteristics such as population size and location affect the sustainability of small rural businesses. Therefore, the survival of small businesses and the sustainability of communities are clearly interconnected.

The fact that home businesses and manager are embedded in communities suggests that the social and economic actions taken by individuals and households have implications for rural sustainability. In other words, home business entrepreneurship can be considered a type of regional and community development strategy for its potential as an alternative employment opportunity and income source for rural and small town residents, and for its economic multiplier effect on a community and region (Loker et al. 1995). This claim will be examined in more detail in the empirical analysis described in Chapters 5 to 7. The four major aspects of SCD are discussed next, beginning with the definition of CED. The rest of this figure is explained in more detail throughout this chapter.

#### **2.4.1 Community Economic Development**

The community economic development (CED) literature is significant for this research because entrepreneurial and small business development activities are a major component of community development. Thus, CED initiatives such as small business development and maintenance are critical elements in sustainable community development in North America today. Therefore, information on the concept of



community economic development is highly relevant to the objective of the thesis to examine the role of HBBs in rural sustainability (Objective 3). One of the contentions of this thesis is that small businesses, particularly home business activity, contribute positively to the sustainability of households and communities in Saskatchewan.

The terms “community economic development” and “regional economic development” are often used interchangeably. O’Neill (1994) maintained that CED is an effort to foster development by the local community, while RED is an effort to foster economic development among communities in the large sense. Although RED is an umbrella initiative for CED, both concepts focus on economic development in particular and development more broadly interpreted. Douglas (1989) distinguished CED from economic activities of individual entrepreneurs and governments on the basis that most often these latter actors lack the critical elements of CED, namely the collectivity or communal driving force, highly integrated design (e.g., linking business to other economic activities), accountability to all stakeholders, and social optimization of community economic initiatives. In this way, CED is a means to various ends rather than ends in itself.

Generally, CED means change, growth, transformation, or improvement from within a community. It is a process that is aimed directly at improving the quality of a community (Kleniewski 1997; Mathewson and M’Gonigle 1997; Douglas 1989). As noted above, the underlying philosophy of CED is that local people know their values, priorities, needs, problems and strengths better than anyone else including governments. Therefore, they are in a better position to initiate their own development activities, manage their own resources and take control of their own destinies (Maser 1997; Douglas

1994). This means that the primary agents of CED are individuals, households and communities.

Nutter and McKnight (1994) believed that CED is a strategy for dealing with social and economic problems in society or a model of community vitalization. It is also about maintaining and encouraging the creation of new employment opportunities (Bryant 1994). These definitions limit CED to economic and social well-being of communities. Several authors disagree with this limitation and believed that CED should encompass every aspect of life in a community (Haughton 1998; Peggy 1998; Bryant 1992; Shaffer 1989; Kirby 1985). Haughton (1998: 872) equates CED to economic regeneration on a sustainable basis, defining sustainable CED as “area regeneration processes, which necessarily combine social, economic and environmental actions, and which closely involve communities with all stages of the process.” In keeping with Haughton’s definition, Shaffer (1989: 117) maintained that CED is “a function of ecological, social action, and initiative factors.” Ecological factors, Shaffer explained, are the important local factors external to the community beyond which it has limited control. Social action and initiative factors are local efforts involving planning, broad-based local participation, and community effort to stimulate particular types of economic development.

Kirby (1985: 217) contended that CED “cannot be understood solely in terms of local affairs, or solely in terms of economic questions.” He pointed to several salient fallacies inherent in current perceptions of CED. These fallacies include that (i) CED is about job creation, (ii) local economic initiatives automatically benefit the locality, and (iii) local economic affairs can be examined independent of what takes place elsewhere.

Considering the first fallacy, Kirby argued that while many governments and planners consider small business growth as “the incubation of economic activities based on local ideas, local talent, and minimal capital” (ibid: 210), realistically they do not as this sector consists of “small scale actors who lack entrepreneurial skills, and that significant local expansion is more usually the result of external investment” (ibid: 210). Contrary to this claim, others argued that some of the existing large commercial firms started as small business, mostly, from the home (Randall 1997; Dykeman 1992).

Focusing on the second fallacy, Kirby (1985) contended that due to backward and forward leakages of investment between places, it is not likely that a local community will be able to benefit immensely from its economic development initiatives. As a result, one cannot satisfactorily examine the CED of any place in isolation as indicated by the third fallacy. CED in any place needs to be linked with communities beyond its gates. Although Kirby’s fallacies of CED were focused on urban places, they relate very well with rural and small towns. According to Nozick (1999), the individual, community, region, state and world are interconnected through economic, social and political activities undertaken by individuals or communities (see Figure 2.1). In other words, individual decisions affect local, regional and national socioeconomic trends. Although a decision may be good for an individual, it can also lead to collective calamity (Everitt and Annis 1992).

This thesis, therefore, attempts to uncover some of the major economic linkages between individuals or households and the broader CED process, using HBBs as a form of production. It is argued that HBBs foster sustainable community development through the exchange of goods and services, and through the retention of profits or revenues in

the community. Ironically, policy makers, planners, and community leaders have not yet given satisfactory recognition and support to this entrepreneurial activity as a significance rural development strategy (Brown and Muske 2001; Rowe 1999). Possible reasons for this oversight include the lack of data for documenting the impact of home-based employment on local economies, the negative attitude of governments and public towards home-based work, and the invisibility of home-based occupations (Heck et al. 1995).

Brown and Muske (2001: 3) argued that home businesses are:

overlooked in community development efforts because of their invisibility, independence and credibility deficit. They are often perceived as menial businesses without vision or purpose. . . . These businesses fit so seamlessly into the community that they simply are not noticed for what they are, functional and contributing micro businesses.

For example, “in rural communities, the auto mechanic with a shop behind his house or the landscaper in her pickup truck may not be seen by neighbors or community leaders as home-based workers, although they have no other office” (Rowe et al. 1999: 74-75). These claims suggest that home businesses are embedded in communities; therefore, they are a critical component of communities’ sustainability. In actuality, the long-standing restructuring in traditional industries such as agriculture, fishing and forestry, and the growing proportions of home-based work and other micro-businesses in rural Saskatchewan imply that much of the impetus for revitalization and sustainability of communities will come from small business self-employed entrepreneurial ventures in the non-traditional sector. The absence of quantitative data on CED activities in rural areas and small towns, and the focus on indigenous resources as a competitive edge in the marketplace are among the several features of CED in rural Canada (Douglas 1989). The research described in this thesis will help narrow the data gap. What some of these

discussions point to is sustainable development, a concept that is considered in the next section.

#### **2.4.2 Sustainable Development**

The concepts of “sustainability” and “sustainable development” are perhaps the principal philosophical underpinnings of regional and community development today. These concepts are often used interchangeably without being defined, which explains their ambiguity. Wirtz and Heikkila (1998: 191) identified subtle distinctions between sustainability and sustainable development, interpreting the former as “the ontological associations between agents regarding the maintenance of the human and biological systems we inhabit over time”, and the latter as, “the development processes which have the capacity to sustain themselves over time”. This implies that sustainable development is a component of sustainability and the nature of connections existing between agents of development must support and strengthen rather than undermine each other over time. Sustainable development should therefore try to achieve a higher level of quality of life for individuals, households and communities in the long term.

The concept of sustainable development evolved from the environmental debate of the late 1970s and early 1980s, popularized by the United Nations’ World Commission on Environment and Development (WCED) report published in 1987. This report defined sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED 1987:43). While the WCED definition implicitly refers to different dimensions of sustainable development, it places more emphasis on sustainable natural resource

management. Bryant (1999: 70) believed sustainable development “originates from a two-fold concern regarding the impact of economic development . . . in relation to environmental degradation . . . and social marginalization”. Due to its complex nature, the interpretation of sustainable development should not be limited solely to natural resource use and management or ecological sustainability (Clark et al. 1997).

The 1990s witnessed a widespread growth in the awareness of other dimensions of sustainable development, namely economic viability such as employment security; social sustainability, which refers to the protection of social norms and quality of life (De Carlo and Drummond 1998; Goulet 1995; Munro 1995); cultural sustainability or the protection of symbolic meanings of places (Goulet 1995; Munro 1995); political sustainability, which is a function of democracy, freedoms, empowerment and responsibility (Goulet 1995); and technological sustainability, which includes the preservation and improvement of local ideas, techniques and innovations (Figure 2.1). Today, sustainable development is defined to suit various interests. The current debate on the concept, however, leans more towards these different dimensions and their integration and convergence (Hoff 1998; Cocklin et al. 1997; Goulet 1995; Winogard 1995; Fuller et al. 1989). This intersection, Nozick (1998) argued, is dynamic and never totally attainable because of changing conditions and values, which have profound implications for planning SCD.

Sustainable development is also viewed from different geo-political scales – local, regional, national, international and global (Figure 2.1). This dissertation focuses on the local and regional scales. Flora and Kroma (1998) argued that location determines the perception of sustainable development. This implies that people have different

interactions with a wide range of resources, and this influences their definition and strategies for sustainable development. In other words, the definition and strategies for sustainable development vary across space. Cocklin et al. (1997) asserted that not only location, but also a combination of different factors define and influence sustainable development at different geographic scales, and geographic scale modifies sustainable development. For example, provincial or national level economic policies that are related to taxation and subsidization affect the decision of individual business operators at the community or farm level. Cocklin et al. referred to the linkages between different levels in a geographical hierarchy as a “nested spatial hierarchy”. They argued that “systems which emphasize one of these components to the detriment of others are to be considered less sustainable” (ibid: 30). Linkages between places are regarded as a “double-edged sword” in the sustainable development process, in that “. . . linkages can stimulate decline as well as development, [and so] it is not clear whether sustainability in this respect is increased or hampered by communities being linked, physically, economically and socially to centers of economic growth” (Fuller et al. 1989: 10). This issue will be examined in Chapter Five.

The above discussion indicates that time is one of the main factors that characterize the term sustainable development. To sustain something means to make it last for a period of time. Maser (1997: 54) posed the question: “[W]hat is the scale of time within which something must exist in order to be considered sustainable or sustained?” In terms of time, one needs to recognize that sustainable development is a continuous process based upon a conscious, purposeful and moral transformation of society (Maser 1997). Munro (1995: 28) underscored this claim: “for development to be

sustainable, it must continue, or its benefits must be maintained, indefinitely.” Sustainable development is, therefore, defined in this thesis as a positive change carried out on a continuous and sustained basis that does not decouple the economic, social, cultural, political, ecological, technical, and ideological systems on which individuals, households and communities depend. To achieve sustainable development, one must clearly define what is to be sustained, in this case the livelihood and economies of rural areas and small communities, and specify the strategies required to achieve sustainability, e.g., using rural entrepreneurship as a vehicle for sustainable rural development.

### **2.4.3 Sustainable Community**

The above discussion has provided some information about the term sustainable community or sustainable rural community. Bryden (1994) defined a sustainable rural community as one that has the capacity to reproduce and evolve in all the dimensions of sustainable community development (economic, social, cultural, ecological, etc.) without detracting from the chance of such reproduction for other communities. This means a community should try to integrate all aspects of sustainable community development, while recognizing the effect of this development process on adjacent communities. This definition is too general as it does not indicate how to achieve these principles, e.g., how does a community evolve economically?

Fuller et al. (1989) offered a relatively more detailed interpretation of the concept. They referred to sustainable rural communities as those that (i) are forward-looking, i.e., places with vision and where individuals and families will choose to live and work; (ii) always search out new ideas and information on development innovations from different



sources, while preserving their local indigenous knowledge, e.g., crafts people who are adept at turning local resources into useful and valuable products; (iii) are welcoming to new immigrants from other places; and (iv) are all inclusive, i.e., they make place for ideas, innovations and aspirations of people of all ages, genders and races. In addition to the four key features of a sustainable community (vision, innovation, acceptance, inclusion), Fuller et al. also pointed to the impact of community sustainability on surrounding regions, and proposed an integrated or coordinated approach to rural community development. Although the foregoing definitions were biased towards rural communities, they might also be applicable to other geographic settings. Now, given this interpretation of a sustainable community, the major question that arises is: what strategies should be employed to foster the sustainability of rural communities?

#### **2.4.4 Strategies for Sustainable Community Development**

The quest for sustainable community development is about finding strategies that balance the values, principles and interests associated with the six pillars of SCD (economic, social, cultural, political, ecological and technological) in the context of achieving present and intergenerational equity. It is also about balancing the interests and values of local denizens with those of the broader society (Bryant, 1999). Some of the major paths to SCD include:

1. the demand for an integrated and holistic approach that supports a better marriage between ‘top-down’ and ‘bottom-up’ development strategies, and cooperation rather than competition between communities whereby communities are able to develop both horizontal and vertical networks to facilitate an equitable

distribution of resources and information, and gain the required mass to support development initiatives (Ofosuhene 1997; Douglas 1994; Everitt and Annis 1992; Fuller et al. 1989);

2. sustained local involvement in any community initiative that recognizes and utilizes the wisdom, energies, ideas, surplus monies, feedback, etc. of all citizens to accomplish sustainable community development goals (Livermore and Midgley 1998; Douglas 1994; Everitt and Annis 1992; Fuller et al. 1989);
3. variation in strategy from one place to another to accommodate local economic, social, cultural, political and ecological resources and circumstances. This variation helps preserve the diversity and local initiative that is needed for maintaining system responsiveness, flexibility and resilience (Fuller et al. 1989);
4. community leadership that allows role and power sharing, and democratization of decision-making are key prerequisites in all sustainable community development processes (Hoff 1998; Everitt and Annis 1992); and
5. adequate data and research are needed to permit precise understanding of local circumstances, and stimulate sustainable community development (Hoff 1998; Everitt and Annis 1992).

Like many others, Ilbery et al. (1997) argued that without diversification, rural areas, small towns, and farm households cannot survive in the present era of rural restructuring and globalization. Therefore, the emphasis of rural community sustainability should be on encouraging the formation of new business or business diversification (Ilbery et al. 1997; Shaffer 1989) to replace the many locally owned small businesses that have closed down due to lack of local support (Livermore and Midgley

1998). The growing number of HBBs across North America resonates strongly with this strategy. Several other authors also considered HBB activity as a potential strategy for sustainable CED (Mathewson and M'Gonigle 1997; Randall 1997; Gurstein 1995, 1996; Dykeman 1992). There is, therefore, a need to promote community support for local enterprises, and to strengthen social networks in which new enterprises can be nurtured and assisted (Hoff 1998; Livermore and Midgley 1998; Clark, Bowler et al. 1997).

In reality, sustainable community development planning requires paying attention to several complex and interrelated concerns such as active promotion of development opportunities for people of all ages and both genders, more attention to the family or household as the basic socioeconomic unit, reduction of unemployment rates and poverty through self-employment, and redefinition of rural-urban relations for sustainability (Hoff 1998). This dissertation emphasizes the promotion of productive employment and self-employment activities such as supporting small business development and expansion. SCD can be achieved at the micro-scale if proper attention is given to the viability of individual HBBs and to the maintenance of these businesses in the face of changing conditions in rural areas and small communities.

The literature points to one major challenge confronting social scientists, planners, governments and local communities today, and that is how to integrate, harmonize and operationalize the major components of sustainable community development in order to achieve meaningful, measurable SCD. It was also noted that both individual and collective decisions and initiatives affect local, regional, and national socioeconomic trends. To create sustainable communities, therefore, one must pursue more integrated development initiatives. Also, local people should be empowered to

undertake individual business ventures (self-employed), while paying attention to cooperation between communities, and between agents of sustainable community development. The next section considers the concept of entrepreneurship as a strategy for sustainable rural/community development.

## **2.5 Entrepreneurship and Sustainable Rural Development**

This section of the literature review centers on the concepts of entrepreneurs, entrepreneurship, rural entrepreneurship, and self-employment as well as the relationship of these concepts to SRD or SCD. It is argued that entrepreneurial and self-employment activities such as the development and maintenance of home businesses are critical in the rural diversification, revitalization and community sustainability processes. Entrepreneurship and self-employment are two important underlying concepts for the objectives of the thesis. Therefore, it was necessary to explore the entrepreneurship and self-employment literature to identify the links of these concepts to home-based business as a strategy for sustainable rural development. One of the contentions of the thesis is that the characteristics of and decision-making by self-employed entrepreneurs affect socioeconomic trends and rural sustainability. There are many interpretations for the terms entrepreneurship, entrepreneur, and self-employment, so only those that capture the features and roles of HBBs in sustainable rural development will be considered in this dissertation.

### **2.5.1 The Entrepreneur**

Schumpeter (1934) popularized the concept of entrepreneur. His definition of entrepreneur as a person who is an innovator, a risk bearer and who creates new combinations of production characterized most of the literature on this subject. Schumpeter posited five possible ways for entrepreneurial innovation or creativity to arise: (i) the introduction of a new good or of a new quality of a good, (ii) the introduction of a new method of production, (iii) the opening of a new market, (iv) the conquest of a new source of supply of raw materials or half-manufactured goods, or (v) the carrying out of the new organization of any industry (ibid: 66). The entrepreneur is considered “the fundamental phenomenon of economic development” (Schumpeter 1934: 74). This suggests that entrepreneurs play a key role in sustainable community development (see Figure 2.1) by creating and adapting new products and services through the use of local resources. They mobilize ideas, labour, capital and skills for community revitalization. Also, they support community sustainability through the opening of new businesses and markets, which generate income, revenue and employment opportunities in rural and small communities where such opportunities are limited.

The reference to entrepreneurs as “individuals” suggests a very narrow view. Also, the role of the entrepreneur in society is not limited solely to economic development, particularly production of goods. Schumpeter’s definition did not capture those who offer services to people and innovators of other dimensions of development (social, political, environmental). Many authors have adopted this narrow definition of the entrepreneur. Petrin (1997: 3) referred to the entrepreneur as “one who owns and operates a business.” A more encompassing definition of an entrepreneur is an

individual, a group of people or communities who identify an opportunity and act to purposefully initiate, create, organize, promote and maintain an activity of any kind (Karmel and Bryon 2002; KCEL 2000).

While the above definitions lack spatial focus, they identify several traits of an entrepreneur. These qualities include creativity, initiative, innovation, risk bearing, leadership skills, managerial skills, optimism, decision-making abilities and organizational skills. Cortes et al. (1987) maintained that entrepreneurs tend to be directly involved in all aspects of the activity or business venture. That is, they provide capital and ideas, supervise operations, participate in production and marketing processes, and control daily operations and strategic decisions of the business venture. Malecki (1991: 318) thought that the four most important features of entrepreneurs were risk taking, supply of capital, competent management, and innovation. Malecki did not provide any mechanism to choose the most important features, so suffice it to conclude that all the other features of the entrepreneur are equally important.

Entrepreneurs are motivated by several factors. Schumpeter (1934) argued that they are motivated by the desire, dream and willingness to be ‘independent’; by the willingness to be successful, not in terms of monetary gain, but of success itself; and by the satisfaction gained from personal achievement, using one’s energy, talents, and ideas. Schumpeter claimed that while financial gain is a secondary consideration for the entrepreneur, it is “indeed a very accurate expression of success, especially of relative success” (ibid: 94). Research has shown that the ability to initiate and the willingness to sustain a business enterprise are directly linked to entrepreneurs’ motivation (Kurato 1995). Blawatt (1998) contended that entrepreneurial performance, whether it ends in

success or failure, is influenced by motivation (e.g., independence, achievement drive, satisfaction, monetary reasons), personality (e.g., foresight, optimism, perseverance, self-confidence), and abilities and skills (e.g., creativity, risk taking, leadership, management). Blawatt added that age, educational status and previous work experience are other factors that shape entrepreneur's performance. It should be noted that entrepreneurs are not completely independent as suggested in the literature but rather they serve many masters including their suppliers, customers, employees and families (Blawatt 1998; Cole 1959). Their goal is to satisfy these groups of people, while meeting their own needs or satisfying their own interests.

### **2.5.2 Entrepreneurship**

A major distinction between the concepts of "entrepreneur" and "entrepreneurship" is that the former refers to a person or group of individuals and the latter is a process (Blawatt 1998; Hoy 1996). According to Blawatt (1998: 126), entrepreneurship is "a functional activity defined by the work, the type of work and/or the consequences of the work that one does" and an entrepreneur is a person who engages in a process. Rowley et al. (1996: 32) define entrepreneurship as "the creation of an organization." As with several others, this definition is simplistic and narrow. Cole (1959), a major contributor to the concept of entrepreneurship, broadened the scope of the term beyond the economic perspective to incorporate social, political, technological, psychological and historical dimensions. He defined entrepreneurship as a "purposeful activity (including an integrated sequence of decisions) of an individual or group of associated individuals, undertaken to initiate, maintain, or aggrandize a profit-oriented

business unit for the production or distribution of economic goods and services” (ibid: 7). Cole used the term entrepreneurship in the context of an activity (process) or a function (task, decision-making). The emphasis of his definition on financial maximization excludes all the other motivations for entrepreneurship noted above, e.g., psychological reasons such as satisfaction and using talents.

More recently, the notion of entrepreneurship has been extended to activities of organizations such as non-profit organizations and governments, and communities (e.g., development corporations), which are essential parts of sustainable community development. Mathew (1990) referred to the collective view of entrepreneurship as social entrepreneurship. He defined social entrepreneurship as a trait, e.g., initiative, risk taking and self-confidence, nurtured among a group of individuals to help themselves achieve a high quality of life, while contributing to the development of their community. While this communal view of entrepreneurship is still characterized by individual traits, it suggests a collective approach to rural entrepreneurship rather than relying on individual activities. This implies mobilization of initiatives, labour, capital, time, ideas and skills for development at the grassroots. Thus, entrepreneurship is a dynamic process whereby an individual, group of people, organization(s), community or communities (i.e., entrepreneurs) see an opportunity and take action to establish an activity or new venture, or to expand an existing one (Dabson 2001; KCEL 2000). The above definitions suggest a wide array of entrepreneurial activities, which include self-employment, sole proprietorship, partnerships, companies, family businesses, community development corporations, cooperatives, and non-profit organizations’ activities at different scales (e.g., national, regional, local). The self-employed rural HBB entrepreneurs are at the



centre of this thesis because their attributes are critical for the interpretation of the concept of rural entrepreneurship.

### **2.5.3 Rural Entrepreneurship**

Evidence suggests that entrepreneurship plays a significant role in rural development (Dabson 2001; Scholz 2000; Hoy 1996; Wortman 1996). Some have argued strongly that it is the main vehicle for the revitalization of rural communities (Macke 2001; Dabson 2001; Scholz 2000). Rural entrepreneurship is “the creation of a new organization that introduces a new product, services or creates a new market, or utilizes a new technology in a rural environment” (Wortman 1990: 329). While Wortman’s definition is based on Schumpeter’s (1934) notion of entrepreneurship, he attaches a spatial variable to it. Petrin (1997: 3) described rural entrepreneurship as “a force that mobilizes other resources to meet unmet market demand, the ability to create and build something from practically nothing, [and] the process of creating value by pulling together a unique package of resources to exploit an opportunity” in rural settings. These definitions imply that rural entrepreneurs are motivated by different factors, they identify a niche in their local communities and act on them, they rely on local raw materials and supplies, and most importantly they are the central force of sustainable community development. Rural entrepreneurs capitalize on resources either inside or outside of agriculture to create business ventures (Petrin 1997). They are people who are willing to take risks for self-betterment (Vyakarnam 1990). They are also willing to stay in rural areas and contribute to the creation of wealth (Petrin 1997; Vyakarnam 1990).

Hoy (1996) and Vyakarnam (1990) claimed that entrepreneurship contributes significantly to rural development in many countries including Canada, the United States, the United Kingdom, India, and the Philippines. Karmel and Bryon (2002) pointed to the significance of entrepreneurship in community development in both Europe and North America. This phenomenon is attributed to a shift in development thinking from a top-down approach towards grassroots development, and more recently a balance between the two approaches. Dabson (2001: 36) argued that the contributions of entrepreneurial ventures are “both inevitable and desirable in a rural context.” Scholz (2000) investigated entrepreneurship in rural Saskatchewan and noted the important contributions of entrepreneurship to rural sustainability. Scholz asserted that rural entrepreneurship is a driving force for creating employment opportunities; for generating income for individuals, households and communities; and for supporting local economies. For example, he pointed to a fruit processing HBB venture owned by a married couple in a rural setting that employed eight full-time and twenty-five part-time workers. This rural home business also contributed significantly to the local economy through its purchases and sales. Like many other rural ventures Scholz investigated, the fruit processing business was mainly self-financed, used traditional methods (e.g., cooking, pasteurizing, high labour-intensity) to preserve the quality and uniqueness of products, and used local raw materials purchased from other farmers (Scholz 2000).

Several factors in the economic, social, cultural and political environment hinder entrepreneurship as a development strategy in rural areas. Specifically related to rural entrepreneurship, Hoy (1996: 38) pointed out the following constraints on innovations in rural settings: (i) dependency on a single industry, (ii) lower educational and skills levels,

(iii) lack of capital for investment, (iv) distance to markets, isolation and networking problems associated with low population density, and (v) negative attitudes towards business in general and perceptions of business ownership being associated with low social status. Hoy argued that these constraints are often the reciprocal of factors that promote rural entrepreneurship. It follows from this discussion that manifold factors shape rural entrepreneurship.

This section focused on the traits, behaviours and urgency of entrepreneurship in sustainable rural development. It was established that there is a link between entrepreneurship and sustainable rural/community development. Therefore, rural entrepreneurship is a considerable alternative to traditional rural development strategies. It is believed that entrepreneurship as a development strategy will continue to be increasingly important in rural economic development in North America (Wortman 1996). It is also expected that rural communities will benefit in multiple ways from entrepreneurial activities such as HBBs, if they are encouraged (Hoy 1996). Closely related to the concepts entrepreneurship and the entrepreneur is “self-employment”. The next section examines this concept and its relationship to rural HBB activity.

#### **2.5.4 Self-Employment**

As noted in Chapter 1, the growing significance of self-employment as non-capitalist economic activity in the new economy as well as in the new rural economy may also offer a theoretical explanation for the resurgence in home-based economic activity. As the empirical part of this dissertation will show, home-based self-employment is

becoming an increasingly important economic element in the lives of those in many rural and small communities.

Everyone has to live, has to survive, and has to earn a livelihood whether it is a situation of poverty or a situation of plenty. Every individual can be seen as an instrument in the hands of somebody else or as a self-propelled entity able to make life opinions himself/herself. Work is also then, the most integral part of everyone's life (Jumani 1991: 30).

The above quotation provides the basic philosophical underpinnings of work, namely to live, survive, and earn a livelihood. It also points to two basic forms of employment: wage (salary or paid) employment, and self-employment. As noted before, self-employment is a component of entrepreneurship (Rowley et al. 1996; Balkin 1989), and the new economy (Gibson-Graham 1996). This thesis focuses on the rural and small town self-employed individual entrepreneur. Jumani (1991: 13) defined self-employment as working for oneself "to produce goods and/or services which are used for self-consumption, or sold for a price, or bartered for other goods and/or services." This definition includes several groups of self-employed workers, including owners of incorporated businesses, sole proprietors, unpaid family workers, and subsistence producers. Therefore, the term "self-employed" in this thesis refers to sole proprietors or own-account workers, and employers of unincorporated businesses who either work part-time or full-time for profit, or to those who create employment for themselves and other people.

Linder (1992) claimed the concept "self-employment" dates back to 1745. While it is difficult to substantiate this claim, one can argue that the principles and characteristics of self-employment were in existence prior to the eighteenth century because, since creation, humankind had been working in order to survive. Jumani (1991)

maintained that in more traditional societies, very few people worked for others but that some work was done for the community. Jumani added that the self-employed or family unit made its own choice of hours of work, the kind of work done, the income or output derived from work, as well as the emphasis of business on direct producer-consumer and buyer-seller relationships. Such societies or communities, Jumani explained, were usually small in size. Therefore, factors such as mutual trust, personal references, face-to-face dealings, and the number of transactions with people they knew socially helped to sustain the economies of these small communities. However, as market areas of businesses began to expand beyond the local community, some of these factors for sustainability of communities tended to lessen or disappear. Self-employed business owners began to deal with greater numbers of people, who often came from distant communities and who were unknown to the owner. As a result, sustainability of self-employment and communities would therefore depend on both internal and external factors, and on the relationships between or among places.

The past two decades, the new economy, have witnessed a growing interest in self-employment as a strategy for sustainable regional and community economic development after a traditional regional and community development strategies yielded unsatisfactory results. One major factor that has contributed to the growth of self-employment is the flexible organization of production (Harvey 2000; Gibson-Graham 1996; ILO 1990). For example, a growing number of firms now prefer to work with self-employed persons through subcontracting (Barnes et al. 2000). Information technology has also given the home-based self-employed worker easy access to inputs, while it has allowed outputs to be exported more easily (Jurik 1998). Another factor is “the growing

ascendancy of free-market philosophies emphasizing private initiatives and enterprise as the mainspring of economic progress” (ILO 1990: 1). Also, the changing consumer demands (Harvey 2000) and corporate layoffs have contributed to the re-emergence of self-employment (Jurik 1998). Balkin (1989) believed that the dream of most people in North America today is to own their own business. The lack of support and encouragement for self-employment activity, and the absence of adequate paid jobs in rural areas have contributed largely to out-migration of people, particularly the youth.

Lin et al. (1999a) attributed the continuous growth of self-employment in Canada to demographic and technological changes, structural transformation, and government policies. They argued that self-employment increases with age but at a decreasing rate, mainly due to financial savings, previous work experience, skills and social networks of those 45 years and older. The shift from manufacturing to service-based employment has also boosted the growth of self-employment. The role of governments of all levels in promoting self-employment also needs to be acknowledged. Several policies and programmes such as education, skills training, and business start-up grants are currently available in several places to help people become self-employed. How all these changes have modified self-employment activity in the context of rural areas and small communities is yet to be determined. Findeis et al. (1997) found that self-employment such as a HBB is a significant income-generating and employment strategy for rural households. Findeis et al. attributed the increased attention on rural self-employment and local entrepreneurial activities to the lack of adequate employment opportunities, to the difficulty of in attracting new businesses and maintaining existing businesses in rural

areas. Lin et al (1999b) maintained that the longer one is self-employed, the less likely he/she is to leave the business.

This section has examined the concepts of entrepreneurship, entrepreneur and self-employment. The characteristics of the self-employed entrepreneur mirror that of HBW or HBB operators. Research has shown that about half of home-based entrepreneurs are in the self-employed category; and the highest proportion of the Canadian self-employed entrepreneurs are in the Prairies and in British Columbia (Orser and Foster 1992). Gurstein (1995) reached a similar conclusion; that HBB activity is predominantly a self-employment phenomenon. It is estimated that by the end of the first quarter of the twenty-first century, half of the labour force in Canada will be engaged in self-employment, particularly in HBB (Blawatt 1998). Already, a greater proportion of small business operators are self-employed HBB entrepreneurs (Dykeman 1992). Therefore, it is anticipated that this home-business activity could represent an incubator for self-employment and the growth of locally-based companies. Also it is worth noting that the self-employment and home-based work phenomena are changing the definition of work and of workers in today's society. The implications of this shift on policy-making, planning, and community economic development have yet to be realized. This thesis focuses on the individual entrepreneur who, by the nature of the activity, is self-employed — the principal home-based worker who makes the decisions and who bears the greatest risk in the business.

## **2.6 Home-Based Work**

The three objectives of the dissertation focus on HBB activities, therefore, the literature on home-based work (HBW) and home-based business (HBB) is directly relevant to provide a conceptual and empirical account of the growth of this phenomenon in North America. This literature examines the historical background, classification, spatial distribution, characteristics and the role of home businesses in communities as well as the strategies and techniques these businesses use in the marketplace: the historical information shares light on the growing trend of this business activity, and it broadens our understanding of the importance of this business activity in society today. The other information is directly related to the objectives of the research. For example, objective 1 is concerned with the types and spatial distribution of HBBs, and with the characteristics of business managers; objective 2 examines the competitive strategies used by HBBs in the market place; and objective 3 assesses how home businesses contribute to the generation of income, employment and well-being of households and communities.

The term home-based work (HBW) has also been referred to as home work, work at home, homeworking, home-based production, home-based enterprise or home-based employment. HBW is not a new phenomenon. Christensen (1988: 1) argued that “[u]ntil the Industrial Revolution, agriculture and cottage industries [or HBW] dominated the economy, and, throughout history, certain groups such as scholars, writers, craftspeople, and artists have worked at home.” Gibson-Graham (1996) argued that non-capitalist economic forms of production such as home-based work and self-employment are the “before or the after” of capitalism. Once a major economic activity in most Western



countries (Berke 2003), HBW was dismissed as a relic of the past during the industrial revolution in the mid-nineteenth century. People then had to leave their homes and work at factories or public establishments for their employers, spatially removed from their residences (Harvey 1989). At the turn of the twentieth century, attempts were made to regulate and prohibit HBW in countries such as Britain, France and the United States. For example, in 1901, Britain introduced the Factory and Workshop Act to regulate HBW; and by the 1940s, “homework had become regulated or outlawed on a national scale by the Fair Labour Standards Act” in the United States (Phizacklea and Wolkowitz 1995: 24). In the late 1930s and early 1940s, the United States federal government had banned HBW in over one hundred industries including knitting, jewelry and embroidery production (Phizacklea and Wolkowitz 1995; Beach 1989; Horvath 1986).

Policy reforms in HBW came as a result of pressure on governments and policy-makers from trade unionists and social reformers who regarded HBW as decoupling men’s role as breadwinners and women’s roles as mothers and care-givers (Phizacklea and Wolkowitz 1995). In addition, these organizations regarded home-based employment as undermining labour standards (e.g., minimum wage, maximum hours, health and safety), as commercializing the home, and as degrading family life (Boris, 1988). Gray and Gray (1989: 3) claimed that “[b]y the end of the second world war, home-based industries were almost non-existent. From 1945 up to the 1970s, working from home was mainly a way to moonlight in order to supplement family or personal financial needs.” It is important to note that industrial HBW (i.e., work that is closely tied with factory work) was the form most attacked by government prohibition and regulation. Examples of these activities included sewing dresses, producing shoes,

knitting sweaters, soldering jewelry, making artificial flowers and manufacturing cigars. Most of the rural-oriented, self-employed HBWs such as art and craft production, and food and agriculture production were likely exempt from regulation, but the HBW literature is silent about these activities. Phizacklea and Wolkowitz (1995) refuted both the arguments about the absence of HBW during this time and about the likelihood that a complete ban on HBW would be effective. They pointed, for example, to the 'happy' accommodation of mechanization and HBW since the early twentieth century. They also doubted the accuracy of the number of home businesses that were driven underground by legislation in Britain and the United States. Instead, mass production, the introduction of modern technology, and the growth of large corporations that led to declining prices of goods and services were the more likely causes of HBW decline (Soldressen et al. 1998).

The late 1970s and early 1980s saw a resurgence of HBW (Jurik 1998; Carter, et al 1992; Masuo et al 1992; Beach 1989). In the United States, for example, the fifty-year ban on HBW was lifted in 1985 (Beach 1989) after a long period of protest from both homeworkers and politicians; and a similar de-regulation of HBW occurred in Britain in 1993 (Phizacklea and Wolkowitz 1995). The proliferation of studies on HBW is another indication of the resurgence of this phenomenon. The reemergence and growth of HBW is attributed to the economic and social restructuring at all levels of society. This transformation includes changing lifestyles and values, changing technology, and changing forms of production. These factors have, perhaps, led to increasing flexibility of the labour market (Soldressen et al. 1998; Prugl and Tinker 1997; European Commission 1995; Orser 1991; Christensen 1988). As noted earlier, these factors are essential components of the new economy. The new economy has included a transition

from mass production to flexible production dominated increasingly by the service sector (Winson and Leach 2002; Harvey 2000), new technologies, flexible design or production, sub-contracting (Harvey 2000), and self-employment practices such as home-based work (Gibson-Graham 1996).

The emergence of the new economy and resurgence in home-base work may signify the end of capitalism as many workers in the new economy no longer sell their labour power for wages or work under capitalist control (Gibson-Graham 1996). The implication is that economic activities such as home businesses that were in vogue in many societies prior to the industrial revolution are becoming increasingly significant in the new economy today. Therefore, support for this form of work may help to nurture local capacity for community sustainability (Gibson-Graham 2001).

The recurrence and growth of HBW is also attributed to continuing instability in farm incomes and decline in agriculture and other primary sectors in the new rural economy. Instability in farm income is the principal problem confronting most rural areas and small communities, especially those in the Canadian Prairies (Brinkman 2002; Stabler and Olfert 2000; Catrina 1999). The sporadic economic recessions facing farming in this region have been associated with a fall in commodity prices and land values, accompanied by consistently higher interest rates. Consequently, many farmers went bankrupt and even most of the “efficient” producers faced varied levels of financial hardship (Brinkman 2002; Alberta Agriculture 1997). The farm income problem has been exacerbated by the withdrawal of federal government subsidies to Canadian farmers (Brinkman 2002; Catrina 1999). There is evidence to suggest that rural HBWs might have arisen as a function of these circumstances and might also be critical to maintaining

the financial integrity of households and farm families, thereby generating revenue, income and production for rural areas and small communities. In addition, the growing trend of HBW is attributed to factors such as economic restructuring, government cutbacks, intensified competition, technological advancement, corporate downsizing, escalating real-estate costs, growing service sector activity (Kean et al. 1998; Deschamps 1995; Phizacklea and Wolkowitz 1995; Dykeman 1992), government and academic initiative, and the changing demography of the labour force (Orser 1991).

### **2.6.1 Classification of Home-Based Work**

The lack of consensus on the definition of work in general and HBW in particular, has resulted in several typologies or classifications of the concept of HBW (Bates 1997; Orser 1991; Sharpe 1988). Masuo et al. (1992) argued that the lack of a general definition of HBW has created methodological problems in surveying home-based workers and in comparing data associated with them. Orser (1991) attributed the definitional disagreement to the different purposes for which different groups and organizations collect and use HBW data, including unions, telecommunication companies, housing and mortgage corporations, social services, and feminist groups.

Sharpe (1988) proposed four broad categories of work. The first category, formal work, is characterized by regulation and market or monetary value, e.g., wage labour and self-employment in petty commodity production. This suggests that most urban HBBs would be classified as formal work as they are licensed and regulated by municipal governments (Randall 1997; Good and Levy 1992). The second category is irregular or informal work. This type of work is not systematically recorded or regulated by any

authority (Nelson 1999; Sharp 1988), although it has financial value (Sharp 1988). In other words, it refers to any kind of formal work which is unregulated, unreported, unregistered, or undertaken illegally. These attributes reflect the characteristics of rural HBBs. Rowe et al. (1999) found that rural HBBs are income generating activities for individuals and households and they are more likely to be exempted from regulations. This implies that HBB in general is a mixture of formal and informal work because it characterizes both formal and informal activities. The third category of work is household work. This includes all forms of production of goods and services performed at home for household consumption but which have no market value (Sharp 1988). Compared to rural areas, it is more likely that most urban household work such as backyard gardening, lawn mowing and auto servicing are regulated. Sharp's (1988) fourth category of work is termed communal work. This includes volunteer services, mutual aid and self-help groups who provide goods and services for communities.

After considering several typologies of work (formal and informal), Bates (1997) provided a "new conceptual framework" for examining HBW. Although this typology emphasizes HBW, it is largely a duplication of Sharpe's (1988) categorization. Bates categorized work performed at home into (i) paid productive work (formal), e.g., HBBs or homeworking, self-employment, independent contractors; (ii) paid domestic work (irregular), e.g., HBBs, taking in lodgers, fostering children, paying family members; (iii) household work, e.g., self-provision, house chores, home maintenance and repairs; and (iv) communal work, e.g., mutual aid, volunteer services, self-help cooperatives. As with Sharpe, Bates' classification of work is based on two dimensions that distinguish between categories of work undertaken within the home, namely, whether it is regulated and

whether it has monetary value. Three major advantages of Bates' classification are as follows: first, it permits an examination of both paid and unpaid work performed at home; second, it focuses on who does the work and for whom; and third, it enables an examination of the links between various forms of work. Also, like Sharpe (1988), Bates' (1997) typology does not address the interrelationships of work between places. While this study attempts to fill this gap, it focuses on paid productive and domestic work.

One of the most common methods for categorizing HBW is by type of work arrangement. For example, self-employed (unincorporated) or micro-entrepreneur, self-employed (incorporated) or dependent homemaker, full-time or part-time home-based worker, substituters, supplementers, moonlighters, sunlighters, and telecommuters (Good and Levy 1992; Phizaclea and Wolkowitz 1995; Gurstein 1995; European Commission 1995; Orser 1991). Prugl and Tinker (1997) offered four categories of HBW. These categories are industrial homework, craft production, food production and vendors, and 'new homework' (i.e., computer and telecommunication technologies in HBW). Orser and Foster (1992) classified HBW in terms of nature of work, such as labour-intensive (e.g., renovation services), knowledge-intensive (e.g., architecture), and technology-intensive (e.g., telecommunication). Other implicit categorizations in the literature are by type of product (goods or services), social characteristics (e.g., gender, race, class), legality or legislation (licensed or unlicensed, registered or unregistered), seasonality (regular or all-year round, seasonal, temporal), and place, location or scale (e.g., urban or rural).

The literature presents two predominant components of HBW. The first is telework or telecommuting (Bates 1997; Lindstrom et al. 1997; Gurstein 1995, 1996; European Commission 1995; Provenzano 1994), which is defined as “work done away from the employer’s facility, often in an employee’s own home, usually on a part-time basis, and involves the use of telecommunication and information technologies” (Gurstein 1996: 214). The second, home business (Soldressen et al. 1998; Randall 1997; Good and Levy 1992; Carter et al. 1992; Orser 1991), is home-based, white-collar work such as professional, executive and managerial works (Christensen 1988; Kraut and Grambsch 1987), or home-based production (e.g., art and crafts, furniture, food). The home business component of HBW is the main focus of this thesis. In the next section, some of the major empirical descriptions, particularly in Canada and the United States, are provided.

### **2.6.2 Home-Based Business**

As noted earlier, sustainable community development is about sustaining the livelihood and economies of rural areas and small communities, using rural entrepreneurship, self-employment and the development and maintenance of homegrown small businesses such as HBBs as a mechanism for rural sustainability. HBB activity is considered the fastest growing sector of the North American economy leading to rising levels of self-employed activity (Deschamps 1995; Gray and Gray 1994a; Dykeman 1992; Orser and Foster 1992). Blawatt (1998: 38) contended that “[t]here has never been in history a single economic phenomenon so pervasive, yet so powerful, as the home-based business. It will, in time, come to dominate society.” Most studies have indicated

that this trend will continue (Edwards and Field-Hendrey 2002; Dykeman 1992). Research has shown that most HBB operators are in service industries, particularly in business and personal services (Rowe et al. 1999; Soldressen et al. 1998; Gurstein 1996; Orser and Foster 1992; Horvath 1986), followed by those in retail trade, construction, and manufacturing or production activity (Rowe et al. 1999; Soldressen et al. 1998).

The concentration of HBBs in service industries is attributed to the length of time in business (Orser and Foster 1992; Horvath 1986) and to the decline in traditional HBBs such as agriculture (Orser and Foster 1992). It is also due to a general shift from manufacturing industries to a service economy in industrialized countries. According to Gray and Gray (1994a: 19), “over 50% of the work force in North America is employed in services and information-related industries, and this percentage is increasing.” Research has shown that while the HBB sector is growing significantly, limited data exist on the real nature and the extent of this activity (Good and Levy 1992; Orser and Foster 1992). Rowe et al. (1999) argued that the scarcity of data on HBBs and the stigma attached to these businesses are the major reasons why this phenomenon has been overlooked as an economic development strategy.

#### **2.6.2.1 Spatial Distribution of HBBs**

HBBs and HBW in general exist in rural areas, in small towns and in urban communities in both developed and developing countries. Evidence about the prevalence of HBBs in North America indicates spatial variation of this phenomenon across space, particularly variation of HBBs between urban areas and rural settings. In Canada, HBB studies have shown that urban residents are more likely to be engaged in business and



professional services and construction and trades than in retailing or in product manufacturing and processing (Randall 1997; Gurstein 1995; Nanaimo CEDO 1995). While the urban-based investigations considered the types of HBBs and their impact on communities, they did not link the urban HBBs to rural areas. Ranking urban home-based occupations in descending order of importance, Gurstein (1995) identified professional services (e.g., educator, architect, lawyer), business services (e.g., computer consulting, word processing), and other HBW such as communication and client services. Manufacturing of food, clothing and crafts, retail trade or product sales, agriculture, wholesale, and construction were listed as less significant in urban HBBs. Gurstein (1995) maintained that HBB operators in the Canadian Prairies were more likely to perform occupations that involve processing of crafts and retail sales compared with their counterparts in British Columbia and Ontario where professional occupations (e.g., computer consulting, architecture) are preferred. Although it is empirically useful, Gurstein's study lacked a theoretical basis, and did not address the underlying strategies for business performance. Her study also had an urban bias. The variation of HBB between rural and urban areas is due to municipal regulations restricting direct processing or marketing in the home (Randall 1997). There is evidence to suggest that rural and small communities are more likely to be exempted from municipal regulation in HBB activity (Heck et al 1995).

Good and Levy (1992) studied HBBs at the provincial level in Manitoba. Their samples were randomly selected from registered or incorporated HBBs in the province. They found that services, retailing and construction were the principal types of HBBs in Manitoba but they did not distinguish any local areas in the province (urban or rural, or

both) in their analysis. Although the study appeared to be regional in scope, it did not relate HBB to rural, regional and community development, and it also lacked any theoretical interpretation. Priesnitz (1998), Deschamps (1995), Gurstein (1995) and Orser and Foster (1992) examined the HBB phenomenon at a national scale. Orser and Foster (1992) found non-urban HBBs were more likely to be involved in manufacturing or processing activity and those in urban places tended to focus on business services. This result is consistent with other accounts. Like many other studies, Orser and Foster's study failed to recognize the underlying strategies that HBB operators use to stay in business.

Unlike the Canadian studies, more research in the United States has investigated rural HBBs (Kean et al. 1998; Soldressen et al. 1998; Kean et al. 1996; Carter et al. 1992). Heck et al. (1995) examined the nature and extent of rural and urban HBW in nine states and Rowe et al. (1999) analyzed the contribution of HBB income to rural and urban economies. These empirical studies pointed to the dominance of such HBB activities as construction and trades, retail trade, and processing of crafts, agriculture produce (value added), and foods (catering) in rural areas. Carter et al. (1992) found that the predominant industries (rural HBBs) were production of crafts (one-third), agricultural related activities (16 %), and sewing and clothing activities (15.1 %). The less significant occupations were interior design, machinery repairs, financial services, and bed and breakfast operations. This observation varies from those noted in the urban HBB studies. Carter et al. also confirmed the scarcity of information concerning the characteristics of rural HBB, which in turn has led to invisibility of their contribution to economic development. This state-wide study examined rural HBBs without linking

them to urban settings; and it did not consider rural HBB from any theoretical perspective.

Heck et al. (1995) and Rowe et al. (1999) used the United States Standard Occupation Classification Manual to categorize HBB activities in nine states. This thesis employs the Canadian version, or the National Occupation Classification, to categorize HBBs. Rowe et al. (1999) found that the dominant rural HBBs, in descending order of importance, were marketing/sales, construction and trades, crafts, mechanical/transportation, personal services, professional services, clerical and agriculture product and sales. Comparatively, urban HBBs were more likely to be in marketing/sales and professional activities than rural HBBs. They thought HBB activity would continue to grow in the future, especially in rural areas, contributing significantly to rural and urban economies.

Although very little has been written on rural HBW, according to Beach (1989: 62), “rural residents are more likely to perform home-based work than urban dwellers.” Evidence from Orser and Foster’s (1992) study suggested that HBBs were more likely to be a rural phenomenon than an urban one. They found that non-urban areas were twice as likely to be involved in HBB as their urban counterparts. Other studies pointed to more rural dwellers undertaking HBW than urban residents (Perusse 1998; Heck et al. 1995; Kraut and Grambsch 1987). Some of the principal contributing factors to the predominance of rural HBB/HBW in North America are the lack of alternative employment opportunities (Rowe et al. 1999; Beach 1989), the lack of zoning regulations (Perusse 1998; Heck et al. 1995; Beach 1989), and the lack of commercial space for lease (Perusse 1998). Other factors include relatively low crime rate, relative poverty, high

premium placed on family life, low consumption rates of material goods, and long distances to work (Beach 1989; Kraut and Grambsch 1987). It is argued that the lack of recognition for HBBs as part of the rural economy is tantamount to the loss of an important strategy and opportunity for rural revitalization and sustainability.

#### **2.6.2.2 Characteristics of HBB Entrepreneurs**

It is argued that the potential contribution of home businesses to community sustainability is influenced by a number of factors including the characteristics of businesses and entrepreneurs, and competitive strategies businesses use for growth and sustainability in the marketplace. This section uses empirical research to examine the principal characteristics of HBB entrepreneurs. These features include gender, age, educational status, ownership types, motivations, sources of initial business ideas and capital, age of business, and nature of work arrangement (full-time, part-time, year-round, seasonal).

**Gender:** The debate on who works at home has been examined using gender as a defining factor to a greater extent than any other dimension. Several studies claimed that more women than men work from the home due mainly to their family responsibilities (Edwards and Field-Hendrey 2002; Gurstein 1995; Deming 1994; Nanaimo CEDO 1995). As a result, more female home-based workers were married with younger children (European Commission 1995; Gurstein 1995; Phizacklea and Wolkonitz 1995; Beach 1989; Kraut 1988; Kraut and Gerson 1988; Singh and Kelles-Viitanen 1987). Gurstein (1996) observed that slightly over half (55%) of home-based workers in Canada were females, and the Nanaimo CEDO (1995) study stated that 52% of HBB owners

were women. Another study by Carter et al. (1992) revealed that rural HBBs were more likely to be owned by women (59.9%) than by men (19.2%), but with no significant variation in business performance. The businesses owned by females were, however, larger than those owned by males. About one-fifth (20.9%) of their respondents were joint owners of rural HBBs. According to Gray and Gray (1994a), the significant majority of HBBs were initiated by women.

These proportions were in contrast with other accounts where more men than women perform HBW (Rowe et al. 1999; Randall 1997; Heck et al. 1995; Orser and Foster 1992; Horvath 1986). Horvath (1986) found that 55% of HBB owners in the United States were men. In Randall's (1997) study, men owned 65% of urban HBBs, while women owned 35%. Good and Levy (1992) found that a slightly higher proportion of men than women run HBBs in Manitoba. In the nine-state studies, Heck et al. (1995) identified more male (58.1%) than female (41.9%) home-based workers, and Rowe et al. (1999) found similar patterns in both rural areas (56.7 male, 43.3 female) and urban settings (58.8 male, 41.2 female). It is important to note that the differences between the gender proportions in HBB were not too great. Heck et al. (1995) attributed the proportional inconsistency of gender in HBW to the different interpretation of this concept by different authors and researchers.

Gender differences also exist in the types of HBBs preferred by men and women. Orser and Foster (1992) observed that male HBB entrepreneurs were more likely to be engaged in business services, while female HBB owners leaned towards manufacturing/processing of products and retail trade. The gender difference regarding preference for service industries is inconsistent with the findings in Horvath's (1986)

study. Horvath found that the majority of women HBB owners (60%) who worked more hours at home were in the service industries compared with about one-third of their male counterparts. This means women tend to consider a HBB as a full-time occupation and worked more hours than men. In other words, men tend to have other employment in addition to a HBB, compared with women. Evidence in the literature supports these claims (Gurstein 1996; Nanaimo CEDO 1995; Horvath 1986).

In addition, one would expect that since women HBB owners are their own bosses, choose their own occupation and work hours, determine prices for their goods or services, and make other personal business decisions, there should not be any disparity in income between them and their male counterparts. Ironically, Olson et al. (1995: 167) found that the “traditional gender effects in the labour market carries over into home-based self-employment.” Their study indicated that HBB earnings for men were higher than those of their female counterparts. This disparity is linked to the difference in choice of HBB occupations and business practices between the sexes. Like other studies, Olson et al. (1995) found that men were more likely to select professional, technical, mechanical, transportation, and construction and trades occupations which tend to yield more income, compared with the female dominated HBBs which deal in personal clerical and administrative services, and in arts and crafts. Paige and Littrell (2002) found that 75% of arts and crafts retailers in nine southern states were women. King (1992) argued that occupational differences more than any other factor contribute to HBB income disparity between genders. Stanger (2000) pointed to underperformance in remuneration, sales and profits of businesses owned by women compared to those owned

by men. This means that HBW does not completely free women from the gender influence in the workplace.

Olson et al. (1995) observed that men tended to be more professional about their HBBs than women. Comparatively, more men than women advertised their businesses in yellow pages, incorporated their businesses, used lawyer services, followed telephone answering protocol, had other employees, and had other jobs in addition to their HBBs. They found that having additional employment, marital status, and other family obligations significantly lowered female HBB income. Olson et al. argued that the observed gender differences was likely due to “a form of ‘self-discrimination’ where women choose to ask prices below those of men, feeling their work is worth less than men’s, or perceiving that society would not pay as much to them as they would to men” (ibid: 168). It is evident from the above discussion that there are wide variations in the reported gender proportions, occupational preferences and business performance in HBB. The gender differences in HBB also vary from place to place. Therefore, generalizing the notion of who works at home, using gender as a surrogate measure, would be incomplete or unacceptable. More data and studies are required on this subject before any valid conclusions can be drawn. This thesis seeks to contribute to this information as gender plays a key role in delineating types of HBBs in this research.

**Age and Education:** According to Blawatt (1998), age influences the decision to start ones’ own business. He argued that, “[c]oming to the realization that, as age 50 approaches, he [or she] faces a ‘do or die’ scenario is often the catalyst that pushes the entrepreneur into action” (ibid: 142). This implies that self-employed entrepreneurs are more likely to be older than 40 years. Evidence from Lin et al.’s (1999b) study indicated

that self-employed workers in general were older (aged 45 or more) and they were slightly more likely to be males (52%). In fact, other studies have shown that both male and female home-based workers were more likely to be 40 years and over (Gurstein 1995; Orser and Foster 1992; Carter et al. 1992; Kraut 1988; Horvath 1986). Horvath (1986) proposed that HBW is a more desirable occupational option for persons over 55 years of age due to difficulty in daily commuting to work. In more recent studies, however, most home-based entrepreneurs were between 30 and 50 years old. In Heck et al.'s (1995) study, 59.5% of home-based workers were between ages 30 and 49 years. Bach's (1997) study in North Dakota revealed that 65% of women HBB entrepreneurs were between 36 and 55 years old. Rowe et al. (1999) found the mean age of HBB operators to be 43.6 years. This implies that HBB or HBW is now becoming more attractive to people below 55 years of age or "an option for people who would not have considered it in the past (Standen 2000: 5).

Hoy (1996) claimed that rural entrepreneurs tend to be older and less educated than their urban counterparts. Some authors disagreed with this claim and instead have pointed to similarities between rural and urban areas, regarding the average age of entrepreneurs. Rowe et al. (1999: 69) found that the "typical home-based worker [in both rural and urban areas] was a 44-year-old married man with children and some education beyond high school – a homeowner who had lived in his community nearly 20 years." Heck et al.'s (1995) investigation suggested similarities between the average age of rural and urban HBB entrepreneurs. In the same vein, Bach (1997) did not find any significant variation between the ages of rural and urban entrepreneurs. The age effect on HBW is attributed to mandatory or voluntary retirement of conventional workers,



commuting distance to work, previous work experience, and convenience of homework (Kraut and Gerson 1988; Kraut and Grambsch 1987). Heck et al. (1995) contended that educational status of HBB entrepreneurs influences their choice of occupation. Their findings were in line with the results of other studies in which both rural and urban HBB entrepreneurs tended to have more than high school education (Rowe et al. 1999; Priesnitz 1998; Bach 1997) and were involved in different kinds of home-based occupations. However, this observation contradicts Hoy's (1996) view about the educational status of rural entrepreneurs. Today, a home-based worker can be described as a middle-age entrepreneur (30–55 years) who has attained at least high school education.

**Ownership Status:** Orser (1991) and Good and Levy (1992) referred to HBB as a cottage industry or small independent entrepreneurs working from the home, utilizing employed labour or their family as helpers to produce goods or services on a small scale. Thus, HBB operators are characterized as small business workers, self-employed entrepreneurs, and sole-proprietors. Evidence from several studies indicated that, irrespective of size of community, the ownership of HBBs is captured by sole proprietorships. That is, HBB entrepreneurs are owners and managers of their own businesses. For example, Carter et al. (1992) found that 94.4% of rural HBB owners were sole proprietors; Heck et al.'s (1995) research suggested that 74.6% of HBBs were organized as sole proprietorships; Rowe et al. (1999) found that over 70% of rural and urban HBBs owners were sole proprietors; Randall's (1997) study identified 64.9% urban HBB sole proprietors; and Orser and Foster's (1992) study indicated that 69% of HBBs in Canada were sole proprietorships. It is therefore estimated that between two-thirds and

three-fourths of those who work at home are self-employed entrepreneurs or sole proprietors.

**Motivations for Establishing HBBs:** Studies conducted on HBBs point to a variety of motivations for starting a business at home, without making reference to the influence of location. Some of the principal reasons why people choose to be HBB entrepreneurs in rural and urban areas are for increased autonomy or for the desire to be independent or self-employed (Paige and Littrell 2002; Brown and Muske 2001; Jurik 1998; Nanaimo CEDO 1995; Good and Levy 1992; Orser and Foster 1992). Another major reason is that HBBs give entrepreneurs flexibility with regards to decision-making, work location, work hours, leisure and family (Edwards and Field-Hendrey 2002; Meiksins and Whalley 2002; Paige and Littrell 2002; Jurik 1998; Orser and Foster 1992). In Jurik's (1998) study, 90% of HBB owners said self-fulfilment was the main motive for starting a HBB. Respondents in her study defined self-fulfilment as "autonomy, freedom from supervision, freedom to set their working conditions and hours, and the opportunity to perform varied, interesting, or challenging work" (ibid: 18). Women perceived running a home-based business as an opportunity for freedom, power and control over their own destinies (Berke 2003).

Standen (2000) and Deschamps (1995) suggested that advancement in information and telecommunication technologies influenced people's decisions to work at home. Gurstein (1995) observed that working at home was strongly related to the ability to control time and space, rather than the availability of technology. Her findings suggested that men regarded HBW as an opportunity to control their work and daily schedule, while women perceived it as an opportunity to maintain family responsibilities.

Other studies confirmed that the opportunity to work and maintain family obligations was a major motivation for starting a HBB (Berke 2003; Brown and Muske 2001; Nanaimo CEDO 1995). Stanger (2000) found that family responsibility was a more important motivation for women than men starting a HBB in Australia. According to Standen (2000), lifestyle expectations for both men and women regarding balancing work and family obligations was one main reason for the growth of HBBs. Deschamps (1995) found that entrepreneurial values such as family, flexibility, new work options, cocooning, and rural life influenced the decision of women entrepreneurs to work at or from home. Findeis et al. (1997) argued that household and location-related features influenced work decisions. They found that rural self-employed entrepreneurs such as HBB owners were more likely to have children at home due to the lack of adequate childcare services in rural settings. The above studies suggest that HBBs help solve the work-family problems associated with conventional non-home-based occupations. Hannon et al. (2000) challenged this position. Their investigation revealed no difference in work-family conflicts between women HBB entrepreneurs and their counterparts employed in conventional sites.

Other studies reinforced the claim that working at home is a lifestyle and a personal career choice (Meiksins and Whalley 2002; Brown and Muske 2001; Good and Levy 1992). Brown and Muske (2001) and Rowe et al. (1999) argued strongly that a HBB is an occupational choice for individuals and households but not a temporary experiment for entrepreneurs hoping to get a “better job” outside the home. Thus, they refuted the idea that HBB entrepreneurs are “corporate refugees” or “temporarily displaced” workers (Standen 2000) who were forced by corporate downsizing and layoffs

into temporarily working at home (Nelson 1999; Allen and Moorman 1997; Deschamps 1995). In fact, only a few HBB operators viewed themselves as forced into HBW (Rhodes and Martin 2000; Jurik 1998).

In addition, low overhead costs of HBB start-ups motivate people to work at home (Edwards and Field-Hendrey 2002; Standen 2000; Orser and Foster 1992). Brown and Muske (2001:2) contended that “the ability to offer practically any product or service with reduced initial capital needs and on-going overhead” makes HBBs more attractive to rural areas. HBBs offer the opportunity to avoid or minimize expenses of renting an office, buying a business wardrobe, and commuting to work. Another motivation for setting up a HBB is the potential income gained from business (Nanaimo CEDO 1995; Good and Levy 1992). Orser and Foster (1992: 117) claimed that “[h]igh income is not a major motivation for home-based workers in that those working full-time receive about 68 percent of the income of conventional workers.” Edwards and Field-Hendrey (2002) and Paige and Littrell’s (2002) findings concurred with this claim. They found that monetary benefits were not the principal motivation for starting a HBB. Jurik’s (1998) study tended to differ on the financial motive of HBB entrepreneurs. Jurik found that the entrepreneurs with substantial non-HBB income sources tended to be less concerned about the profitability of their businesses, compared with those who operated HBBs on a full-time basis or considered it their primary occupation.

Other motivations for HBB start-up include previous work experience, opportunity to use personal talents and ideas, and demand for a product or service in a local community (Good and Levy 1992), particularly in rural areas and small communities (Brown and Muske 2001). Also, demand for labour in rural areas

influences the decision to be a self-employed entrepreneur (Findeis et al. 1997). Paige and Littrell (2002) found that passion for arts and crafts, preservation of culture and ability to educate people to appreciate cultural elements in a product were important motivations for arts and crafts retailers. Gurstein (1996) claimed that gender, housing, differences in work status, economic class, neighbourhood, and region are some of the principal variables that affect the choice of HBW.

It follows from the above discussion that the motivations for starting a HBB hinge on interconnected economic, social, psychological, technological and spatial factors. Also, these motivations can be categorized broadly into extrinsic (e.g., income, technology, low overhead cost) and intrinsic factors (e.g., self-fulfillment, accomplishment, self-esteem, family values, lifestyle interests, recognition, freedom) (Berke 2003; Paige and Littrell 2002). The motivation for operating a HBB is about choice, power, and lifestyle more than any other factors. It is therefore argued that working from home seems to redefine the notion of career, work, and work-family life.

**Source of Initial Business Ideas:** Another important subject of HBB entrepreneurship is the source of initial ideas for a new business start-up. Blawatt (1998) argued that people often have several ideas but the ability to convert an idea into productive use or commercialization is the beginning of an entrepreneurial process. This means entrepreneurship begins with the initiative and creativity of an entrepreneur. Gray and Gray (1994a) contended that a good business idea is not necessarily a viable business opportunity with potential for success. They provided a list of sources of new business ideas: media (e.g., television, newsletters, magazines), books, trade publications, libraries, yellow pages, trade shows or conventions, seminars and workshops, travels and

hobbies, and examination of existing products or services for improvement. Good (1993) proposed four major sources of ideas for new entrepreneurial ventures: (i) previous work experience such as acquired skills, networks and knowledge about sources of supplies and market; (ii) hobbies; (iii) casual observation including observation during a visit to a shop, an exhibition, or from daily life experiences and activities; and (iv) deliberate search for information from media, publications, and internet. Evidence from Good and Levy's (1992) study suggested that HBB owners gained their business ideas from their previous work experiences, hobbies or personal interests. Others acquired their business initiatives from personal observation and friends, relatives or acquaintances. Evidence in the literature is inadequate to confirm these findings but the empirical results in this thesis will assist in clarifying this issue.

**Source of Initial Business Capital:** In addition to motivation and initial business ideas, entrepreneurs also need capital to initiate their businesses. Good (1993) proposed four major sources of capital for new business start-ups: (i) the owner's own resources and personal savings or funds from friends, family, and close personal relations, (ii) banks or credit agencies, (iii) government, e.g., small business loans, and (iv) venture capital. Generally, self-employed entrepreneurs tend to first draw on their personal savings or the resources of family members, friends and acquaintances to finance their new business ventures (Blawatt 1998; Good 1993). It is estimated that this form of financing "makes up more than 90 percent of the new business start-up capital in Canada" (Good 1993: 151). According to Carter et al. (1992), the sources of start-up capital of HBBs strongly determine business performance or sustainability. They found that rural HBBs financed from an entrepreneur's personal funds outperform those that

depend on external financing. Although their study identified one contributing factor to business performance, it did not bring out the underlying competitive strategies for performance. Their study also did not indicate the amount of initial financing and how it influenced HBB performance, but rather focused only on sources of initial capital. Stanger (2000) found that both the source and amount of initial capital influence HBB performance in terms of sales. In another study, it was found that three-fourths (75%) of female entrepreneurs relied on personal savings to initiate their HBBs (Priesnitz 1998). Male HBB owners were more likely to use bank credits and the sale of personal assets to finance their businesses than females (Carter et al 1992).

Good and Levy (1992) found that other non-HBB small businesses were more likely to obtain commercial bank credit and other external funding. Also, it has been found that banks and credit agencies do not usually lend money to new small businesses such as HBBs due to a lack of extensive collateral security or insufficient equity from new entrepreneurs (Good 1993). This implies that financial institutions consider the risk involved in financing new small business ventures higher and they “do not take large risks” (Good 1993: 152). Research has indicated that the demise of small businesses has been extremely high in their first five years of operation (Blawatt 1998; Carter et al. 1992; Watkin 1986; Dickinson 1981). This failure is largely attributed to entrepreneurs’ lack of adequate start-up capital (Stanger 2000; Hoy 1996). Some authors argued that operating a new business from the home is an important strategy to limit the risk of failures in small business start-ups because HBBs are associated with less overhead to start and maintain (Brown and Muske 2001; Priesnitz 1998). According to Stanger

(2000: 4) HBBs have “a high survival rate and therefore reduce the financial, economic and social costs of failures.”

**Nature of Work Arrangement:** The HBB literature commonly differentiates between full-time and part-time work, and between seasonal and year-round work. Kraut and Grambsch (1987: 418) claimed that “homeworkers tend to be part-time and part-year [or seasonal] workers”. Contrary to this claim, evidence shows that HBB entrepreneurs are more likely to operate their businesses on a full-time, full-year basis (more than 35 hours per week) than on a part-time or seasonal basis. Several studies pointed to over 50% of HBB entrepreneurs working full-time at home (Nanaimo CEDO 1995; Good and Levy 1992, Orser and Foster 1992). Nearly 66% of the respondents in Randall’s (1997) study were full-time HBB operators compared with 23% who ran their HBBs part-time.

Interestingly, “[m]any home-based businesses are started on a part-time basis and expanded into full-time” (Gray and Gray 1994: 19). Some also expand from full-time HBBs into commercial businesses. More than one-third of all commercial businesses that Randall (1997) interviewed in five Canadian cities used to be HBBs. The predominance of full-time over part-time HBBs was attributed to the increasing recognition and significance of this form of occupation in society today. Generally, those who operated a HBB on a part-time basis tended to have a formal paid-employment outside of the home and men were more likely to be in this group. This group was more likely to consider HBB as a supplementary source of income. Randall (1997: 42) argued that cases where wage-paying jobs supplement HBBs were rare because home businesses were “still more likely to function as an ‘income safety valve’ for many households.” Also, research has indicated that most HBBs operated on a yearly rather than on a



seasonal basis. In Rowe et al.'s (1999) study, an overwhelming majority (more than 80%) of both rural and urban HBB entrepreneurs operated their businesses on a yearly basis.

**Age of HBBs:** The age of a HBB is another familiar subject in the literature. Several studies suggested that most HBBs have been in operation for more than five years (Rowe et al. 1999; Randall 1997; Orser and Foster 1992; Carter et al. 1992); and their owners were more likely to be homeowners who have lived in the same community for more than fifteen years (Rowe et al. 1999; Heck et al. 1995). Research also shows that HBB owners have a strong desire to continue working at home (Heck et al. 1995; Furry and Lino 1992) and to expand their businesses (Good and Levy 1992). In addition, it has been found that the age of a HBB positively influences sales (Stanger 2000; Orser and Foster 1992). These factors – having a full-time job, the opportunity to operate a HBB on a yearly basis, the average age of HBBs, and the high immobility of entrepreneurs – have significant implications for the sustainability of households and communities.

### **2.6.2.3 The Role of HBBs in Households and Communities**

Evidence in the literature suggests that home-based economic activities have played a significant role in the sustainability of households and communities. This implies that the home is recognized as a workplace or an office (Standen 2000), and that the household is considered the basic production and consumption unit in every community or region (Nozick 1999; Skotheim 1999; Douglas 1994; Shaffer 1989). It is estimated that more than 50% of new businesses in Canada are now started from the

home (Gray and Gray 1994b). Douglas (1994) maintained that Canadian households: (i) are the dominant source of economic activity in communities, particularly through the informal economy, (ii) provide savings and investment resources for local and external enterprise development, (iii) constitute the primary market for retail trade and personal services, (iv) are the principal sources of the reproduction, care and education of the community's labour force, and (v) are a major source of government revenues. Shaffer (1989) underscored the important role of households in CED in terms of their support in the development of the capital market. Shaffer argued that households "provide capital directly to the business sector of the community through an equity investment as an owner of a business [e.g., HBB] or through some form of loan [gifts or inheritances] made to that business" (ibid: 163-164). A reverse linkage is the case where a community organization provides resources such as capital, information, and advice to individual or household business owners.

Home businesses offer people the opportunity to develop their entrepreneurial skills (Brown and Muske 2001), which are vital in community economic development. Brown and Muske (2001) argued that the development of rural communities should include business initiatives, retention and expansion, and HBBs possess these factors. However, home businesses often do not receive the attention they deserve: "they are overlooked in community development efforts because of their invisibility, independence and credibility deficit" (ibid: 3). Research has shown that HBBs generated significant income and employment opportunities to households and communities (Rowe et al. 1999; Heck and Stafford 1991). Rowe et al. (1999) further argued that HBBs in rural and urban areas were not marginal to the income or revenue generation of households and

communities. They found that the total annual income generated by HBBs in nine states was \$ 19.7 US billion or 3% of the total non-farm private income, and they also “directly or indirectly contribute 3.5% of total gross sales, 4.6% of total earnings, and 6.7% of total employment” (ibid: 72) in both rural and urban communities. Brown and Muske (2001) claimed that one in every ten households in the American South had at least one member who was generating income from the home, particularly in rural areas. What this means is that in a rural community of 500 adults, there may be as many as 50 HBBs providing needed goods and services which would otherwise not be available in the community. Thus, they offer rural communities “a diversity of business mix” (Brown and Muske 2001: 4).

In the City of Nanaimo, 1,420 HBBs provided employment for about 3,000 residents, which generated total annual revenue of almost \$80.6 million; also, more than 75% of the HBBs in Nanaimo had gross annual revenues of less than \$50,000 (Nanaimo CEDO 1995: 4). These figures suggest that HBBs provided employment opportunities both for their owners and at least one other person in the community. Orser and Foster’s (1992) study confirmed that HBBs have the capacity to create employment and generate income for households and communities in Canada, particularly those in the Prairies. This implies that HBBs are particularly important in rural areas or economically depressed regions where it is difficult to attract traditional businesses, offices or factories (Standen 2000; Orser and Foster 1992).

Evidence also suggests that HBBs support local economies through their sales to local businesses and customers, and through purchases of products and services locally. A review of the literature indicated that annual sales from HBBs in North America

ranged between \$5,000 and \$750,000, averaging about \$50,000 per annum (Carter et al. 1992; Orser and Foster 1992, Good and Levy 1992). In Australia, Stanger (2000) found that HBB annual sales were from \$2,500 to \$200,000, with a mean of \$87,199. It is important to stress that these HBBs do not include traditional agricultural production. Also, these sales occurred mostly in the same rural or urban community in which the HBBs were located. Consistent with Carter et al. (1992), Loker et al. (1995) found that more than 85% of rural HBB entrepreneurs purchased their business supplies and sold most of their products and services within their local community or surrounding areas. Other accounts also indicated that urban HBBs sold more than 70% of their goods and services within the same community, and only a few sold their products outside of the local markets (Randall 1997; Nanaimo CEDO 1995). These exchanges create linkages between places. Although it was not clearly indicated, it is believed that these constituted rural-rural linkages and rural-urban linkages in HBBs. Randall's (1997) study showed that two-thirds of all home-based sales were made to other businesses instead of consumers, suggesting that HBBs serve an intermediate production role by supporting others businesses in local communities.

This review of HBB literature has suggested that home businesses have significant linkages between places and among local businesses, and have relatively high multiplier effects and lower economic leakages through other businesses. In addition, the impact of HBBs on community economic development is "maximized when they [i.e., HBBs] sell their goods or services outside the local area, attracting new dollars, while purchasing most of their materials and services locally" (Rowe et al. 1999: 74). Based on

the foregoing empirical accounts, it is strongly contended that HBBs are not economically marginal to other forms of occupations or businesses in society today.

In addition to their economic potential, home businesses offer potential social benefits to households and communities. Studies have suggested that they provide opportunities for entrepreneurs to maintain a balance between work and domestic or family responsibilities (Berke 2003; Edwards and Field-Hendrey 2002; Standen 2000), particularly for female entrepreneurs who have young children (Gurstein 1995; Nanaimo CEDO 1995; Phizacklea and Wolkonitz 1995; Beach 1989) and for farm families (Brown and Muske 2001). For example, conducting work from home allowed entrepreneurs to provide needed care for their children, sick or elderly relatives, and disabled spouses (Edwards and Field-Hendrey 2002). Home businesses also provided farm families the opportunity to remain in farming while adding value to their farm produce or adding a new business venture to their primary occupation (Brown and Muske 2001). Other studies have suggested that home-based work has enabled women to escape the conventional patriarchal workplace environment, and to be their own bosses” (Berke 2003; Rhode and Martin 2000; Jurik 1998). Edwards and Field-Hendrey (2002) found that female HBB owners were more likely to be self-employed than their counterparts who worked outside of home. It is therefore not surprising that more women than men operate home businesses on a full-time basis. Stanger (2000) believed the involvement of household members in HBB activity gave them the opportunity to learn and develop their long term entrepreneurial skills. Supposedly, working together strengthened the family bond among household members. Also, people who chose to work at home had the

opportunity to live in their place of birth or “place of choice” and maintain their attachment to the place (Brown and Muske 2001) with its symbolic meanings or history.

Some studies have suggested that the presence of HBB owners in a community provide informal surveillance or security for neighbourhood activities, while generating interactions or social relationships among local residents (Stanger 2000; Gurstein 1996; Nanaimo CEDO 1995). The fact that HBB entrepreneurs are not highly mobile, i.e., they tend to live in the same community for a considerable length of time (Rowe et al. 1999; Heck et al. 1995), contributes significantly to the sustainability of communities. As noted earlier, most HBB owners have operated their businesses for more than five years, and they have likely lived in the same community for more than fifteen years. Interestingly, both rural and urban HBBs share these attributes. In fact, the impact of HBBs on the sustainability of households and communities cannot be overemphasized. Scholz (2000) reached a similar conclusion regarding the contributions of entrepreneurial ventures in rural economies. He argued that HBBs and other “indigenous businesses” in rural Saskatchewan are a driving force in creating employment opportunities; in generating income for individuals, households and communities; and in supporting local economies. This earlier research suggests that it is important to recognize the economic potential and social contributions of HBBs to the sustainability of households and communities.

Several challenges and problems hinder the ability of home businesses from reaching their community economic development potential. Research has shown that most HBB entrepreneurs were unable to separate business life from family matters (Hennon et al. 2000; Jurik 1998; Good and Levy 1992). Other limitations include isolation or lack of personal interaction with other business people (Rhodes and Martin

2000; Good and Levy 1992), lack of personal confidence and motivation for work (Rhodes and Martin 2000), municipal restrictions on business activities in the home (Rowe et al. 1999; Gurstein 1996), inability to establish business credibility, taxation, lack of access to appropriate business-related information, lack of particular business skills (Good and Levy 1992), and lack of access to capital from financial institutions such as banks, and credit companies (Rowe et al. 1999; Good and Levy 1992).

Gurstein (1995) claimed that municipal by-laws and regulations governing home-based work in Canada are too restrictive and do not reflect the nature of most HBBs. This suggests that most policy makers have inadequate or incorrect knowledge about the nature of HBBs in their communities. Rowe et al. (1999) found a lack of security (e.g., health and business insurance) and outright business scams as barriers to home businesses. Another problem is the negative attitudes and perceptions of the public towards these businesses. For example, some people viewed the HBB as an illegitimate occupation, or as low paying work, particularly for women (Standen 2000; Rowe et al. 1999; Nanaimo 1995). According to Standen (2000: 8), this prejudice extends to business institutions whereby banks “refuse loans and give poorer services to HBBs . . . and insurance companies make it difficult to cover business equipment.” Gurstein (1996) maintained that the principal concern about HBB activity in local communities include observance of municipal by-laws, zoning regulations, unfair competition with commercial businesses, disruption and change in character of residential neighbourhood (parking, traffic, sign on property), and safety and security issues.

The argument being made here is that, regardless of these challenges, home businesses may now be considered one of the most significant self-employed

entrepreneurial activities in urban, rural and small communities, and they contribute significantly to the survival of households and communities. The ability of home businesses to play this role in society depends largely on the strategies and techniques they use to survive and grow in the marketplace. The next section presents an overview of these business strategies and techniques.

#### **2.6.2.4 Business Strategies and Techniques Used by HBBs**

The primary reason HBBs use business strategies and techniques is because they compete with other businesses in the marketplace. Gray and Gray (1994a) argued that although HBBs have their unique features they are in most respects similar to other commercial businesses, in terms of their types, markets, and risk bearing. The difference between HBBs and other employment is that the work site of the former is the home (Edwards and Field-Hendrey 2002). Considering these common features, it is not surprising that HBBs compete with other businesses in the marketplace. Randall (1997) found that urban HBBs offered similar products and shared a common market area as their commercial counterparts. Whether such competition also exists between rural HBBs and commercial businesses has yet to be determined. Again, Randall discovered that commercial businesses were aware they were in competition with HBBs. He therefore concluded that “HBBs are not attempting to provide some kind of unique good or service, but rather are competing (and are aware that they are competing) with other commercial and home-based businesses” (ibid: 54).

The above discussion implies that HBBs’ awareness of their markets is an important element to their survival. Gray and Gray (1994a) contended that the failure of



most HBB enterprises within the first three years in operation was partly due to lack of knowledge about the common market, about business planning, and about management. According to Blatwatt (1998), knowledge about customers (location, characteristics, taste, etc.), suppliers (location, prices, etc), competitors (market share, size of market, location), and business strategies and techniques are indispensable in the production and marketing of a product or service. In keeping with this claim, Vyakarnam (1990) maintained that the growth and survival of rural HBBs depended on entrepreneurs' knowledge about the marketplace, particularly customers, suppliers and competitors. This implies that HBB entrepreneurs who are able to capitalize on these elements are more likely to survive and expand.

In addition, research points to professionalism and credibility as an important business strategy for small businesses. Generally, HBB entrepreneurs tend to be less professional about their businesses compared to other small businesses. For example, Good and Levy's (1992) study suggested that compared to HBBs, other small businesses were more likely to use professional services such as accountants, lawyers, and counselors, as well as computers for bookkeeping, production and management control, and maintaining customer records. Standen (2000) found more similarities than differences between HBBs and other small businesses in terms of their use of professional advisors and business planning. However, without providing any details, he agreed that HBBs employ different business strategies to gain a competitive edge in the market.

Another important business strategy is networking. Paige and Littrell (2002) claimed that networking helped arts and crafts retailers obtain a competitive edge in the

marketplace. Hence, they considered it a necessity to survive and succeed. Carter et al. (1992) found significant positive relationships between business performance and participation in business networks and informational conferences. Their study indicated that rural HBBs that used these professional approaches were more profitable than those that did not. A majority of their rural HBB respondents lacked enthusiasm for business networking and attending informational conferences. Rhodes and Martin (2000: 5) found that female HBB owners in Vancouver did not “enjoy attending networking groups, but attended these selectively.” Stanger (2000) confirmed that most HBB owners were not interested in joining any business association. What this implies is that the unwillingness or inability of HBB owners to use networking and professional services may undermine the performance, credibility and legitimacy of their businesses in society. For example, networking can help minimize the isolation problem of home businesses, offer marketing opportunities, and provide free business ideas or counselling to HBB entrepreneurs (Paige and Littrell 2002). It can also be argued that HBBs’ lack of interest in these services contributes to low overhead costs, one of the main motivations for HBB start-up.

Advertising is one other strategy most HBB entrepreneurs use to market their products or services. Research has indicated that word of mouth or customer referral was the most common advertising method used by HBBs (Rhodes and Martin 2000; Randall 1997). HBB entrepreneurs and members of their households are embedded in networks of social and economic relationships which afford them the opportunity to provide or receive information and resources (Paige and Littrell 2002; Brown and Kulcsar 2001). These social networks serve as channels for marketing HBBs. Other advertising methods used by HBBs include the telephone directory, media (newspapers, radio), and billboards

or signs on property. Another important strategy that HBBs use to compete effectively with other businesses is the provision of quality goods and services to customers (Randall 1997). Berke (2003) found direct sales an important business strategy for women HBB owners. Her study focused on network marketing of beauty care products, an important form of HBB activity for women. This explains their preference for the direct sales business strategy.

The above business strategies are elements of Porter's (1980) competitive strategy model (cost leadership, differentiation, and focus), but the above research did not make reference to this model. However, some other studies have used the competitive strategy model to investigate the performance, growth and sustainability of rural HBBs (Paige and Littrell 2002; Kean et al. 1996, 1998; Soldressen et al. 1998). Kean et al. (1996) utilized the model to examine performance of HBB operators who marketed crafts to tourists in rural areas across the American Midwest. It was discovered that these business managers depended on strategies that minimized operational costs (e.g., advertising cost), while paying attention to quality, uniqueness, and innovation. The number of years in business and type of craft shop also influenced the choice of strategies. The dominant strategies in this case were cost leadership (i.e., providing low cost products) and differentiation (i.e., producing different or unique items), rather than a focus strategy (i.e., producing for a particular market).

Similarly, Kean et al. (1998) used the competitive strategy model to investigate rural retail stores in the United States. They examined the characteristics and performance of retail business, and the inter-relationships between these two factors in forty-eight rural communities across twelve states. Although it was not clearly indicated,

this study likely included some home-based retail businesses. Their findings suggested that changes in population and store tenure (i.e., amount of time a store is present in a county) were the principal determinants for selecting a particular competitive strategy. Nevertheless, the characteristics of a community and the use of competitive strategies did not seem to have a critical impact on retail business performance. Thus, retail business managers could be successful in a variety of community settings. Additionally, the success or failure of a business was not related to the community's economic base (e.g., agriculture, manufacturing, tourism), but rather it was related to a community's business environment such as economic restructuring, intensified competition, government regulation, technological advancement and access to resources.

Soldressen et al. (1998) analyzed the success factors for home-based textile artists in small communities. The main difference between their study and the preceding ones is that Soldressen et al. used a methodological approach to measure performance of HBBs, while Kean et al. (1996, 1998) relied on theoretical strategies. Soldressen et al. utilized descriptive statistics (e.g., frequency distributions and means), correlations and multivariate regression analyses to gauge business performance. Their findings indicated a positive correlation between previous business expertise and success of HBBs. Based on regression analysis, they concluded that three independent variables were highly significant in explaining business performance. These variables are the number of hours worked per week, non-family members hired as employees, and product sales at wholesale trade shows. These significant variables have yet to be tested among different HBBs and across different geographic areas. This thesis adopts both theoretical and methodological approaches to examine the performance of rural HBBs.

## 2.7 Summary

This chapter has identified some of the important existing research on rural-urban relations, regional economic development, sustainable community development, community economic development, entrepreneurship, rural entrepreneurship, self-employment, home-based work and home-based businesses. Also, it has examined the sustainable community development framework, which is part of the theoretical framework of the thesis. It was noted that ideas of regional and community economic development, entrepreneurship, self-employment, home business, and households are encapsulated in sustainable community development processes (see Figure 2.1). This suggests a number of interlinked relationships that exist among these concepts. For, example both RED and CED focus on fostering economic development among communities on a sustainable basis. Lately, RED employs the tools of CED to promote regional and community revitalization. Also, the concept of “sustainability” is the ideal or the main underlying outcome sought by most RED and CED initiatives. The literature pointed to the growing trend in self-employment, entrepreneurship and home business activity as an important mechanism for achieving regional and community sustainability. The literature also suggested that home businesses and strategies for sustainable community development vary spatially. Further, using HBB as a vehicle for regional and rural sustainability implies that the social and economic decisions of individuals and households affect sustainable community development, thereby suggesting that there is a link between HBB, CED and SCD.

In addition, it was noted that the literature specifically on rural HBBs in particular, and HBW in general, is lacking. It was suggested that several factors shape

HBBs. Moreover, the literature indicated that HBB activity has potential economic and social benefits to households and communities, but the role of this activity in the sustainability of households and communities in rural areas and small communities in Saskatchewan has yet to be investigated. While previous studies on HBB paid no attention to the urban connections with rural areas in this growing phenomenon, variations exist between the types and intensity of HBB occupations in rural communities (less than 1,000 people), small towns (between a 1,000 and 9,999 population) and urban areas (more than 9,999 population). It is anticipated that the business strategies and techniques home businesses use in the marketplace vary across space, especially the variation of these phenomena between urban and rural settings. This thesis adopts the von Thunen Isolated State model to explain the spatial variation of these phenomena, and their implications for rural sustainability and regional economic development. As noted earlier, Chapter Two has examined the sustainable community development framework, therefore, the following chapter discusses the other part of the theoretical framework of the thesis, namely the competitive strategy model and the von Thunen Framework.

## CHAPTER THREE

### THEORETICAL FRAMEWORK OF RESEARCH

#### 3.1 Introduction

While home-based work is not new, questions about its theoretical and methodological underpinnings still remain unresolved. This pitfall is at least partly due to the unwillingness of home workers to identify themselves (Randall 1997; Jurik 1998; Orser 1991; Kraut 1988), the lack of a large enough sample size to accurately describe the characteristics of the many components of home-based workers, the lack of appropriate survey instruments to measure variables such as part-time or seasonal work (Orser 1991; Kraut 1988), and the lack of recognition and support for HBW by policy makers and planners (Orser 1991). Perhaps the lack of HBB theory is due to the general lack of community economic development theory. Sharpe (1988) pointed to the definitional problems of the concept of work, and the methodological and theoretical problems that limit the measurement and inquiry of informal or irregular work (i.e., unreported, unregulated, unregistered or illegal work) associated with rural HBBs. Sharpe attributed these problems to the fact that work done outside formal wage employment was not recognized until recently. Consequently, informal work was not considered in social and economic theories and models of work. However, some social scientists have adopted social surveys, ethnographic methods, or a combination of these techniques to study variations in the nature and skill of informal work at the level of the individual, family, household and community.

The literature presented in Chapter Two implicitly pointed to the sustainable community development framework, combined with the competitive strategy model and a spatial economic model as a possible theoretical underpinning for studying home business and CED. It also indicated that a combination of different factors affect community sustainability. These factors include geographic location, as well as the economic behaviour of individuals and households running businesses from their homes. Other factors include entrepreneurship, characteristics of entrepreneurs, development and maintenance of small businesses, and competitive strategies that small businesses used in the marketplace. The literature suggested that these factors vary across geographic settings. The von Thunen (1826) economic model helps explain the spatial variation of these factors.

This thesis proposes a rural-urban home business theoretical framework that combines the concept of sustainable community development, Porter's competitive strategy model and the von Thunen Isolate State model to examine rural-urban relations in home business activity, and the role of HBB activity in rural or community sustainability. This theoretical framework recognizes the relationships among the sustainable community development conceptual framework and the economic models by von Thunen (1826) and Porter (1980). As noted earlier, the literature pointed to spatial variations in home businesses, competitive strategies and motivations that influenced the survival or sustainability of home businesses. It also suggested that strategies for sustainable community development varied spatially. The spatial variation in these phenomena lends support to the von Thunen framework. Therefore, it suffices to suggest that the economic models by von Thunen (1826) and Porter (1980) and the concept of



sustainable community development are linked. That is, the economic models help explain sustainable community development. It also implies that the concepts of “entrepreneurship” and the “business development approach” used recently in most sustainable regional and community development strategies differs by community and regional context. Therefore, the type of small businesses that may support economic growth in urban settings may not necessary help rural communities. The concept of sustainable community development was discussed in detail in Chapter Two. Therefore, this chapter discusses the two economic models, starting with the competitive strategy model, which emphasizes cost-leadership, differentiation and focus strategies, and concentrates on the performance of home businesses; followed by the von Thunen’s isolated state or land use model (Hall 1966) that addresses the spatial dimension of economic activities associated with home businesses.

### **3.2 Competitive Strategy Model**

Michael Porter (1980) proposed the competitive strategy model to assess business performance. The model has three major elements: overall cost leadership, differentiation, and focus. These elements are basically strategies employed to outperform other businesses in the marketplace. For the purpose of this thesis the term “competitive strategies” will be used to refer to the elements in the model. The competitive strategy model rests on the premise that the survival or sustainability of small businesses in any community depends largely on their ability to identify and capitalize on niches in the production and marketing systems. Cost-leadership provides customers with competitively low-cost goods and services without sacrificing quality, quantity, or

services. It requires a combination of functional policies such as cost minimization in overhead and advertising, and high relative market advantage such as favourable access to raw materials. Implementing a low-cost position strategy demands an initial large capital investment in order to offer a better competitive market price for the good or service. Interestingly, the prime goal of most HBBs is to minimize initial and operational cost of business, but they lack an initial large capital.

A differentiation strategy is one in which an enterprise offers a unique product or service to buyers to distinguish itself from other competitors. Some of the different ways to achieve differentiation are through brand imaging, technology, product design, and customer services. These strategies are not associated with cost reductions. In addition to yielding above-average profits, differentiation protects businesses from competitive rivalry and enhances customer loyalty (Porter 1980). In the focus strategy, an enterprise focuses on a particular geographic market, on a group of customers or on a product line segment. Thus, a focus strategy emphasizes serving a particular target more effectively or efficiently than any other business in that particular industry. Implementation of a better focus strategy can lead to the achievement of either differentiation or low-cost advantages or both, as the business meets the special needs of its target (Porter 1980).

According to Porter (1980), the competitive strategies can be applied independently or in combination to achieve maximum benefit. Several empirical accounts have shown that most HBBs and other small businesses prefer a combination of the differentiation and focus strategies, rather than the cost-leadership strategy for growth and sustainability (Paige and Littrell 2002; Kean et al. 1998; Kean et al. 1996; Dess and Davis 1984). McNamee and McHugh (1989: 70) argued that the competitive strategy

model is “a worthwhile and practical methodology for investigating sectoral and individual firm [or business] competitiveness.” In their empirical study of clothing industries in Northern Ireland, McNamee and McHugh found that firms relying on a differentiation strategy (e.g., marketing, design, own branding) performed best. However, they argued that a more comprehensive and accurate estimate of business performance could be achieved if a combination of strategies were adopted rather than relying on a single measure.

Watkin (1986) claimed that small retail businesses in the United States were able to survive and grow in spite of the strong competition with major firms. He attributed this achievement to the ability of small businesses to use a focus strategy to capture a niche in the market not well served by larger firms. Thus, smaller businesses were more likely to either concentrate on different target markets or provide a unique product to customers. Watkin added that since the demise of most small businesses occurs in the first five years, those that do survive are in a position to compete and expand if they continued to rely on competitive strategies. One can argue that the survival of these businesses is key to the sustainability of their communities.

The competitive strategy model and its associated empirical applications emphasizes the profit maximization aspect of small businesses without paying equal attention to their social and cultural values (e.g., social networks, family, preservation of cultural values, etc.), which perhaps influences the survival and growth of these businesses in rural and small communities. Paige and Littrell (2002) argued that the competitive strategy model limits business strategies to a few economic variables. They found that while arts and crafts retailers combined focus and differentiation strategies for

competition, they also used product-cultural strategies to gain a competitive edge on the common market. This strategy includes educating customers about their products in terms of the history and culture of their local communities that are preserved in the items they produce. Despite the popularity of Porter's model, there is virtually no Canadian study that has used it to understand the nature of home-based work. This thesis fills this gap by positing that there is significant relationship between the competitive strategy chosen and the growth and survival of rural and small town HBBs.

### **3.3 The von Thunen Isolated State Model**

This thesis also examines the von Thunen isolated state model, also referred to as land use or agricultural production model, as a point of departure to explain both the variation in HBBs and in competitive strategies across space; and to examine the contributions of these businesses to income, employment and well-being of households and communities. Johann Heinrich von Thunen was the first person to articulate the principles that governed the interactions of economic activity within the rural-urban region (O'Kelly and Bryan 1996). Von Thunen's classical work, *The Isolated State*, was published in German in 1826. Hall (1966) provided an English translation of this work. According to von Thunen, the central town (market, city, core) provides rural areas (periphery, hinterland, countryside) with all manufacturing products such as agricultural inputs and in return it obtains its food supplies from the surrounding countryside (ibid). Thus, urban centres serve as market outlets for rural products and services. The implications of this connection for sustainability of rural and small communities in Saskatchewan have yet to be investigated. The core-periphery paradigm that underlies

the rural-urban relations concept has been expressed in different but closely related theories and models. One such theory is the central place theory (Christaller 1966).

Christaller (1966), the founder of classical central place theory, defines a central place as any settlement that offers goods and services to its inhabitants and the population of the adjoining areas known as complementary, catchment or hinterland areas. Implicitly, this definition points to unidirectional relationships between urban and rural areas. Christaller's definition suggests that lower-order centres produce generalized goods and services for their citizens, and depend upon higher-order centres for more specialized products. The reverse case, where small towns and rural communities provide specialized goods and services for their citizens and neighbouring areas including urban centers, has largely been ignored in most empirical central-place-oriented investigations. While distance plays a key role in central place theory, it is not used to explain the spatial pattern, composition and intensity of one particular industry or occupation (e.g., agriculture, small business), but rather it emphasizes the changing pattern of different types of commercial activities over space. Although the central place theory shares some similarities with the von Thunen isolated model (e.g., core-periphery, rural-urban links, distance, cost), its weaknesses, as noted above, make it an inappropriate theoretical framework for this thesis. Nevertheless, this thesis uses the concepts of range and threshold of goods and services to examine the nature and variation of home businesses with distance. Hence, the application of the von Thunen model.

The von Thunen model is also preferred for the following reasons. This is the first spatial model that addresses economic issues, particularly the marketing of rural commodities in urban places. This dissertation examines the development and

maintenance of different types of HBBs across space, and the intensity or extent of these economic activities within different geographic zones generating different benefits to households and communities. This objective fits with the basic underlying ideas of the von Thunen model to be discussed shortly. One important feature of the model that relates to this dissertation is how it points strongly to a clear link between rural and urban areas and to the role of economic activity in mediating this relationship. Unlike central place and other similar theories, the von Thunen model is characterized by its flexibility. That is, any variable or combination of variables can be incorporated into its domain to explain observable variation(s) of a phenomenon in space, the main interest of geographers. According to Chisholm (1962: 21), “the ideas developed and expounded by von Thunen do not constitute a theory of location [as many thought]. They amount to a method of analysis which may be applied to any situation in any time and place.” Thus, this method is applicable to current events and it gives room for considerable extension and modification. This makes it possible to analyse any socio-economic subject that relates to the rural-urban landscape. The model serves as a mechanism in which variations in rural small businesses in developed countries can be linked with the sustainability of households and communities at the micro-regional level.

The von Thunen model is adequately described in Chisholm (1962, 1979), Killerman (1983, 1989) and many other studies. Therefore, this thesis provides only a brief summary of it. The core of the model consists of the following assumptions: an isolated state, a simple central market (city), settlement in rural areas away from the central market, complete rational economic actors (e.g., farmer, small business owner) optimizing profit, homogenous population, uniform physical features (topography,

climate, resources), and a homogenous transportation system (Hall 1966; Chisholm 1962, 1979). It is interesting that several of these assumptions, particularly those related to physical features, are well suited to the Canadian prairie region, particularly Saskatchewan. Based on the foregoing assumptions, von Thunen suggested that agricultural activity would vary in terms of type and intensity of farming over space. He therefore identified six rings of farming around the central market or city. Later, he modified these assumptions to reflect reality (Hall 1966). The model consists of two major theories: the crop theory and the intensity theory. The former examined the cultivation of different crops across space, while the latter focused on the intensity of yield and total production within different crop zones, generating different economic rent (Chisholm 1979). This model suggests that distance-to-market (i.e., accessibility) influences type, composition and intensity of economic activity over space.

The von Thunen model did not consider HBW, and no other research has subsequently attempted to incorporate this form of economic activity into the model. Rather, the focus of most studies has been on agriculture, consistent with the classical model. For example, Skotheim (1999) employed the von Thunen model to examine the spatial influence of urban settings on farm household decisions regarding agricultural production and off-farm employment in Saskatchewan. He underscored the claim that the von Thunen model overemphasizes agricultural production and ignores the household or related alternative economic activities. As with the competitive strategy model, the von Thunen model stresses profit maximization and ignores the social considerations for establishing a business. This thesis examines how distance-to-market modifies patterns of home business activity away from major urban centres. In addition to distance-to-

market, the characteristics of home-based businesses, household, and local community combine to influence business decision making at the household level. An alternative theoretical framework for exploring the impact of HBBs on rural and regional development is the economic base theory.

### **3.4 Economic Base Theory**

The economic base theory is another theoretical framework that could be used to examine the role of home-based business activity in rural and regional development (Klosterman 1990; Gibson and Worden 1981; Williamson 1975). According to Klosterman (1990: 113), the economic base theory is “the oldest, simplest, and most widely used technique for regional economic analysis.” The basic assumption of the economic base theory is that the economy of a community or region can be divided into two components; the basic or non-local sector, and non-basic or local sector. The basic sector consists of local businesses and parts of firms that rely solely upon external markets and sources (Klosterman 1990). In other words, the basic economic sector produces goods and services that are exported outside the community or region to generate sales and revenue from external markets, and to create employment opportunities locally. Typical examples of basic economic activities in Saskatchewan include some manufacturing firms (e.g., processing of meat), and resource-oriented industries (e.g., agriculture, mining, forestry) that usually produce goods for exports. Another basic economic activity is the tourism industry. This refers to firms and organizations that provide goods and services to non-local tourists and other temporary residents who visit a community or region.



On the contrary, the non-basic sector refers to businesses and organizations or parts of these institutions that produce goods and services for residents within a community or region (Klosterman 1990). This component depends largely on local economic conditions, and it helps re-circulate resources locally. For example, local businesses such as convenience stores, dry-cleaning, restaurants, and gas stations that provide goods and services to residents of a community would fall into this category. The non-basic sector is primarily shaped by the size of population and the local business environment. The implication is that individual rural and small communities that have small populations, are isolated geographically, and depend largely on non-basic economic activities, may not have the capacity to develop and be sustainable. In sum, the economic base theory suggests that the development and sustainability of a community or region is determined mostly by the growth and enhancement of its basic economic (export) sectors. That is, the basic sector is the main driving force of the local economy.

Interestingly, the wide range of home business activities (e.g., professional, construction, manufacturing and processing, retail, personal services) can be categorised into basic or non- basic economic activities. For example, HBBs engaged in the manufacturing and processing of arts and crafts, food and seeds for external markets can be categorized as basic (export) economic activities. Businesses such as retail trade, personal services, and construction are more likely to be engaged in non-basic sales.

Although, the economic base theory can be used to explore rural and regional development, it has certain limitations which make its use inappropriate for this thesis. It is relatively weak, compared with the von Thunen economic model, in explaining the spatial variation of economic activity across space and in analysing interactions or

linkages of economic activity across the rural-urban region. In addition, the economic base theory stresses on using reliable and readily available economic base data such as number of jobs, income, pay roll, expenditure, and sales for analysis. In this research, there were no existing data on rural HBBs that could be used for such analysis. Finally, the study area of this research does not follow the typical boundary system used in economic base analyses. This economic base theory uses boundaries of census divisions, counties, municipalities or metropolitan areas as a proxy for regional economic boundaries. Therefore, for the purpose of this research, the von Thunen economic model is preferred. The economic base theory may be used in future research to investigate the impact of home businesses on rural and small town economies.

### **3.5 Analysis of the Theoretical Framework**

The theoretical framework of this thesis draws on the economic models (von Thunen and Porter) described above, and the concept of sustainable community development discussed in Chapter Two. However, the purpose of this thesis is not to test any one of the economic models against a real place. Instead, it seeks to adopt the von Thunen framework in combination with the competitive strategy model and the sustainable community development conceptual framework as a method of analysis to examine (i) variation in HBBs over space, (ii) the contributions of HBBs to community sustainability in different geographic zones (urban core, rural-urban fringe, periphery), and (iii) the links between rural and small town HBBs and urban places, particularly the implications of these links for sustainability of rural households and communities. Variables such as distance-to-market, competitive strategies, income, sources of supply

of inputs, location of business and household, and household characteristics are vital in the current theoretical framework.

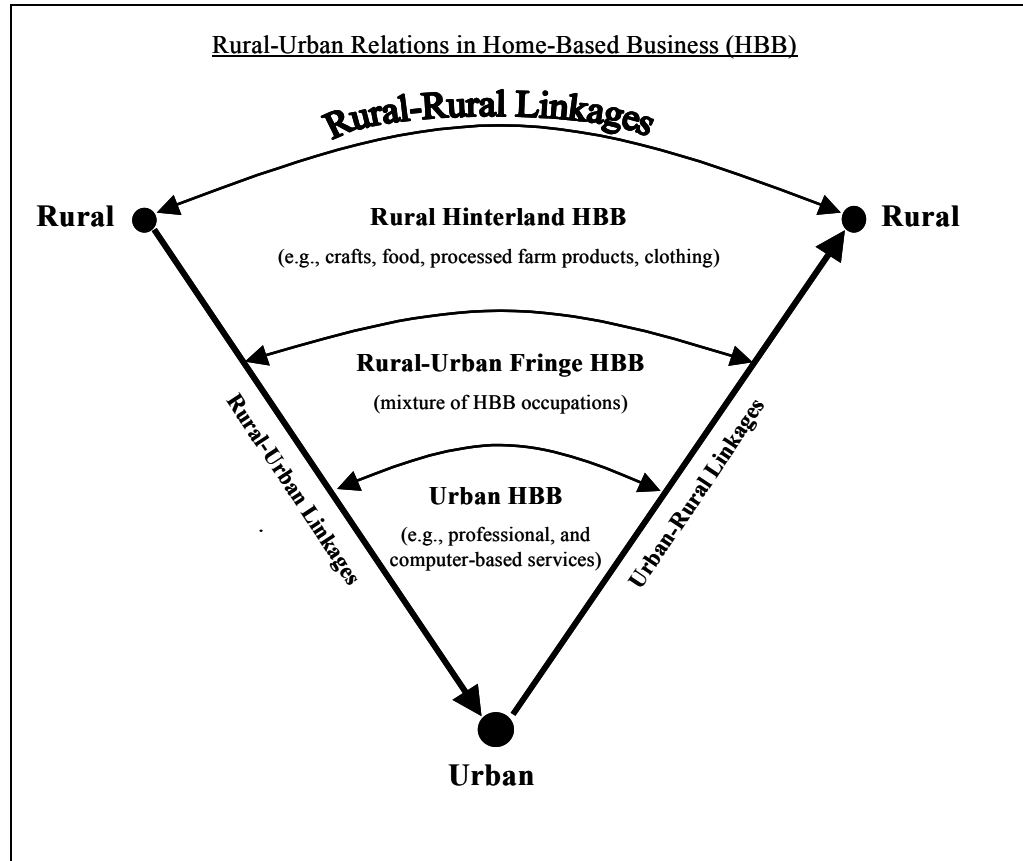
The significance of the von Thunen model in community economic analysis is based on the fact that a community is part of a broader rural-urban system. As such, no community can provide all the necessary goods and services it needs. The model also acknowledges the importance of location in business decision making. With reference to location, there is a suspicion that HBBs in rural-urban fringes are more dependent on urban markets and services than businesses in rural hinterland areas. Additionally, the literature suggested that strategies for sustainable community development vary spatially (Cocklin et al. 1997). Also, the HBW literature indicated that the nature and extent of HBB varied between urban and rural places (Rowe et al. 1999; Gurstein 1995; Heck et al. 1995). While urban centres tend to concentrate on home business enterprises in the professional, computer-based, and telecommunication sectors, HBBs in rural areas are more likely to be related to the production of crafts, food and clothing; processing of farm produce; construction and trades; and retail sales (Figure 3.1). This characteristic is in keeping with the main ideas of the von Thunen model.

As illustrated in Figure 3.1, some modifications to the von Thunen method of analysis are suggested. The thesis introduces the concepts of sustainable community development and small business enterprises (i.e., HBBs) into the model and considers three zones in the rural-urban micro-region. It specifically considers the nature and extent of rural and small town HBBs and how they utilize urban places as market outlets for their products and supplies. It also considers the impact of this links on community

sustainability. The thesis posits that urban centres rely on small towns and rural areas for specialized products such as handicrafts, processed farm products, and tourism services.

**Figure 3.1**

Rural-Urban Home-Based Business Model



Source: Designed by the Author

It hypothesizes that at least some of the HBB entrepreneurs in small towns and rural areas have business links with entrepreneurs in urban centres through the procurement of special services, purchase of inputs or sale of outputs at farmer's markets, art and crafts shops, and trade shows. The implications of these links for the viability and sustainability of rural communities are crucial to the analysis of this dissertation. A final

modification is that the von Thunen model emphasized a decrease in intensity of crop production and an increase in transportation cost with distance, whereas the framework applied here stresses the association among distance, home businesses, competitive strategies, and sustainability of households and communities.

Implicitly, producers in the hypothetical Isolated State utilized cost leadership strategies to compete in the marketplace as transportation costs played a key role in the pattern and intensity of production of crops. However, there is no evidence that producers in the Isolated State considered differentiation and focus strategies for competition, perhaps due to the low level of transportation and communication technologies at the time. It is therefore argued that the present spatial distribution of HBBs is determined largely by marketing strategies and social benefits rather than by distance-to-market.

In accordance with the von Thunen model, by expressing a zonal “specialization” of agricultural production, it is expected that the rural-urban fringe zone around an urban centre would likely consist of a mixture of HBB enterprises, while the rural zone would be more likely to specialize in the processing of crafts, food, processing of farm produce, clothing, construction and retail sales. Several empirical studies have indicated that the urban zone will have greater proportions of professional home business occupations such as computer consulting, law and architecture (Randall 1997; Gurstein 1995). Figure 3.1 suggests that isolation or accessibility plays a key role in this adaptation of the von Thunen conceptual framework as it determines the type and distribution of HBBs. It is argued that each HBB product has a range and threshold. The range refers to the longest distance travelled by inhabitants of a community to secure goods or services offered in

another place, and the threshold refers to the minimum number of people and income (level of demand) required to sustain an activity such as good or service provided (Stabler and Olfert 1996; Rondinelli 1985; Christaller 1966). Although the products of both rural and urban HBBs have ranges and thresholds, the former are slightly different. The products of rural HBBs tend to be fairly mobile. For example, rural HBB entrepreneurs take products to farmers' markets, trade fairs or shows, art and craft festivals and shops. They also rely on drive-by impulse purchases along major highways (e.g., road-side stands). Selling to wholesalers is another market for rural HBB products. Some empirical accounts of rural small business vendors indicate that more than 50 percent of vendors travel 20 or more kilometres to sell their products at various outlets, particularly at farmers' markets in both urban and rural settings (Larson and Gille 1996; Lyson et al. 1995). This finding makes distance-to-market a key variable to consider in this thesis.

In this framework, an urban area is defined statistically by the Statistics Canada census criteria, which defines urban as places with 10,000 and more population (du Plessis et al. 2002). Bryant and Coppack (1991: 220) claimed that the periurban zone, also referred to as the rural-urban fringe or urban fringe, extends from the limits of the built-up area of a major urban centre to about 40 to 50 kilometres around the city. The zone beyond the periurban area is the periphery or rural hinterland region. The city's countryside or urban field (i.e., rural-urban fringe and rural hinterland) extends from about 150 to 200 kilometres around the major urban and metropolitan areas (Bryant 1992: 268; Bryant and Coppack 1991: 220). This urban-rural model suggests a sharp change in zones and distribution of geographic features over space, whereas in reality, there is likely a gradual change in activities and intensities. It is therefore anticipated that

HBB activities will vary gradually across space rather than contrasting sharply from urban to rural hinterland zones.

Bryant (1992: 266) contended that “economic activities function within different systems of exchange . . . operating at different geographic scales.” Each of these scales consists of nodes and interaction between the nodes. Hence, any change in a component of the system creates significant impacts on the production units. Thus the ability to create and support HBBs in rural and small communities has potential implications for regional economic development, and for rural sustainability. Douglas (1994: 14) underscored this claim: “[i]ntercommunity interdependencies are a reality of the Canadian community economy, not only through the functional urban hierarchy . . . , but also among spatially contiguous communities of similar sizes . . . . These interdependencies are increasingly being harnessed as means to facilitate the economic development of individual communities.”

From the above discussion, the theoretical framework of this thesis recognizes that communities within each zone are not homogeneous. Consequently, while considering the rural-urban interaction that HBBs create, it is important to examine rural-rural relationships as well (Figure 3.1). Bryant and Coppack (1991: 211) agree, arguing that “[s]ocio-economic systems function through various forms of interaction or various systems of exchange. Interaction occurs between units that reside at the same geographic scale [e.g., rural-rural interaction] . . . and between ‘units’ at different scales of geographic analysis [e.g., rural-urban interaction].” As places vary, so do small businesses and CED strategies, especially regarding their enterprise development strategies. In some cases, CED is achieved through “strategic partnerships forged among

communities within a region, between communities and the private sector [e.g., a home-based business] and between communities and upper level of government” (Dykeman 1992: 280). Dykeman’s claim summarizes the major relationships between the concepts of HBB, CED, and RED; and the vertical and horizontal relationships between communities. The next section reviews the hypotheses of the thesis that were originally presented in this chapter.

### **3.6 Hypotheses of Research**

Based on the objectives of the research and the literature reviewed, it is hypothesized that:

1. Characteristics of home businesses vary with distance from urban areas to rural hinterland areas. More precisely, distance influences the nature of home business activity. As a result:
  - a. rural hinterland and rural-urban fringe HBBs provide different products and services, they are motivated by different reasons, and they play considerably different roles in households and communities than their urban counterparts; and
  - b. HBBs on the rural-urban fringes are more likely to depend on urban markets and services than their counterparts in rural hinterland areas.
2. There is a significant relationship between the competitive strategy chosen (i.e., cost leadership, differentiation, focus) and the survival of rural HBBs. Rural HBBs are more likely to employ different strategies to compete in the market place than their urban and rural-urban fringe counterparts.



### **3.7 Summary**

This chapter has established the theoretical underpinnings of the thesis. It was noted that a combination of the concept “sustainable community development”, the competitive strategy model, and the von Thunen’s land use model, collectively forming the theoretical basis for this analysis, has never been used to analyze rural-urban relationships in HBB activity. The hypotheses of the thesis focused on two issues: the implications of distance and variation in the nature and roles of HBBs, and competitive techniques and survival of HBBs on community sustainability. The next chapter outlines the methodology to be used in the empirical analysis of HBBs. It provides the rationale for the selection of the study area, and discusses the data collection and analysis procedures used in this dissertation.

## **CHAPTER FOUR**

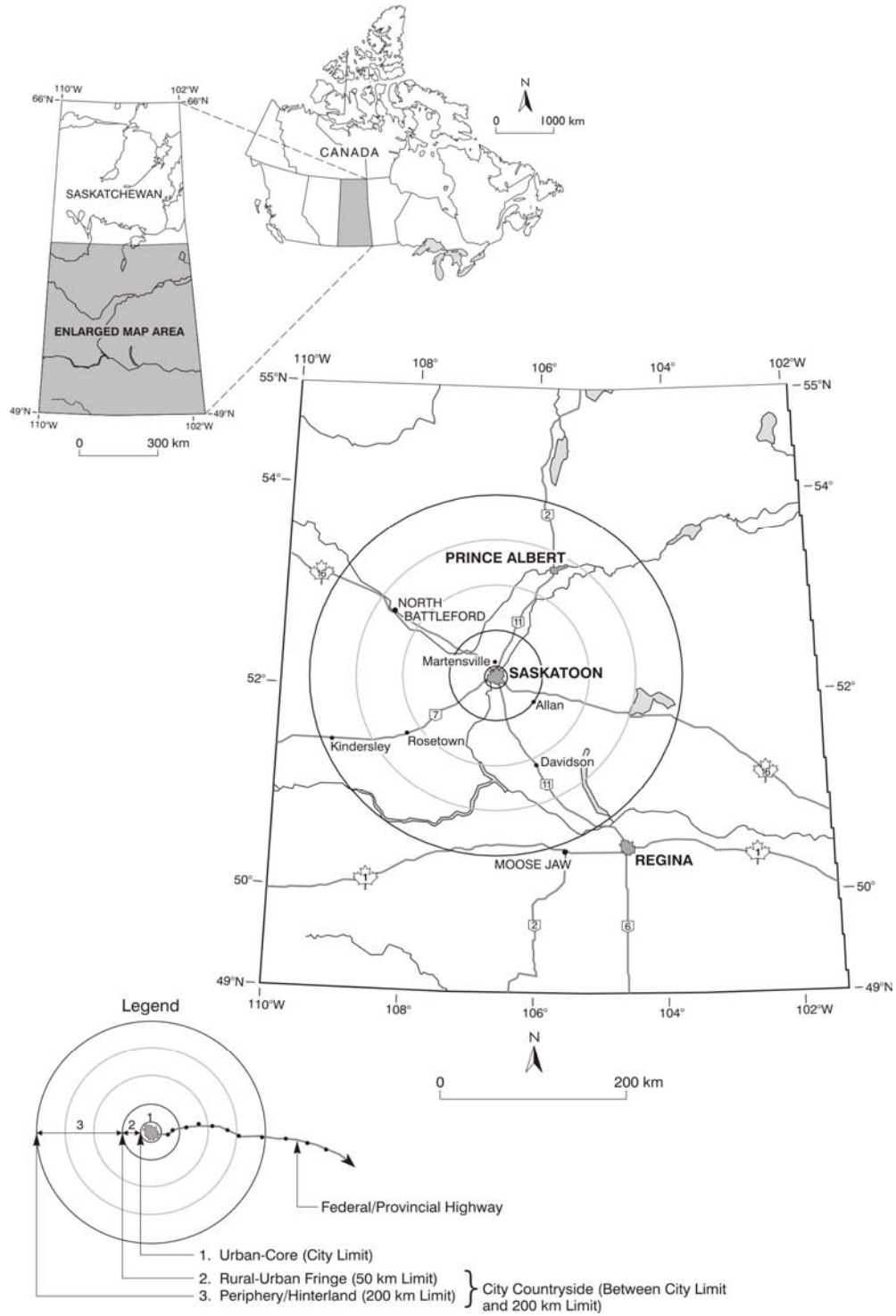
### **METHODOLOGY**

#### **4.1 Study Area**

The empirical section of this thesis (Chapters 5 to 7) focuses on HBBs within an urban field in central and southern Saskatchewan (Figure 4.1; Appendix A1). This region has been selected partly because rural restructuring and community change in this region make it particularly significant in terms of the role of home-based work. The south-central region consists primarily of agriculturally-based rural areas and small communities rather than forestry-based and First Nations communities. This region has experienced some of the largest declines in rural and small town population (Mendelson and Bollman 1998). Table 4.1 shows the continuing rural population decline in Saskatchewan since 1931. Not only has the population in Saskatchewan shifted from a predominantly rural population to an urban one but it has also shifted from a primarily farm-based population to an increasingly non-farm population (Table 4.1). The non-farm population has steadily increased from 10.6 percent of the rural population in 1931 to 66.2 percent in 2001. The implication is that the structure of the rural economy is changing as many people are leaving farming for off-farm employment opportunities such as home-based businesses. It can also be argued that a more complex mixture of farm and off-farm forms of employment is taking place at the level of the household and the community. As noted previously, the new rural economy has witnessed a shift from

**Figure 4.1**

**Study Area in Saskatchewan**



**Source:** Designed by Bigelow, Keith (Department of Geography, University of Saskatchewan)

**Table 4.1:** Population Change in Saskatchewan, 1931-2001

Year	Total	Urban	Rural				
			Total	% Rural	Non-Farm	Farm	% Farm
1931	921,785	290,905	630,880	68.4	66,868	564,012	89.4
1941	895,992	192,282	703,710	78.5	192,441	511,269	72.7
1946	832,688	208,872	623,816	74.9	180,317	443,499	71.1
1951	831,728	252,470	579,258	69.6	180,979	398,279	68.8
1956	880,665	322,003	558,662	63.4	198,011	360,651	64.6
1961	925,181	398,091	527,090	57.0	222,418	304,672	57.8
1966	955,344	468,327	487,017	51.0	207,375	279,642	57.4
1971	926,245	490,635	435,610	47.0	202,275	233,335	53.6
1976	921,325	511,330	409,995	44.5	217,425	192,570	47.0
1981	968,313	563,166	405,147	41.8	224,892	180,255	44.5
1986	1,009,615	620,195	389,420	38.6	227,920	161,500	41.5
1991	988,928	623,397	365,531	37.0	205,806	159,725	43.7
1996	990,237	627,178	363,059	36.7	222,714	140,345	38.7
2001	978,933	629,036	349,897	35.7	231,457	118,440	33.8

Source: 1. Saskatchewan Economic Review (1955, 1960, 1971, 1983, 1997 and 2004); and  
2. Stirling, B. (2001: p.323)

the production of staple products to that of non-staple goods and services. This means that Saskatchewan has experienced a significant redistribution of its labour force. The proportion involved in agriculture has decreased from 49 percent in 1951 to 14 percent in 1997 (Saskatchewan Economic Review 1952, 1998). Those engaged in the service sector increased from 14.5 percent to 35 percent within the same period. The emphasis on diversification of the rural economy and the increasing dependence of urban residents on the countryside for certain commodities are all features of the new rural economy.

A combination of several factors, over time, has contributed to rural decline in the south-central agricultural region in Saskatchewan. These factors include economic, political, physical or natural, mechanization, industrialization, urbanization, and globalization processes. This implies that rural sustainability in this region will require an integration of physical, economic, social, political and technological sustainability strategies as suggested by the theoretical framework of this thesis (Figure 2.1). The

south-central agricultural region has not escaped the impacts or forces of globalization and trade liberalization. The fact that this region is embedded in the national, international and global political economy means decision-making and changes at the broader levels affect local production and business activities.

Government actions in favour of neo-liberal policies such as trade liberalization and Canada's entry into the World Trade Organization (WTO), and signing the Free Trade Agreement (FTA) with the United States in 1988 and subsequently the North American Free Trade Agreement (NAFTA) with the United States and Mexico in 1995 have caused dramatic losses of international markets for staple products (e.g., wheat, meat, lumber) from the Prairies (Troughton 2004; Stirling 2001; Friesen 1999). While its European and American trade partners continued subsidizing their own domestic primary economic production, Canada has curtailed its Crow rate and subsidization programs and exposed its primary producers to intense global competition and vagaries of the world market conditions. According to Troughton (2004: 261), "the end of the Crow rate that since 1897 had provided lower freight rates for the shipment of western grains and flour, as well as curtailment of further supply management and grain stabilization programs, left domestic agriculture production less protected in a global economy and encouraged industrialization by multinational corporations." Also, the recent lumber trade disputes between Canada and the United States, and the American ban on the Canadian beef exports to the United States due to the Bovine Spongiform Encephalopathy (BSE) problem have negatively affected many rural families and communities in the Prairies.

Ironically, both federal and provincial governments have contributed to the weakening of rural sustainability and regional development in Saskatchewan by pursuing

policies that are subservient to, and encourage, the trends associated with industrialization. For example, they promote and support the 'agri-food industry' that solely involves primary farms and major processors (Troughton 2004). This means the remaining majority of farm-families or 'non-industrial farms' who contribute to the sustainability of rural communities are marginalized in receiving government support. As a result, this group of farmers tends to depend to a greater degree on non-farm employment and income. Another implication of governments support for agri-businesses is the centralization of power and decision making in the hands of urban-based multinational corporations, and the lack of local control over resources and development initiatives. In addition, this new phase of the capitalist economy in rural areas involves the impact of corporate restructuring on rural areas and small towns that depend on manufacturing activity for growth and sustainability. Winson and Leach (2002) argued that corporate relocation, downsizing, or shut downs have negatively shaped many small communities in Canada that depended upon manufacturing industries for employment and wealth creation. It is important to note that farming and, to a lesser extent, manufacturing activities are embedded in rural communities. Therefore, changes in and control of these industries by multinational corporations or governments clearly affect rural sustainability.

The reliance on the agricultural sector for the majority of rural communities in the study region has meant that rationalization and mechanization of farming and its infrastructure has direct and often severe impacts (Troughton 2004) on rural sustainability. For example, advancement in farming technologies has led to a dramatic and steady decrease in the number of farms, from 136,472 in 1931 to 56,995 in 1996,

while the average size of farms has continued to increase. The average farm size increased from 408 acres in 1931 to 1,152 acres in 1996; and the average farm capital increased from \$9,325 to \$536,121 within the same period (Stirling 2001). As farming becomes more capital intensive it displaces many farm labourers. Consequently, the lack of employment opportunities for the surplus farm labour has contributed to rural out-migration, thereby undermining the sustainability of communities. Also, sweeping changes to rail transport and grain elevator systems in the form of downsizing the number of branch lines and elevators (Troughton 2004; Stabler and Olfert 1996) have led to the decline and demise of many rural and small communities in south-central Saskatchewan. According to Troughton (2000), less than 20 percent of the elevators and one-third of all grain delivery points remained in the Prairies by the end of the 1990s.

In addition, environmental factors have contributed to rural decline in the study region. Since the beginning of the twentieth century, physiographic and unpredictable climatic conditions such as drought, soil erosion, severe temperatures, and variability in precipitation have largely constrained agriculture and rural sustainability in the Canadian Prairies (Troughton 2004; Stirling 2001). Troughton claimed that, in some cases, rural settlements were terminated by drought and its concomitant depressions. Other environmental conditions such as frost, hail and bush fires have contributed to farm income problems and rural decline (Apedaile 2004). According to Stirling (2001), “[f]arm families on the prairies faced both drought and depression during the 1930s [and 1980s]. The experience bankrupted farms and local businesses, broke families, [and] disrupted farm production”. More recently, diseases such as Severe Acute Respiratory Syndrome (SARS) and ‘mad cow’ disease (BSE), and global terrorism have had a further

effect on share and property values, and the best efforts of rural entrepreneurs and other workers to be productive and efficient (Apedaile 2004). The outbreak of these diseases not only affected agricultural activities in the Prairies but also negatively affected tourism and recreational enterprises in the countryside. Environmental quality is another factor that influences rural sustainability. “Traditionally, rural environments have been perceived as being of higher quality than urban environments, but recent questions as to domestic water supply and problems with odours and dust from intensive livestock operations have tarnished that image” (Troughton 2004: 260). These negative characteristics tend to weaken rural sustainability as people try to avoid living in such polluted environments.

Another factor that has weakened and continues to weaken rural sustainability in the south-central region and the entire Prairies is urban expansion into rural-urban fringe regions (Troughton 2004). This phenomenon has contributed to the replacement of rural land uses (e.g., agriculture) with urban land uses (e.g., golf courses, industrial, commercial, residential, transportation) as the former has not been able to compete with the latter with regards to generating economic rent. Troughton (2004: 253) maintained that “a rapidly expanding, affluent, and mobile urban population and relatively loose controls over land use and conversion processes contributed to rapid exurban development around all urban places”. The urbanization process, to a degree, influences rural out-migration thereby draining rural population and activities. It offers off-farm employment opportunities to several rural residents. As noted previously, rapid urbanization has also shifted the dominance of federal and provincial development policies and programs from rural to urban development.



The south-central region in Saskatchewan was selected because it contains several of the largest urban settlements or major cities in the province: Saskatoon and Prince Albert. The countryside surrounding these cities share similar characteristics in terms of size, socioeconomic features, topography, vegetation, climate and natural resources. Therefore, it is expected that HBBs within these urban fields would also be similar. Finally, given the regional scope of the theoretical framework, it was considered important to establish this fairly large rural-urban region within the province for analysis. Since the thesis is concentrated on rural and small town HBBs and their urban connections, the City of Saskatoon (Figure 4.1) was selected as the major urban-core or market centre proposed in the theoretical framework of the study (Figure 3.1). A large scale map of the study area is provided in Appendix A1.

#### **4.1.1 Definition of Sub-Regions in the Study Area**

The selected communities within the study area were categorized into two groups for the empirical analyses in Chapters 5 to 7. First, the communities were classified by regional location (urban-core, fringe, periphery) to analyze the spatial variation of several variables, including the characteristics of HBBs and business managers, competitive strategies, and the contribution of HBBs to households and communities across the rural-urban micro region. Using a map of Saskatchewan and a straight-line distance up to a total of 200 kilometres (Saskatchewan Highways and Transportation 1995), Saskatoon and its surrounding region was divided into three geographic zones or regions: the urban core of Saskatoon; the rural-urban fringe, which refers to the 50 km away from the city limit; and the periphery, which refers to the region between 50 and 200 km from the City

limit (see Figure 4.1). Each of the fringe and the peripheral regions included two types of communities: “rural areas” (fewer than 1,000 people), and small towns (between 1,000 and 9,999 people). The urban core was defined as places with more than 10,000 population. Saskatoon (n = 171) was chosen as the dominant urban core, but a few HBBs from Prince Albert, North Battleford, Regina and Moose Jaw were included in the urban core sample because of their similar characteristics, particularly for the compiled data on 604 HBBs (see Appendix A2). Also, due to the overlap of the regions or countryside surrounding Saskatoon and Regina, a handful of HBBs that fall within the overlap-region should have been defined as periphery in relation to their distance from Saskatoon, but they were classified as rural-urban fringe due to their proximity to Regina. For example, HBBs located in Regina Beach were classified as rural-urban fringe (see Appendix A2) in relation to nearness in distance from Regina. These exceptional cases and adjustments mainly apply to the basic analysis of the 604 HBB data in Chapter 5.

Second, the HBB locations were categorized by size of community, namely urban areas, small towns, and rural areas based on Statistics Canada definitions for these areas (du Plessis et al. 2002). This classification was utilized in Chapter 6 to examine the similarities and differences among rural areas, small towns and urban communities with regards to their entrepreneurial characteristics (e.g., motivation, sources of ideas and capital, business strategies and techniques) and how these features shape the businesses that support the sustainability of households and communities. Again, the locations of HBBs by size of community have been provided in Appendix A.

## **4.2 Data Collection**

The thesis utilized both primary and secondary data to meet its objectives, namely the urban connections with rural areas in HBB and the implications of links for rural sustainability, the relationship of HBB activity to the concept of rural entrepreneurship and business development, and the contributions of rural and small town home businesses to the sustainability of households and communities in Saskatchewan. Information about urban, small town and rural HBB operators was obtained from various provincial and local organizations and departments including the Saskatchewan Home-Based Business Association (SHBBA), the Saskatchewan Woodworkers Guild (SWG), the Saskatchewan Farmers' Market Cooperative (SFMC), the Saskatchewan Country Vacation Association (SCVA), Town/Village Administration offices, and the City of Saskatoon Community Services Department. From these associations, departments and other sources, urban, periurban and peripheral HBB owners were identified for the survey. The thesis employed three sets of data for its analyses: (i) compiled data on 604 HBBs, (ii) the City of Saskatoon's 2002 HBB data on licensed or registered businesses, and (iii) data from in-depth questionnaire surveys of 111 HBB managers.

### **4.2.1 Compiled HBB Data**

The first data set of the thesis (i.e., data on 604 HBBs) was compiled from lists of names and contact information of HBB owners obtained through organizers of associations, government officials and the snowball sampling process. The snowball sampling method will be discussed later in this chapter. This data provided information on the location and types of HBBs, as well as the gender of business owners for the

analyses in Chapter 5. This information was critical for analyzing the extent and distribution of HBBs in the study area. The following section discusses the other two data sets used in this research starting with the secondary data.

#### **4.2.2 Secondary Data**

The most current available secondary data on licensed urban HBBs (i.e., 2002 HBB data) were obtained from the City of Saskatoon Community Services Department (City of Saskatoon 2002). These data included types, names and locations of businesses, first names of HBB operators, description of businesses, as well as the Standard Industrial Code (SIC) of businesses. Information on the formally licensed urban HBBs was compared with the snowball sampled urban HBB data to determine the extent and distribution of HBBs in the urban core. As with the compiled data on larger (N=604) HBB set, the 2002 licensed HBB data set provided information on types and locations of HBBs, and gender of HBB owners. This information was used in Chapter 5 to examine the extent and distribution of HBBs in the study area. Initially, it was expected that secondary data on self-employed home-based employment (e.g., sectors, earnings, age, sex, educational status, marital status, number of children) could be obtained from Statistics Canada to help document the extent and nature of this form of occupation at the macro scale. Unfortunately, it was not possible to obtain these data because of the high cost associated with its acquisition.

### **4.2.3 Primary Data**

The third set of data was obtained from questionnaire surveys for detailed analyses in Chapters Five to Seven. The primary data consisted of in-depth questionnaire surveys to home business operators, the main target population for this research. A combination of stratified random sampling and snowball sampling techniques was employed to identify 604 HBBs, of which 111 HBB owners participated in the surveys (see Appendix A). Since the total population of HBBs was unknown, the snowball sampling technique was, therefore, used to identify as many HBB operators as possible from the selected region. Wasserman and Faust (1994) recommended snowball sampling to select a sample from a population with an unknown boundary.

#### **4.2.3.1 Stratified Random Sampling**

Stratified random sampling is a method used to divide a population into strata or subpopulations based on key independent variables such as size of communities, types of economic activities and gender, from which a random sample is selected from each stratum (Bernard 2000; Scheaffer et al. 1990). This sampling technique was preferred over other methods for convenience in selecting the sample for the research. It guarantees that vital subpopulations or target groups are incorporated in a sample (Bernard 2000). It also reduces the time and cost of collecting and analysing data as it focuses on smaller strata rather than on the entire population. Moreover, variance of observations within individual subpopulations is usually smaller than the variance of the overall population; that is, it is expected that the sample from each stratum would have

similar characteristics or behaviour patterns within the group than between subgroups (Scheaffer et al. 1990).

In this thesis, the sample was stratified according to geographic zones (urban-core, fringe, periphery) and size of communities (urban, small town, rural). As noted, Saskatoon and its surrounding region was divided into three geographic zones: the urban-core of Saskatoon, the rural-urban fringe, and the periphery (see Figure 4.1). A number of rural areas and small towns were selected at random from each of the rural-urban fringe and peripheral regions. Ideally, the next step in the selection of the sample population would have been to conduct a simple random sampling using a sample frame – a list of all HBB operators in the study area. However, because of the informal nature of many of these businesses, it was impossible to obtain a sample frame for all HBB owners in the study area or the province in general. Consequently, a snowball sampling technique was utilized to identify HBB owners within the urban field (Figure 4.1) for the survey.

#### **4.2.3.2 Snowball Sampling**

As noted, in order to obtain information on their location, characteristics and performance, identification of HBB operators was crucial to this research. The literature reviewed earlier suggested that information on registered rural and small town HBBs is lacking. Unlike urban HBBs, rural and small town HBBs are more likely to be exempted from municipal business regulations and registries or directories so it was challenging to identify the total population of this group. Therefore, the snowball sampling technique (Bernard 2000; Erickson 1979; Coleman 1970; Goodman 1961) was utilized to identify

these “invisible” self-employed small business operators. Jabs et al. (1998a: 197) defined snowball sampling as “a process where current participants in the study are asked to contribute names [addresses and phone numbers] of others who may be interested in participating in the study.” This is an effective strategy to identify largely “invisible” groups or difficult-to-find populations such as rural and small town HBB owners in a large population (Bernard 2000; Jabs et al. 1998a, 1998b).

Although rural and small town HBBs are emphasized in this analysis, information on urban HBBs was required for comparison to address issues such as spatial variation in HBBs as noted in the objectives, theoretical framework and hypotheses of the thesis. Therefore the snowball sampling technique was employed to identify urban HBB operators as well. Goodman (1961: 148) argued that “[t]he data obtained using an *s* stage *k* name snowball sampling procedure can be utilized to make statistical inferences about various aspects of the relationships present in the population.” Erickson (1979: 286) concurred with this claim and asserted that “[s]nowball data can be used for inferences about many aspects of network structure.” These arguments suggest that data collected using snowball sampling techniques share characteristics similar to the random sampling of a population. Nevertheless, in the case of snowball sampling, unknown close relationships between or among members of a subpopulation may influence the final outcome of samples, especially in a large population (Bernard 2000; Erickson 1979).

The snowball sampling method has been utilized elsewhere to study invisible groups in a society. At the national level, this method was used to identify vegetarians in Canada and the United States (Martins et al. 1999; Jabs et al. 1998a, 1998b), as well as male Vietnam veterans and their non-veteran peers in the United States (Rothbart et al.

1982). It has also been utilized to study invisible populations in rural areas, e.g., rural borewell farmers in India (Chandrakanth and Arun 1997), rural Cooperative Extension Service Sociologists in fifteen states (Volland 1984), rural females whose male counterparts had migrated to Delhi (Jetley 1987), and small-scale farmers who had cattle in seasonally dry areas of Jamaica (Morrison 1996). Some researchers have used the method to study social groups such as heroin addicts, drug users and their sexual partners (Biernacki and Waldorf 1981; Watters and Biernacki 1989), same-sex couples or homosexuals (Sarantakos 1996), and protestant Christian fundamentalists (Brent 1994).

More importantly, the snowball sampling method has previously been utilized to identify self-employed HBB owners in an urban setting (Rhodes and Martin 2000). Beach (1989) searched for white, rural, middle-class home-located producers living in the United States by following known points of contact. It was also used to select self-employed informal workers who were involved in household production and marketing activities in rural areas (Nelson 1999). Interestingly, the participants in both the urban and rural HBB studies were formal employees of large corporate organizations who had lost their employment due to corporate restructuring. Orhan and Scott (2001) used snowball sampling technique to identify women entrepreneurs in urban centres in France. They identified the initial group of entrepreneurs through business directories and female entrepreneur networks, and then obtained referrals about other entrepreneurs. Although it was not clearly indicated, the businesses they identified included retail sales of housewares, cosmetics and toys, professional services such as accounting and consultancy, and cleaning services, all of which could be operated from the home. The above empirical evidence suggests that snowball sampling technique is used to identify



invisible population in different geographic settings including rural areas, small towns and urban centres, and can be applied with confidence to study home businesses in the Canadian Prairies.

Both quantitative and qualitative techniques have been used to analyse data obtained using the snowball method. Some studies employed descriptive statistics (e.g., means, frequency distributions) and cross tabulations to describe and examine snowball sampled data (Morrison et al. 1996; Volland 1994; Jetley 1987; Neal 1986). Other studies have used inferential statistics such as t-tests, multiple regression, and Logit probability to analyse snowball sampled data (Martins et al. 1999; Chandrakanth and Arun 1997). This evidence supports Erickson (1979) and Goodman's (1961) claim that inferential statistics can be used to analyse snowball sampled data. Also, snowball sampling and qualitative techniques were utilized to study invisible groups of people in different geographic settings (Jabs et al. 1998a, 1998b; Brent 1994; Wang and Godbey 1992; Biernchi and Waldorf 1981). Nelson (1999) engaged both qualitative and quantitative techniques in a snowball sampled data analyses.

One common feature of the foregoing snowball-oriented studies is that they initially identified a participant or obtained a short list of names of participants who helped to identify other participants. Thus, the initial and subsequent participants all had a chance to participate in the studies without any influence from the researchers. For example, Jabs et al. (1998a, 1998b) recruited respondents from a vegetarian organization whereby the first few vegetarians who volunteered to participate in their study helped to identify several other vegetarians within their local community. Morrison et al. (1996) collected a short list of small-scale farmers' names during an introductory meeting with a

farmer's association and facilitators. These initial farmers were interviewed and they subsequently provided names of other farmers who were also interviewed, and so on.

In the same vein, this research utilized the snowball sampling technique to recruit rural, small town, and urban HBB owners. Initially, a list of contact information about HBB operators was obtained from organizers of HBB associations and town/village administrators. One hundred and twenty-six community administrators and 17 organizers or managers of HBB associations/organizations were identified. The initial information about this group was obtained from the internet, municipal sources and business telephone directories. The officials were then contacted via e-mail and telephone to seek consent to participate in the survey. A reminder was sent to non-respondents after two weeks via telephone and email. Of the 143 officials contacted, 31 (21.7%) participated. Those who participated provided one or more of the following: a list of names, addresses and telephone numbers of HBB operators. Some also helped in distributing questionnaires to their members. This latter function was undertaken because in several cases membership lists could not be released to non-members including this researcher.

The members of the associations lived in different communities (rural, small town, urban) so it was expected that they would help identify other HBB entrepreneurs in their local areas. After obtaining the lists of names and mailing addresses of HBB owners, a cover letter stating the purpose of the survey, terms of confidentiality and conditions of consent to participate, along with a questionnaire, and a postage-paid addressed envelope were mailed to them. The first group of respondents was asked to identify other HBB operators in their local area who might be willing to participate in the study. In terms of completed questionnaires, the initial survey yielded 61 respondents

(first wave), which snowballed to an additional 32 respondents (second wave), followed by 11 respondents (third wave), and finally by 7 respondents (fourth wave). It was observed that some HBB owners provided names of other members in their association whose information had already been included in the initial list. These names were excluded to avoid “double counting” or overlap in the sample.

Overall, 570 questionnaires were mailed to HBB owners. Although 126 (22.1%) responded, completed information was obtained from only 111 (19.5%) of this group. Previous studies of HBBs had response rates of approximately thirty percent (Randall 1997; Gurstein 1996; Carter et al. 1992). Comparatively, several other studies that used mailed surveys obtained relatively lower response rates, including Stanger’s (2000) survey of 4,133 HBB owners in Australia with response rate of 18.3%, and Bach’s (1997) response rate of 21.1% from 550 HBB owners surveyed in North Dakota. These low response rates confirmed the “invisibility” of HBB owners, a situation wherein they are reluctant to be identified in a society due to personal reasons. The relatively low response rate in this thesis is also attributed to the following problems encountered during the data collection process. First, there were administrative difficulties such as restrictions on membership lists and restrictions on phoning HBB owners. Then there was the issue of conscious anonymity regarding identifying HBB owners. Finally, there was a survey “burnout” challenge. Berke (2003) encountered similar challenges in her study. She said:

Getting entrance into the [HBB] community was not an easy task despite being a member. Although my own director was very open and encouraged our unit members to participate, I was unable to obtain interviews with any member of other [HBB associations], with the exception of several directors [or executives]. I believe my relationship

with my own unit members was the reason they allowed me to interview them (ibid: 522).

#### **4.2.3.3 Questionnaire Design**

The questionnaire to the HBB operators (see Appendix B) was developed based on the objectives of the study. The first objective was to study the nature and degree of relationships between rural and rural-urban fringe HBBs and urban places, and the implications of links for sustainability of rural households and communities. This objective paid attention to the type and spatial distribution of HBBs, sources of HBB supplies or inputs, location of HBB customers, and characteristics of the rural and small town HBB operators (e.g., gender, age, etc.). Questions relating to this objective included source of business supplies or inputs, market outlets; location of customers/clients; and participation of business owners in any business-related organization or association. The second objective was to examine the relationship of HBB activity to the concept of rural entrepreneurship and business development. Questions to address this objective included sources of business ideas and capital, techniques and strategies owners used to compete in the market place (e.g., niche market, advertising, overhead, sales outlets, planning and documentation), and expectations of customers. Also included in the survey were questions on the principal problems and difficulties of creating and sustaining HBBs in rural and small communities.

The third objective was to assess the role of rural and rural-urban fringe HBBs in the sustainability of households and communities in Saskatchewan. In other words, it sought to examine the contributions of HBBs to the generation of income, employment and well-being of households and communities in rural areas and small towns. Therefore

the survey included questions regarding geographic characteristics (name of city, town or village, markets), demographic characteristics (age, sex, marital status, number of children), socio-economic characteristics (educational level, occupation, income, years lived in community, housing) and characteristics of the businesses (sector, years in operation, size, nature, type of product, reasons for start-up, work hours). The University of Saskatchewan's Ethics Review Committee reviewed and approved the protocol for the questionnaire on May 14, 2001. A pilot survey was then conducted with the Executives of the SHBBA and modifications were made to the questionnaires before mailing them to the HBB operators.

#### **4.3 Data Analysis Procedure**

The data analysis consists of four major stages: first, the field data were thoroughly checked to select usable questionnaire. Second, the qualitative and quantitative data for the remaining cases were coded using Microsoft Excel and the Statistical Package for the Social Sciences (SPSS) respectively.

Third, qualitative analysis techniques were utilized to analyse and interpret the qualitative information. The qualitative analysis literature acknowledges the fact that there is no one acceptable method for analyzing and interpreting qualitative data (Kitchin and Tate 2000; Hay 2000; Smith 1995). However, the literature points to some basic analytical considerations. The core issues to be considered include description and classification of data, identification of underlying themes and perspectives, searching for interconnections between or among themes, and uncovering the meaning of identifiable

themes (Kitchin and Tate 2000; Smith 1995; Dey 1993). These issues guided the analysis and interpretation of the qualitative data.

Finally, the quantitative data were analyzed using a variety of statistical techniques. Descriptive statistics (e.g., frequency, mean, mode, range, percentages) and cross-tabulations were performed to provide insight into the characteristics and composition of communities, home businesses, and the performance of businesses. The hypotheses for the thesis were tested to identify significant differences and/or relationships between samples. The Kruskal-Wallis or H-test was used to analyze the hypothesis that characteristics of HBBs vary with distance from urban areas to rural hinterland areas. The H-test is used to test the significant differences among three or more groups of samples on one variable (Ebdon 1985; Hammond and McCullagh 1978). This procedure tests whether there is a significant variation in the number and types of HBBs by location. The samples in this case were types of HBBs from the urban-core, rural-urban fringe and peripheral regions. It was hypothesized that the samples from the three regions have come from different populations. Therefore, characteristics of HBBs do vary with distance (i.e., the alternative hypothesis).

The student T-test for independent samples and Pearson's correlation coefficient ( $r$ ) procedures (Bernard 2000; Ebdon 1985) were used to evaluate whether rural-urban fringe HBBs depend more on urban markets and services than their counterparts in the rural hinterland. The T-test procedure determines the significance of the difference between the two regions in terms of their dependence on urban markets for business supplies and customers. In addition, the correlation method was used to evaluate the

strength and nature of the relationships between the variables of distance from urban centre and sources of business supplies and customers.

Three statistical techniques were employed to assess the significant difference between male and female HBB operators, regarding their proportion, years in business, hours worked per week, and business strategies and techniques used to compete in the marketplace: (i) the Chi Square test ( $X^2$ ) was employed to analyse the significant gender difference in representation of HBB operators in rural areas and small communities, and in periurban and peripheral regions. The literature suggests that more women than men operate rural HBBs (Gurstein 1995; Deming 1994; Gray and Gray 1994a). (ii) the student T-test was utilized to determine if there was a significant gender difference in terms of the number of years of operation and the number of hours worked per week. (iii) the Spearman's rank correlation coefficient ( $r_s$ ) technique (SPSS Inc. 2001; Bernard 2000; Ebdon 1985) was used to assess the relationship between gender and the business strategies used to compete in the marketplace. In the survey, the business owners ranked a twenty-two-item set of business strategies in order of importance and these ranked values, distinguished by gender, were tested to identify any relationship.

A combination of reliability analyses (Cronbach alpha model) (SPSS Inc. 2001), Spearman's rank correlation coefficient ( $r_s$ ), and Pearson's correlation coefficient ( $r$ ) (Bernard 2000; Hammond and McCullagh 1978) was used to examine the hypothesis that a significant relationship exists between the competitive strategy chosen, i.e., cost leadership, differentiation, and focus, and the survival of rural HBBs. Also, since the literature suggests it is more likely that rural-hinterland HBB operators apply different strategies to compete in the market place than their urban-core and periurban

counterparts, it is important to extend these findings to this context. Standardized values (z-scores) of the specific business strategies and the number of years in business were used in the correlation analyses. The Cronbach alpha model was employed to test the reliability of the category of items selected for each of the competitive strategies. This technique measured the internal consistency of items in each category. A large Cronbach alpha value or score indicates a more reliable classification. Subsequently, Spearman rank correlation analyses were performed, using the rank order of the twenty-two-item business strategies to measure the relationships between periphery and urban-core or periurban, and also between rural and small town or urban in terms of their choice of business strategies.

In addition to the preceding analyses, two other tests were undertaken. Regression analysis was performed to examine the relationship between the number of years HBB owners have lived in their local communities and the number of years their businesses have been in operation. It was suspected that the longer HBB owners were able to sustain their businesses, the more likely they were to remain in their local communities, thereby contributing to the sustainability of communities. Multiple stepwise regression analyses (R) (SPSS Inc. 2001; Bernard 2000) were also used to assess the influence of standardized independent variables such as average hours per week devoted to business, number of years in business, education level attained, gender, house-ownership and location of business on the dependent variable, and the proportion of HBB income to gross annual household income. The Stepwise multiple R test helps explain the incremental proportions of variation that each independent variable contributes to explain the dependent variable (Bernard 2000).



#### **4.4 Summary**

This chapter has discussed the rationale for selecting the study area, as well as procedures for collecting and analysing the data. It was noted that both primary and secondary data were gathered for this research, with particular emphasis on home business operators. Also, both quantitative and qualitative approaches were identified and discussed for data analyses. The next chapter presents the description and analyses of the spatial distribution of HBBs, nature and degree of links between regions, and characteristics of home-located producers. It examines the characteristics of home-based entrepreneurs (e.g., gender, age, educational level, etc.), the number of years in business, and the hours worked per week at HBBs.

**CHAPTER FIVE**

**URBAN CONNECTIONS WITH RURAL AND SMALL COMMUNITIES IN  
HOME-BASED BUSINESS**

**5.1 Introduction**

This chapter assesses the variation in characteristics and roles of home businesses across space, the connections between rural and small town HBBs and urban places, and the implications of links for sustainability of rural households and communities (Objective 1). It is argued that home businesses vary with distance from the urban core to the limits of the peripheral areas, and that businesses in the fringe have strong linkages with urban markets, whereas those in the rural hinterland tend to focus their efforts on local markets. These variations and linkages have different implications for sustainable community development. In addition, this chapter examines the characteristics of the rural and small town home business managers (e.g., gender, age, educational status) and how these features affect the performance of their businesses, in turn supporting household wellbeing and community sustainability (Objective 1).

**5.2 Spatial Distribution of Home Businesses in the Study Area**

The promotion of entrepreneurial ventures such as small rural businesses development as a strategy for the sustainability of communities implies that the characteristics and performance of businesses shape the growth of a place. On the other hand, characteristics of communities influence business establishment and survival (Kean et al. 1998). This

section, therefore, identifies the types and distribution of home business activity in the rural-hinterland, the rural-urban fringe and the urban core regions, using the compiled data on 604 HBBs and the City of Saskatoon 2002 HBB data. A wide range of HBBs was identified within Saskatoon and its surrounding regions from accounting to yard-care services. For the purpose of this research, these businesses were classified into sixteen categories (Table 5.1). This classification was based on the 2001 National Occupation Classification (NOC) scheme (see Appendix C).

As noted in Chapter Two, the literature has suggested that residents in rural and small communities are more likely to be involved in HBB than those in urban centres (Perusse 1998; Heck et al. 1995; Orser and Foster 1992; Beach 1989). For example, Orser and Foster (1992) found that residents in the countryside were twice as likely to be involved in home businesses as their urban counterparts. These findings are confirmed with this data set in Saskatchewan. The majority (63.3%, N = 604) of the HBBs identified were in rural areas, compared to the urban core (36.7%) (Table 5.1). This implies that home businesses and other non-conventional economic forms of production may be a more significant strategy for the sustainability of rural and small communities than a strategy for urban development. This is because the versatility of home business activity in the countryside is critical for the diversification and revitalization of the rural and small town economies. The relative significance of the home business as a form of production in rural areas is attributed to the lack of zoning regulations (Perusse 1998; Heck et al. 1995; Beach 1989), to the lack of alternative employment opportunities (Rowe et al. 1999; Beach 1989), and to the dwindling farm income and the need for diversification (Bollman 2001) in rural areas and small communities.

**Table 5.1:** Classification and Distribution of Home-Based Businesses by Region and Gender

Occupational Classification	Region (% within column)**													Total (% within column)**			
	Urban Core					Rural-Urban Fringe				Periphery				Total	Female	Male	Partners
	Registered* (%)	Total	Female	Male	Partners	Total	Female	Male	Partners	Total	Female	Male	Partners				
Accommodation, Recreation & Entertainment Services	1.5	8.4	10.3	3.7	17.1	9.3	12.5	1.8	33.3	20.8	24.0	7.2	47.6	14.0	17.1	4.7	33.7
Agriculture & Resources	3.5	1.7	-	3.7	-	6.5	2.5	5.4	25.0	7.3	5.8	10.8	2.4	5.0	3.1	6.9	4.5
Arts & Crafts	3.7	3.8	-	5.6	8.6	5.6	10.0	3.6	-	5.8	5.8	6.3	4.8	5.0	4.3	5.5	5.6
Business & Administrative Services	7.1	12.2	13.4	12.1	8.6	5.6	10.0	3.6	-	3.6	5.0	1.8	4.8	7.3	8.9	6.2	5.6
Construction & Trades	29.5	13.4	6.2	16.8	25.7	25.9	12.5	41.1	-	22.3	5.8	43.2	14.3	19.5	7.0	32.5	16.9
Graphic & Interior Designing	6.8	7.1	9.3	4.7	8.6	1.9	0.0	3.6	-	2.9	3.3	1.8	4.8	4.4	5.0	3.3	5.6
Health Services	5.4	3.4	5.2	2.8	-	1.9	2.5	1.8	-	3.6	6.6	1.8	-	3.2	5.4	2.2	-
Manufacturing & Processing	0.9	1.7	2.1	0.9	2.9	-	-	-	-	3.6	4.1	4.5	-	2.3	2.7	2.2	1.1
Multi-Level Marketing	0.1	1.7	-	2.8	2.9	0.9	2.5	-	-	1.5	2.5	-	2.4	1.5	1.6	1.1	2.2
Personal Services	1.5	5.9	12.4	1.9	-	7.4	17.5	-	8.3	9.1	16.5	2.7	4.8	7.6	15.1	1.8	3.4
Professional Services	20.9	22.7	23.7	25.2	11.4	7.4	7.5	7.1	8.3	5.1	4.1	8.1	-	12.3	12.0	14.6	5.6
Retail Trade	3.0	3.4	5.2	1.9	2.9	9.3	15.0	7.1	-	5.1	8.3	1.8	4.8	5.2	8.1	2.9	3.4
Sales & Services	7.8	11.3	9.3	14.0	8.6	10.2	7.5	12.5	8.3	4.4	5.8	1.8	7.1	8.1	7.4	8.8	7.9
Transportation Services	1.9	1.7	1.0	1.9	2.9	4.6	-	7.1	8.3	2.9	1.7	4.5	2.4	2.7	1.2	4.0	3.4
Wholesale Trade	0.7	1.3	2.1	0.9	-	0.9	-	1.8	-	-	-	-	-	0.6	0.8	0.7	-
Cleaning Services	5.8	0.4	-	0.9	-	2.8	-	3.6	8.3	1.8	0.8	3.6	-	1.5	0.4	2.6	1.1
<b>Total % (frequency)</b>	<b>100% (1,583)</b>	<b>100% (n=222)</b>	<b>100% (n=91)</b>	<b>100% (n=104)</b>	<b>100% (n=27)</b>	<b>100% (n=108)</b>	<b>100% (n=45)</b>	<b>100% (n=52)</b>	<b>100% (n=11)</b>	<b>100% (n=274)</b>	<b>100% (n=116)</b>	<b>100% (n=116)</b>	<b>100% (n=42)</b>	<b>100% (n=604)</b>	<b>100% (n=252)</b>	<b>100% (n=272)</b>	<b>100% (n=80)</b>

N = 604, figures may not add up to the n-values or 100% because some respondents run more than one business.

\* Source: City of Saskatoon (2002)

\*\* Source: Author, compiled from various sources and snowball samples

The growing trend in this rural self-employed home-based business phenomenon and non-capitalist economic forms in general (Gibson-Graham 1996) is also partly due to the general shift in the structure of the North America economy from manufacturing to service industries. As noted in Chapter One, this phenomenon is a key feature of the new economy. Overall, Table 5.1 shows that more than half (61.9%) of the HBB owners was engaged in some type of service activity (e.g., business administration, personal, health, cleaning), followed by construction and trades (19.5%). These findings were consistent with other accounts whereby HBB operators were involved to a much greater extent in the services and construction and trade industries (Rowe et al. 1999; Soldressen et al. 1998; Gurstein 1996). This points to the emergence of a new rural economy that is characterized by gradual change from a resource-based economy to a service based one.

Comparatively, residents in the rural areas were more likely to be engaged in construction and trades, accommodation and recreation, personal services, agriculture and resources, arts and crafts, manufacturing and processing, and retail trade activities, whereas those in urban settings tended to be involved in professional services, business and administrative services, graphic and interior designing, and sales and services activities (Table 5.1). These results were consistent with other studies (Randall 1997; Nanaimo CEDO 1995; Carter et al. 1992). For example, Rowe et al. (1999) found that while construction and trade, arts and crafts, personal services and agriculture-related activities characterized the rural landscape, professional services and marketing/sales featured prominently in urban settings. This type of distribution conforms to that expected in the von Thunen model, which suggests that distance-to-market influences home business activity. One major implication of this variation is that urban residents

tend to be involved in businesses with high economic returns compared to those in rural and small communities. This might influence the sustainability or the financial security of households in these places differently. That is, compared to those in rural areas, the average HBB manager in an urban setting was more likely to generate significant revenue from home businesses to support his/her annual household income. This income subject will be discussed in depth in Chapter Seven.

Another implication is that the dominance of accommodation and recreation industries in the countryside influences the development of the tourism industry in rural areas and small towns. This industry tends to draw people from different places into the countryside who invest significant amounts of money in the rural and small town economy (Mitchell 1998). Although tourism and recreation industry is becoming increasingly important in the new rural economy in North America, it does not appear to be a significant presence in the economies of all rural and small communities in this geographic region. Carter et al.'s (1992) study indicated that HBBs in the accommodation and recreation industry, particularly bed and breakfast services, were few in rural Iowa. Contrary to this observation, the results here suggest that the accommodation and recreation industry was one of the most important home business activities in rural Saskatchewan.

Table 5.1 shows that not only has geographical location and distance shaped home business activities but gender has also influenced these entrepreneurial ventures in Saskatchewan. It shows gender distinctions in home business occupations within and across the three regions (urban core, fringe, and periphery). Overall, male HBB entrepreneurs in the sample were more likely to be involved in businesses with high

economic value (e.g., construction and trades, professional services) compared to their female counterparts who tended to operate comparatively lower paying businesses such as personal services and retailing. The implication is that the financial contributions these business activities make towards the sustainability of households may be more substantial in male-owned businesses than for female-owned ones. Again, this financial dimension will be examined in Chapter Seven. Another implication of these findings is that, although HBB activity is not directly and completely part of the ‘free market’, this form of work organization has not escaped the same gender disparities that exist within the broader capitalist workplace.

Further, the HBBs sampled from Saskatchewan point to inter- and intra-regional gender variations in home business occupations (Table 5.1). For example, Table 5.1 shows that female entrepreneurs in the sample were more likely to be involved in accommodation and recreation enterprises compared to their male counterparts. Also, the proportion of females in these occupations as well as in personal services decreased with distance as you move towards the urban core, while those involved in occupations such as professional, business and administrative services, and graphic and interior designing decreased in proportion as you travel from the urban core to the periphery (Table 5.1). As with the female entrepreneurs, male HBB managers in the countryside tended to favour businesses in construction and trades and in agriculture and resources. Comparatively, male managers in the urban core were more likely to be engaged in occupations such as professional, sales, business and administrative services. The gender difference in home business activity may be attributable to the different levels of

education of entrepreneurs more than any other factor. This subject will be discussed later in this chapter.

Of particular note is the significant proportion of jointly-owned small businesses in Saskatchewan, particularly businesses in accommodation and recreation services across all three regions, construction and trades within the periphery and urban core regions, and agriculture and resources activities in the rural-urban fringe region (Table 5.1). It is argued that this joint-ownership of small homegrown businesses may contribute significantly to the sustainability of rural and small communities in Saskatchewan by keeping the business partners and their families in the countryside.

As was noted earlier, it was predicted that characteristics of HBBs vary with distance from urban to rural-hinterland areas. More specifically, distance influences the nature of home-based work (Hypothesis 1) and this in turn affects the sustainability of households and communities. According to this hypothesis, rural-hinterland and rural-urban fringe home businesses would be expected to specialize in providing different products and services than their urban counterparts. Accordingly, the impact of businesses on sustainable community development is expected to vary spatially. The Kruskal-Wallis test (H-test), and the Mann-Whitney U Test were used to analyze the influence of distance on HBB activity (Table 5.2).

The H-test categorized the 604 home businesses into seventy-one groups, using distance as a grouping variable, where “0 km” represented the urban core and “200 km” represented the limits of the rural hinterland areas (Table 5.2a). This test produced a Chi-square of 118.849, significant at  $p < 0.001$ . Another variable, “region” (core: 222, fringe: 108, periphery: 274), was used as a grouping variable for the same data and produced a



chi-square of 29.649, once again significant at  $p < 0.001$  (Table 5.2a). The strong significance values suggest that the types of HBBs as presented in Table 5.1 differ significantly with distance and by type of region. In other words, there is a significant variation among the home business activities across space. If there were no differences among the samples from the urban core, fringe and periphery, the significance scores would estimate a chi-square statistic greater than or equal to those provided.

**Table 5.2**

**(a) The Kruskal-Wallis Test of the Influence of Distance on HBB**

Sample: HBBs	Grouping Variable	
	Distance: (0 to 200 km) 71 Groups	Region: core (n = 222), r-u fringe (n = 108), periphery (n = 274)
Chi-Square	118.849	29.649
d.f.	70	2
Sig. Level (0.001)	0.000	0.000
Total HBBs (N)	604	604

**(b) The Mann-Whitney U Test of the Influence of Distance on HBB**

Sample: HBBs	Regional Comparisons		
	Core (n = 222) and Fringe (n = 108)	Core (n = 222) and Periphery (n = 272)	Fringe (n = 108) and Periphery (n = 272)
Mann-Whitney U	11557.5	22083.5	11687
Sig. Level (0.05)	0.594	0.000	0.001

Source: Author, home business survey questionnaire

Although the H-test indicates that the HBB samples differ in some way, it does not show how they differ. The Mann-Whitney U Test was used to examine the significant differences between the regions (Table 5.2b). The results of this analysis

suggested that the difference between HBB samples from the urban core and fringe regions was statistically insignificant ( $p > 0.05$ ). This means HBB owners in these regions are involved in similar business activities. Conversely, the statistical difference between, (a) the rural hinterland areas and the urban core, and (b) the peripheral and fringe regions were highly significant ( $p 0.000 < 0.05$ ). This implies that home businesses in rural hinterland areas provide significantly different products and services compared to those in the urban core and fringe regions. These findings buttressed the earlier claim that residents in rural areas and urban centres tend to specialize in different forms of HBB activities. It is worth noting that the variation in types of home businesses across space mirrors the theoretical framework of the thesis (see Figure 3.1). This also suggests that, although entrepreneurial ventures and small business development is a common strategy for community development, the types of business strategies communities employ for sustainability should also vary across space. The theoretical framework of the thesis emphasized that, as communities within different geographic regions are not homogeneous, so do the meanings of sustainable community development, the resources (e.g., source of capital, skills, materials) and strategies for achieving sustainability. Therefore, rural sustainability would depend largely on resident's abilities to capitalize on the needs, niches, and resources available locally to initiate and maintain more diversified entrepreneurial ventures that provide employment opportunities and support the well-being of people. This is also the primary focus of most community economic development initiatives. This means that the ideas of CED and the economic models are similar: they emphasize economic optimization for sustainability. Variation in community resource endowments, population size, location,

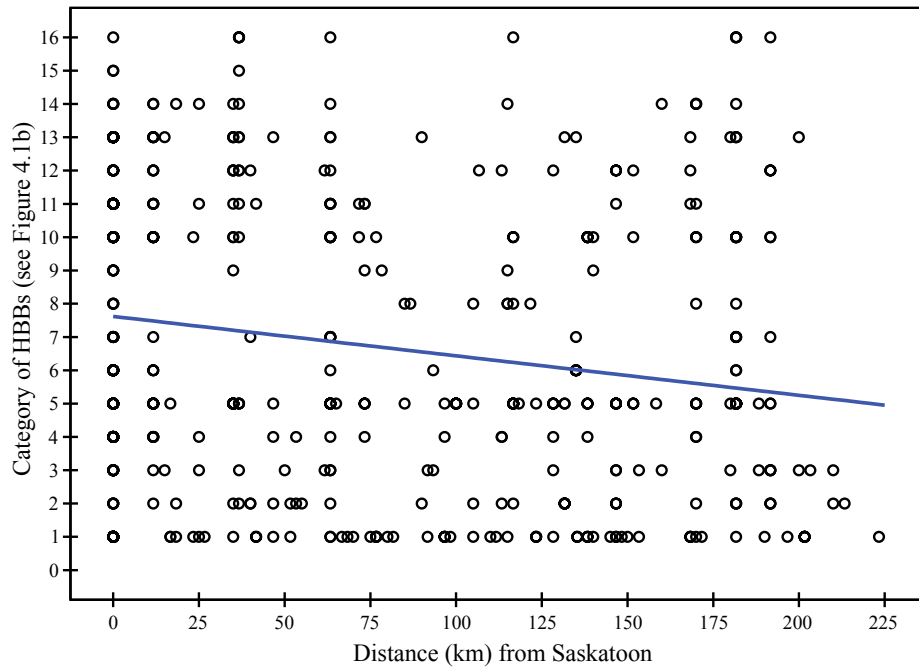
attitude of residents, etc. may also influence opportunities for small business development and maintenance. In other words, the nature of sustainable community development varies geographically.

The scatter plot (Figure 5.1a) reinforces these findings. It shows the distribution of type of HBBs across space starting from the urban centre of Saskatoon. It points to a negative relationship between categories of HBBs and distance. In other words, there is a slightly greater range of HBB goods and services provided at the urban core than at the periphery. Again, the trend conforms to that expected in the von Thunen model. It also suggests there are gradual shifts between different economic activities across space. Unlike the H-test, the scatter plot shows how the types of HBBs differ by location. Although it depicts the nature of association between HBBs and distance, it does not show the intensity of the HBBs in each location as shown in Figure 5.1b.

It should be noted that all the activity types in the standard industrial categorization were represented in the urban core (Figure 5.1a). Clearly, however, there is a comparative specialization in activities within each region. For example, the proportions of HBB owners in the sample who were involved in professional services decreased from the urban core to the periphery, while those involved in accommodation and recreation services, agriculture, arts and crafts, and personal services decreased from periphery to core (Figure 5.1b). Several factors may have contributed to the spatial variations in HBBs. Market size, resource endowments, different local needs and demands, as well as municipal by-laws and regulations, all contributed to these variations. Some business owners in the urban core noted that they were not allowed by law to operate businesses such as auto repairs and greenhouse gardens or to put up signs

**Figure 5.1**

**(a) Scatter Plot: Distribution of HBBs by Distance (km)**



**(b) Cross-Tabulation: Distribution of HBBs by Region/Distance**

Key for (Fig. 4.1a)	Category of HBB (NOC)	Region/Distance		
		Urban core (0 km)	R-U Fringe (0.1-50.99 km)	Periphery (51-200.99 km)
		Snowball**	Snowball**	Snowball**
1	Accommodation, Recreation & Entertainment Services	8.6	9.3	19.3
2	Agriculture & Resources	1.8	6.5	8.8
3	Arts & Crafts	3.6	4.6	6.6
4	Business & Administrative Services	12.6	6.5	3.6
5	Construction & Trades	12.6	25.9	24.5
6	Graphic & Interior Designing	6.8	1.9	2.6
7	Health Services	3.6	1.9	3.3
8	Manufacturing & Processing	1.4	-	3.6
9	Multi-Level Marketing	1.8	0.9	1.5
10	Personal Services	5.9	7.4	9.1
11	Professional Services	23.0	7.4	4.4
12	Retail Trade	3.6	8.3	4.0
13	Sales & Services	11.7	10.2	4.0
14	Transportation Services	1.8	5.6	2.6
15	Wholesale Trade	0.9	0.9	-
16	Cleaning Services	0.5	2.8	2.2
	Total (N)	100% (222)	100% (108)	100% (274)

\*\* Source: Author, compiled from various sources and snowball samples

for their business in their urban neighbourhood. The peaceful environment and the physical landscape in the countryside attract vacationers into rural areas and small communities (Bryant et al. 2000; Thomson and Mitchell 1996; Bryant 1988). These tourists utilize the bed and breakfasts, guest ranches and holiday farms facilities in the countryside. Tourists also patronize arts and crafts products as part of their leisure experience (Mitchell 1998; Dahms 1991). The specialization of small businesses among the different geographic regions may influence trade, and thus promote regional economic development in the micro-region.

Of course, distance-to-market in the countryside is a major factor contributing to the growth of HBB activities such as construction and trades, retail trade and personal services. Thomson and Mitchell (1996) found that most residents in the countryside are reluctant to travel great distances to acquire these goods and services elsewhere. Other accounts affirm the significant presence of retail trade, personal services (Bryant 1988; Dahms 1988), construction and accommodation enterprises (Dahms 1988) in the countryside. Dahms (1988) found an increasing trend for the establishment of professional, business and administrative services in the rural-urban fringe. He claimed that most of these businesses were operated from the home. The specialization of home business activities within the fringe and the rural hinterland, and the different levels of ties between these regions and the urban core have significantly different repercussions for the sustainability of communities.

### **5.3 Dependence of Periphery and Fringe Businesses on Urban Markets**

The thesis examined the nature and degree of dependence on urban places by rural-hinterland and rural-urban fringe HBBs, using information from the in-depth questionnaire survey of their owners. It is argued that the level of dependence of these regions on urban markets influences opportunities for sustainable community development. The two-sample T-test and correlation coefficient procedures assessed the hypothesis that home businesses in the rural-urban fringes are significantly more dependent on urban markets and services than in home businesses rural areas. The variables in these analyses were the location of HBBs (fringe or periphery), the source of business supplies, and the location of customers (Table 5.3).

The T-test results suggest that HBBs in the fringe depend more on urban-markets for business supplies and customers than those in the peripheral region. Table 5.3 indicates that the variation between the fringe and periphery in terms of their dependence on the urban core for business inputs is statistically significant ( $p\ 0.018 < 0.05$ ). Likewise, the difference between their dependence on the urban core for customers is very significant ( $p\ 0.000 < 0.05$ ). The majority (76%) of HBBs in the periphery obtained less than one-fifth of their supplies from Saskatoon compared with those in the fringe (53%) who received more than 39% of their supplies from the City (Table 5.3). This implies that, at least compared to the fringe, leakages of revenues to urban centres is minimal in the rural hinterland. If invested locally, this resource could influence the growth of new businesses and the expansion of other local businesses, thereby contributing to the sustainability of rural and small communities. On average, HBBs in the fringe obtained 21.7% more inputs from Saskatoon firms than those in the periphery.

**Table 5.3**  
Independent Samples T-Test: Percentage of HBBs  
Supplies and Customers from Saskatoon

<b>HBB Supplies</b>				<b>HBB Customers</b>			
% of Supplies	Region (% within column)			% of Clients	Region (% within column)		
	Periurban	Periphery	Total		Periurban	Periphery	Total
0	29.4	50.0	43.6	0	27.8	57.9	48.2
1	-	2.6	1.8	2	-	5.3	3.6
2	-	2.6	1.8	5	5.6	15.8	12.5
5	-	5.3	3.6	10	11.1	10.5	10.7
10	5.9	15.8	12.7	15	5.6	-	1.8
20	11.8	2.6	5.5	20	5.6	2.6	3.6
25	-	2.6	1.8	25	-	2.6	1.8
30	-	2.6	1.8	30	5.6	5.3	5.4
40	11.8	5.3	7.3	50	11.1	-	3.6
50	11.8	-	3.6	70	5.6	-	1.8
70	11.8	-	3.6	75	5.6	-	1.8
75	-	2.6	1.8	90	5.6	-	1.8
80	5.9	-	1.8	100	11.1	-	3.6
90	5.9	2.6	3.6	Total	100	100	100
95	5.9	-	1.8				
100	-	5.3	3.6				
Total	100	100	100				
N	18	36	57	N	18	36	57
Mean	37.35	15.61	22.33	Mean	34.72	4.71	14.36
<b>T-Test for Equality of Mean</b>				<b>T-Test for Equality of Mean</b>			
t	2.453			t	4.761		
df	53			df	54		
Sig. level	0.018			Sig. level	0.000		

Source: Author, home business survey questionnaire

This difference is equivalent to the average percentage of inputs for both regions (i.e., the countryside). HBBs in the countryside obtained a wide range of supplies from urban areas including computers, electronic components, auto parts, stationery, books, furniture, fabric and textile products, fuel, gas, groceries, cleaning products, beauty care products, photocopying services, advertising, repairs, and communication services. Interestingly, some of these items such as gas and groceries contradict the principle from

the classical central place theory that suggest low-order goods and services are more likely to be purchased from low-order centres.

Similar to their less dependence on the urban core for business supplies, a greater proportion (79%) of HBBs in the periphery have less than 10% of their customers located in Saskatoon and beyond, which means the vast majority of their clientele are in the local region. The support that businesses in this region received from local residents is vital to the sustainability of rural and small communities, and of the businesses themselves. Therefore, the potential of losing this market to the urban core would have grave consequences for economic growth in the fringe. About 40% of the businesses in the fringe have more than half of their customer-base in Saskatoon. On average, the percentage of clients from the City for the fringe businesses is 35% and this figure drops to only 5% for the peripheral businesses. Combining peripheral and fringe businesses, the average proportion of clients from the City was 14.4%. This finding is an indication that urban residents purchased manufactured goods and services offered by rural and small communities. Similar to Mitchell's (1998) findings, this thesis also found that city-based customers patronized companies offering mostly accommodation, recreation and entertainment services in the countryside (36.8%). Other customers from the City purchased arts and crafts, professional services, wholesale and retail trades, construction and trades and personal services in the countryside. The revenues generated by city-based clients in rural areas and small towns have undoubtedly enhanced the economy of these communities.

Figure 5.2 reaffirms the difference in the levels of dependence on the urban core. Not unexpectedly, it shows that the average share of inputs and outputs, and the level of

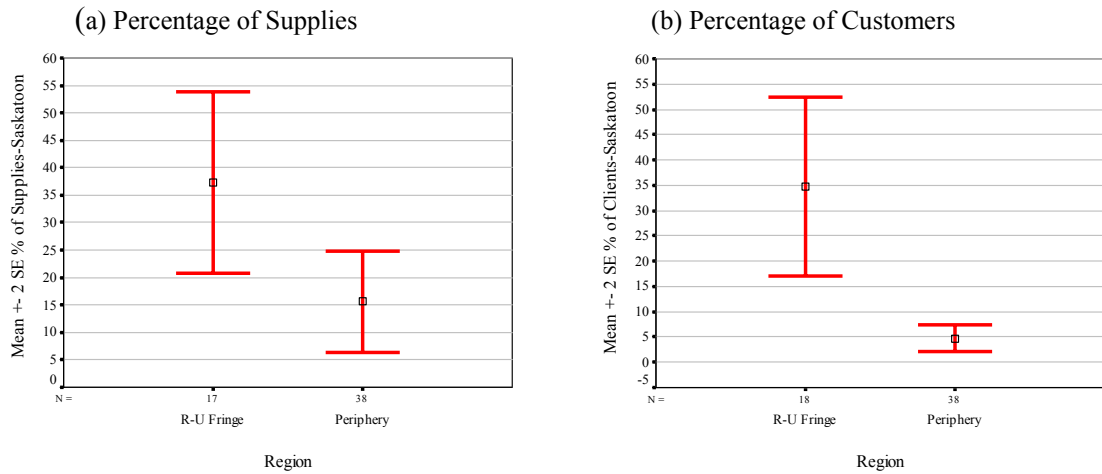


**Figure 5.2**

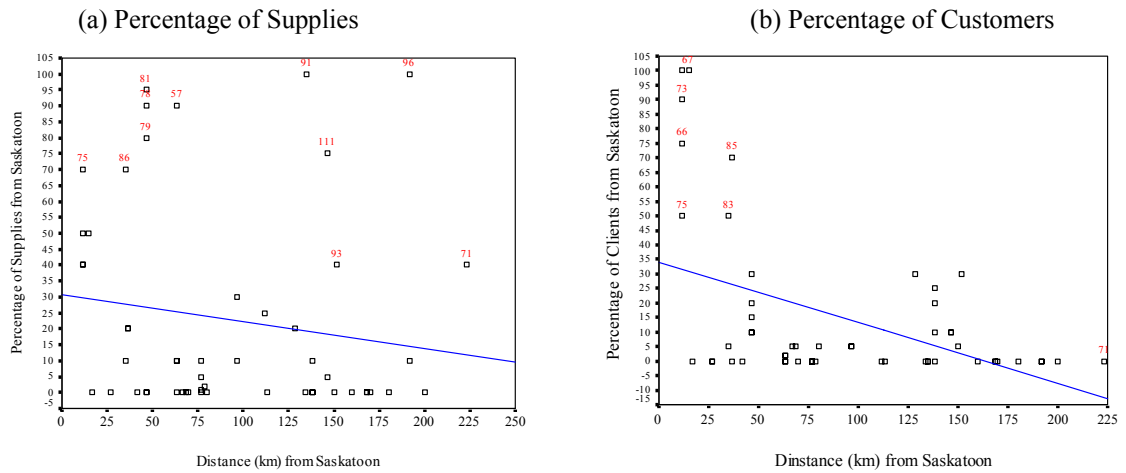
Dependence of HBBs in Fringe and Periphery on Urban-Markets

(Fringe, n = 18; Periphery, n = 36)

**(i) Error Bars**



**(ii) Scatter Plots**



Source: Author, home business survey questionnaire

reliance on the major urban market, clearly decreased with distance from the city. The length of the error bars (Figure 5.2.i) depicts significant differences in levels of dependence on urban markets. The scatter plots (Figure 5.2.ii) show a negative relationship between distance from Saskatoon and (a) the proportions of supplies purchased and (b) the share of customers served. Thus, dependence on the major urban market decreases as distance increases. As noted above, this result is not surprising since distance equates to travel time and cost, and local loyalties influence the concentration of HBB sales and purchases in local communities.

Statistically, the results of the correlation analysis reinforce the previous findings. There is a significant negative correlation ( $r = -0.466$ ,  $p 0.000 < 0.01$ ) between distance and proportion of customers located in Saskatoon. The correlation between distance and business supplies is also negative ( $r = -0.154$ ) but insignificant. Therefore, at least as far as these statistical tests support, the share of both suppliers and customers based in the core urban markets decreases systematically from the urban core to the limits of the periphery. These findings suggest that home-based businesses in the rural-urban fringe have closer material ties with Saskatoon than those in the peripheral areas based primarily on access to a major market. Therefore, market size, accessibility and proximity to market were the main reasons that HBBs in the rural-urban fringe had stronger links to Saskatoon than those in the peripheral region. This, in part, has influenced the growth and survival of home businesses in the fringe, as population size is vital to the sustainability of small businesses. According to Bryant (1988: 63), “[t]hese private sector economic activities owe much of their existence to the accessibility they possess with respect to the main centre of demand.” Improvements in transportation and

communications technology (e.g., private automobile, telephone, fax, e-mail, internet) and public investment in transportation infrastructure and services have increased accessibility to urban markets (Bryant et al. 2000; Bryant 1988). The fact that home businesses in the fringe provide similar goods and services to those provided by urban businesses suggests a strong possibility of competition among businesses in these two regions. This may undermine the survival of businesses in the fringe, considering their relative small size and additional costs associated with transporting goods and services to and from the central market.

Conversely, home businesses in the rural hinterland areas were not closely linked via purchases and sales with the urban core due primarily to distance, travel time, or transportation costs. In other words, consumers (HBB owners, customers) in the peripheral region relied on local businesses for lower order goods and services such as carpentry, hairdressing, dressmaking, baking and catering, homecare and housekeeping services because they were reluctant to travel greater distances to buy such items (Thomson and Mitchell 1996). In addition, the concentration of HBB sales and purchases in local communities within the peripheral region may be associated with local loyalties (Dahms 1988), which is important for the sustainability of small rural businesses and communities. Other explanations for the sustainability of rural small businesses include reliability and flexibility, as well as the relative absence of alternative sources of businesses or employment opportunities in the hinterland (North et al. 1994). Therefore, considering the low rural population, when residences bypass local small businesses and shop in urban markets, they contribute to the demise of small businesses and service centres (Stabler and Olfert 1996), thereby increasing the vulnerability of rural

communities. These propositions and results suggest that small rural businesses within the hinterland are shaped largely by the population size of the communities (Bhat and Fox 1996), the structure of the rural economy, and the market opportunities that exist within it (North et al. 1994). According to Millier et al. (2003:215), “population size of community [is] a pivotal factor in the success of its resident businesses.” Thus, these factors may hinder the expansion of home businesses and other small businesses.

In addition, the economic linkages between the countryside and the urban core have implications for regional economic development. For example, some economic activities that do not require frequent usage and personal contact can be located further away from the urban core to ease congestion (traffic, housing, air pollution, etc.) in cities, while sustaining the communities in the countryside. Bryant (1988: 66) argued that “increased accessibility permits economic activities to be located further away from services only required on an infrequent basis.” Unlike the classical von Thunen land use model, the urban core and the countryside in twenty-first century settings are linked through flows of urban tourists and vacationers to the countryside (Bryant et al. 2000; Mitchell 1998; Dahms 1991). Results from this thesis suggest that urban residents utilize accommodation and recreational facilities and services provided in the countryside. The significant proportion of rural HBBs operating accommodation and recreational services (see Table 5.1) and HBB customers in urban areas support this claim. This result is in keeping with Dahms (1991) and Mitchell’s (1998) studies in rural Ontario. They found that millions of tourists visited the countryside to gain experience of the ‘rural’ environment, heritage, tradition and culture. Rural home business owners and other entrepreneurs have capitalized on urbanites’ desire to experience the countryside to

market tradition and heritage by providing specialized goods such as quilts, ornamental ironworks, woodcarvings, and services such as accommodation, catering, and farm and scenery tours to visitors (Mitchell 1998). These visitors invest significant amounts of money in the rural economy. Bryant et al. (1982: 16) argued that increased car ownership is the most significant factor that has “increased the household’s range of locational choice” for goods and services.

Another significant finding from the home businesses surveyed is that as rural HBBs have links with urban places so do urban HBBs have connections with rural areas through sales and purchases of products. Table 5.4 shows that about two-fifths of urban home businesses sold between 5% and 25% of their products and services to customers in rural areas. Most of these rural-based customers bought professional services, while a small proportion (7.5%) of the urban entrepreneurs purchased supplies such as processed food, fabric and thread from the countryside. This apparent integration of rural and urban markets needs to be enhanced and/or harnessed to promote regional economic development in the micro-region.

In addition, rural-rural interactions were identified with regards to purchases of business supplies and location of customers. Customers from neighbouring rural communities (i.e., communities outside the villages and towns in which the HBBs were located) patronised rural and small town businesses. A much larger proportion (86.6%) of HBB owners in the periphery, compared to the rural-urban fringe (61.3%) and the urban core (48.1%) regions had customers who were located in neighbouring rural communities (Table 5.4). Likewise, a greater proportion of peripheral home businesses (31.5%), than fringe (22.6%) and core (9.4%) regions businesses bought supplies from

other rural areas (Table 5.4). These local sales and purchases are normally recirculated within the local economies via the multiplier effect, providing additional opportunities for generating employment and income, thereby contributing to the sustainability of rural communities.

**Table 5.4**

Percentage of HBB Customers and Supplies/Inputs from Other Places

Location	% Clients or Inputs	Region in which HBB is Located		
<b>CUSTOMERS</b>		Urban core (n = 57) %	R-U Fringe (n = 18) %	Periphery (n = 36) %
Other Saskatchewan Rural Areas	5-25%	40.9	33.4	50
	26-50%	3.7	16.7	18.3
	51% & More	3.8	11.2	18.3
<b>Total</b>		<b>48.4</b>	<b>61.3</b>	<b>86.6</b>
Outside the Province but in Canada	5-25%	26.0	11.1	34.1
	26-50%	13.1	11.2	18.6
	51% & More	3.8	5.6	10.4
<b>Total</b>		<b>42.9</b>	<b>27.9</b>	<b>63.1</b>
Outside Canada	5-25%	15.0	16.7	15.8
	26-50%	5.6	-	18.5
	51% & More	3.8	5.6	5.4
<b>Total</b>		<b>24.4</b>	<b>22.3</b>	<b>39.7</b>
<b>SUPPLIES</b>				
Other Saskatchewan Rural Areas	5-25%	7.5	10.8	21.0
	26-50%	-	5.9	7.9
	51% & More	1.9	5.9	2.6
<b>Total</b>		<b>9.4</b>	<b>22.6</b>	<b>31.5</b>
Outside the Province but in Canada	5-25%	18.7	29.4	15.8
	26-50%	11.1	5.9	7.8
	51% & More	11.2	17.8	13.1
<b>Total</b>		<b>41</b>	<b>53.1</b>	<b>36.7</b>
Outside Canada	5-25%	10.2	17.7	5.2
	26-50%	-	10.8	2.6
	51% & More	5.6	10.8	-
<b>Total</b>		<b>15.8</b>	<b>39.3</b>	<b>7.8</b>

Source: Author, home business survey questionnaire

These findings speak to the theoretical framework of the thesis that examines the variations and linkages of economic activity among places. In spite of the differences between places, the results point to one major feature: that the city and the countryside are strongly linked through home business purchases and sales. This confirms that through the dimension of home businesses “city and countryside are integral parts of the same social and economic system” (Bryant et al. 1982: 5), and that any change in one part of the system, influences the other parts.

Further, the anecdotal evidence suggests that the products and services from HBBs have a greater range than expected in the literature (Hall 1966). Table 5.4 shows that sales and purchases were made elsewhere in Canada and externally. Therefore, home businesses create linkages between and among places at different geographic scales (local, regional, national and international) with repercussions for regional and community economic development. As one rural HBB owner said: “My guests spend considerable sums [of money] in local shops, cafés, car hire, etc. Several have relocated to this area from Britain after visiting us and are contributing a great deal to the local economy, schools, sports, societies, etc.” Also, HBBs in the countryside advertised their products or services through the internet to attract a broader base of customers. As one rural HBB owner commented: “I need to get a website set up and target more advertising to Britain and Europe as this seems to have produced more results than dollars spent on advertising in Saskatchewan and other provinces in Canada.” These findings suggest that some HBB activities in the countryside have a longer range than has been suggested in spatial models and in the literature.

The results from this research contradict the traditional notion that the countryside's main functions are to provide only lower order or short range goods and services (Christaller 1933) or food and raw materials for central markets (von Thunen 1826). Evidence of the rural-urban fringe and periphery regions providing specialized goods and services to urban residents suggests a fundamental change to the economic relationship between the countryside and the urban core. As asserted by Bryant et al. (2000: 333) "[t]he changing relationship between the city and the countryside in Canada, and the resulting changing form of the settlement pattern, is manifest in changing lifestyles, land use, and demographics." HBBs offer people the opportunity for such 'new' lifestyles.

The results presented here are also consistent with literature on rural-urban relations (Bryant et al. 2000; Douglass 1998; Rondinelli 1985, 1984; Preston 1975). The results confirmed that interactions between rural and urban areas include the flow of people, goods, services and money, which are influenced by changing lifestyles, values, technologies and institutions. It reaffirms Kirby's (1995) claim that the activities of microenterprises generate links among communities. The nature of the linkages between rural and urban areas, however, is expanded from the traditional migration of people and sale of agricultural produce from rural areas to urban centres to include the sale and purchase of home business products and services. This has theoretical implications for home-based work and core-periphery paradigms. It suggests that the phenomena of home businesses challenge classical spatial models embodied within the "isolated state" and central place theory. For example, unlike the hypothesis associated with central place theory, high-order services such as professional services, e.g., architecture,



webpage design and software development are more ubiquitous. That is, they are not limited solely to high-order centres but are also found in low-order centres. In this case study, two rural HBB owners (one male and the other female) in the HBB sample were architects who provided services to customers in rural settings but obtained all their business supplies from Saskatoon. Their spouses were involved in real estate and insurance businesses. Some HBBs also fell beyond the domain of the von Thunen model as city-based customers depended significantly on higher priced commodities in rural areas, e.g., recreation and manufactured goods. This thesis contributes to a new theoretical framework that captures new forms of work, economic activities and relationships between the core and the periphery. The next section focuses on the characteristics of business managers and how these factors help explain the development and maintenance of home businesses in rural areas and small communities.

#### **5.4 Characteristics of Home Business Entrepreneurs**

According to Loscocco and Leicht (1993), business and individual characteristics affect the survival and success of small businesses that support livelihood and community sustainability. Therefore, it is important to examine the characteristics of home businesses and their owners, and to ascertain how these features help explain the growth and maintenance of small business in rural and small communities (Objective 1). The contention is that several gender-based distinctions exist among home business owners and this is frequently associated with space or location. Also, to a degree, the gender dimension in HBB activity modifies the theoretical framework of this research.

The literature suggests the characteristics of business managers, particularly gender, age and educational status, play an important role in the operation and maintenance of HBBs, and that these are related to location. For example, some researchers claimed that more women than men work from home and that this phenomenon is largely due to the potential opportunity that home-based business owners may have to balance work and family responsibilities (Edwards and Field-Hendrey 2002; Gurstein 1995; Deming 1994; Gray 1994a; Carter et al. 1992). Other studies have pointed to more men than women performing home-based work (Rowe et al. 1999; Randall 1997; Heck et al. 1995; Orser and Foster 1992; Horvath 1986). This thesis sought to identify significant gender differences and similarities in rural and small town HBBs, and to examine the gender influence on the growth and survival of the small businesses that support livelihood community sustainability. This gender issue is examined below, especially as it relates to modifying variables of marital status, age, educational status, longevity of, and time devoted to, the business. It is argued that a combination of these variables shapes the performance and survival of small rural businesses thereby modifying the sustainability of households and communities.

#### **5.4.1 Gender of Home Business Owners**

Studies have shown that men and women tend to operate different kinds of small businesses including self-employed home-based businesses. This disparity produces dramatic differences in business performance, which in turn shapes livelihoods (Bird et al. 2001; Chell and Baines 1998; Tigges and Green 1994). With reference to the compiled HBB samples (n = 604), Table 5.5 shows that slightly more men than women

**Table 5.5**

Distribution of HBB Owners by Gender, Region, and Size of Community  
(N = 604: Compiled snowball HBB data, with n = 21 missing gender information)

REGION	Gender	Percent within Size of Community			
		Rural	Small Town	Urban	Total
Urban core	Female	-	-	40.9	40.9
	Male	-	-	47.0	47.0
	Partners	-	-	12.2	12.2
	<b>Total</b>	-	-	<b>100 (214)</b>	<b>100 (214)</b>
	<b>%</b>			<b>(100)</b>	<b>(100)</b>
R-U Fringe	Female	42.9	40.4	-	41.8
	Male	48.6	48.1	-	48.4
	Partners	8.6	11.5	-	9.8
	<b>Total</b>	<b>100 (60)</b>	<b>100 (44)</b>	-	<b>100 (104)</b>
	<b>%</b>	<b>(57.7)</b>	<b>(42.3)</b>		<b>(100)</b>
Periphery	Female	43.2	41.3	-	42.4
	Male	45.3	38.0	-	42.4
	Partners	11.5	20.7	-	15.2
	<b>Total</b>	<b>100 (159)</b>	<b>100 (106)</b>	-	<b>100 (265)</b>
	<b>%</b>	<b>(60)</b>	<b>(408)</b>		<b>(100)</b>
Total	Female	43.1	41.0	40.9	41.7
	Male	46.4	41.7	47.0	45.4
	Partners	10.5	17.3	12.2	12.9
	<b>Total</b>	<b>100 (219)</b>	<b>100 (150)</b>	<b>100 (214)</b>	<b>100 (583)</b>
	<b>%</b>	<b>(37.6)</b>	<b>(25.7)</b>	<b>(36.7)</b>	<b>(100)</b>

Source: Author, home business questionnaire survey

operate HBBs in both rural and small communities, except small towns in the periphery where the reverse is the case. This result is consistent with Rowe et al.'s (1999) study, which indicated that more men (56.7%) than women (43.3%) were rural HBB entrepreneurs. As with home businesses, this phenomenon also featured prominently in non-home business enterprises. Bird and Sapp (2004) found that the majority (78%) of rural non-home-based small businesses in the United States were owned by men, compared to a relatively few (22%) women-owned businesses. Likewise, Miller et al. (2003) found that small rural businesses entrepreneurs in America were more likely to be

males (57.1%) than females (42.9%). Chell and Baines (1998) identified a similar pattern in the United Kingdom (males: 54.8%, females: 21.1%).

Therefore, it is argued that small business ownership is one of the areas where women in rural and small communities are confronted with formidable barriers to economic success and security. In other words, “[s]elf-employment and entrepreneurship may be desirable options to these women in light of the opportunities available in rural labor markets; however, these options too take on a gendered structure that maintains women’s economic disadvantage vis-à-vis men” (Tigges and Green 1994: 307). Considering the lack of economic opportunities in rural Saskatchewan today, women’s economic contributions become more essential to families and communities. Accordingly, owning a business may be the only practicable way for women in rural areas to work (Bird and Sapp 2004: 24) to support their households and communities. Also, note that it is not always the case that women lag behind men in terms of their abilities and opportunities to operate small rural businesses. Carter et al.’s (1992) study indicated that a greater majority of women (59.9%) than men (19.2%) operated rural HBBs in Iowa. Bird et al. (2001) claimed that female-owned businesses are one of the fastest-growing groups of small rural businesses in North America today. This may indicate the emergence of structural changes in the rural small business labour market including greater representation by women entrepreneurs.

Gender differences in home-based occupations are not limited to rural areas. They also characterize urban settings. Analysis of the City of Saskatoon licensed HBB data for 2002 suggested that men owned 65.1% of urban HBBs, while women owned 34.9%. These findings were similar to those obtained in Randall’s (1997) study of five

Canadian cities (65% men, 35% women). Bird and Sapp (2004) found a similar pattern in urban areas in the United States where 83% of non-home-based small businesses were male-owned, compared to 17% female-owned ones. What this means is that HBBs are more likely to be run by women than non-HBBs. The proportional differences in gender in home-based work and small business in general suggest that gender differences in home-based work are related to spatial variations and therefore cannot be universalized. These gender differences may be attributed to the different interpretation of the concepts home-base work, home business, and small business by different authors, researchers and community economic development officials.

Perhaps, the gender disparity in small rural business could be minimised if male and female joint-ownership of business is promoted in rural and small communities. In this research, it was also found that men and women jointly-owned 13% of the rural and small town HBBs surveyed in Saskatchewan. This result is comparable to the 20.9% jointly-owned rural HBBs presented by Carter et al. (1992). Table 5.5 shows that the proportion of jointly-owned HBBs was higher in the periphery and in small towns than in the periurban and urban core regions. The observed difference in the proportion of jointly-owned HBBs is largely due to spatial differences in marital status. HBB owners in the countryside were more likely to be married than those in urban settings. This suggests that home businesses help to strengthen family ties in the countryside whereby partners and their households could live and work in the same community.

The differences between the proportion of male and female HBB owners within the periurban and periphery regions as portrayed in Table 5.5 was tested statistically using the Chi-square test. The results of the Chi-square tests suggest significant

statistical differences between the proportions of male and female HBB owners in rural areas and small communities ( $p < 0.000 < 0.05$ ), and in periurban and peripheral regions ( $p < 0.000 < 0.05$ ). Yet, there were insignificant differences in the gender balance of businesses within each geographic region or community. This implies that home business may be as equally important to both genders in each geographic region. It also reinforces the spatial factor as related to gender.

It follows from the above that the traditional gender disparity in the labour market is explicitly evident in home-based self-employment (Olson et al. 1995). The implication of this for the financial security of households is examined here. In this case study, there were significant gender variations in the choice of occupation. Women were more likely than men to be involved in personal, accommodation, recreation, business, administrative, and health services, as well as retail trade, graphic design, and interior design activities. On the other hand, men tended to be involved in the following occupations more than women: construction and trades, agriculture and resources, manufacturing and processing, transportation services, sales and services, and cleaning businesses. These findings were in keeping with the literature (Rhodes and Martin 2000; Olson et al. 1995). As in other studies, Olson et al. (1995) found that women were more likely to select personal services, clerical and administrative services, and arts and crafts which tended to yield less income, compared with the male-dominated HBBs such as professional, technical, mechanical, transportation, and construction and trade occupations. In Paige and Littrell's (2002) study, three-quarters of arts and crafts retailers sampled from nine southern states were women. Results from this thesis differed, as there were insignificant differences between the genders regarding their

involvement in arts and crafts and in professional occupations. Men and women in the HBB sample were more likely to jointly-own accommodation and recreation, construction and trade, and sales and services occupations than any other HBB activity.

The foregoing findings imply that female-headed businesses are overrepresented in highly competitive sectors or in the relatively less profitable occupations such as retail and personal services, compared to the dominance of male-headed businesses in the relatively more profitable occupations such as construction and trade, and manufacturing (Bird and Sapp 2004; Bird et al. 2001). Although women home business owners were their own bosses, picked their own occupations, and made other personal business decisions, they were not completely liberated from gender disparity in occupational choice. Undertaking home-based work does not completely free women from inequality in the workplace. This phenomenon is attributable to the disparity in professional attitudes attached to work. Research has shown that men tend to be more professional about their home businesses than women (Rhodes and Martin 2000; Olson et al. 1995). One account indicated that female HBB owners in Vancouver were not interested in attending networking groups, but they would only be involved in these groups selectively or on an irregular basis (Rhodes and Martin 2000). Olson et al. (1995) found that a greater proportion of men than women advertised their businesses in yellow pages, incorporated their businesses, used the services of lawyers, followed telephone answering protocol, and used the services of other employees. Accordingly, the males were more likely to outperform the females in the marketplace with regards to credibility and earnings generated from business. Olson et al. claimed these gender differences were partly due to “a form of ‘self-discrimination’ where women ... [feel] their work is worth

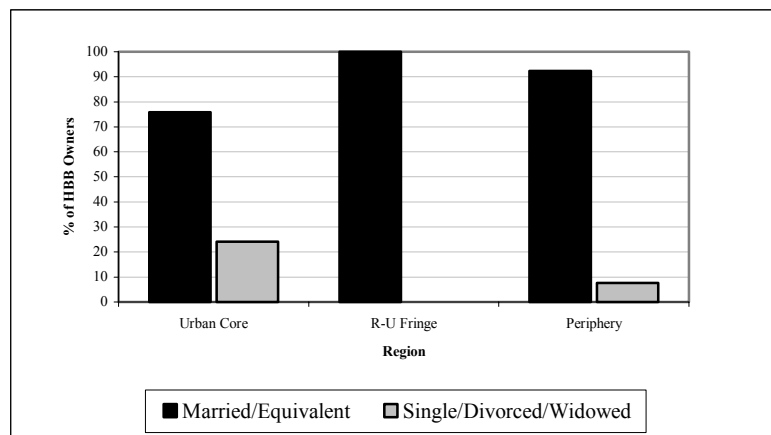
less than men's, or [perceive] that society would not pay as much to them as they would to men" (ibid: 168). Concurring with Olson et al., Reed (2003: 383) argued that "women [paid workers] expressed perspectives that reinforced their own marginality." This evidence suggests that female self-employed entrepreneurs installed their own glass ceilings. The unwillingness or inability of women to use professional services and networking contributes to lower levels of credibility, legitimacy and performance of their businesses in the marketplace.

Research has shown that a combination of marital status and parental responsibilities has a measurable impact on small business success and owner earnings (Loscocco and Leicht 1993), which in turn affects the sustainability of households. One of the contributing factors is that managers who are married spend more time on domestic duties and are therefore more likely to generate proportionately lower earnings from their businesses. One characteristic of the rural hinterland is the predominance of family and traditional gender roles, compared to urban centres. As noted above, this may limit the ability of women to run their own businesses. The greatest proportion (85.6%) of home business owners surveyed were married and about two-fifths of the sample had children living in their households. Surprisingly, all the men (100%) in the sample were married, compared to 78.6% of the female home business sample. Also, men (41.5%) were more likely to have children at home than were women (35.8%). One male HBB owner commented: "I would not trade the time I have enjoyed at home with my wife and kids for anything. No amount of money can compensate a parent for being at home. I will not switch back to work for someone else ever again." This implies that, like women, male HBB owners also seek to balance work and family responsibilities. These findings also



challenge the stereotypes of male home-based employment and family life. The literature suggested that a typical female home business owner is married with younger children so the home business offered her the opportunity to work and also meet family obligations (Gurstein 1995; Phizacklea and Wolkonitz 1995; Beach 1989; Kraut 1988). It also suggested that social and economic conditions combine to shape the sustainability of households and communities. The proportion of married HBB owners was highest in the countryside than the urban core (Figure 5.3). One-third of the married business owners in the rural hinterland had children in their households compared with 44.4% in the fringe. Forty-five percent of married HBB owners in the urban core had children at home.

**Figure 5.3:** Marital Status of HBB Operators, in Percentages

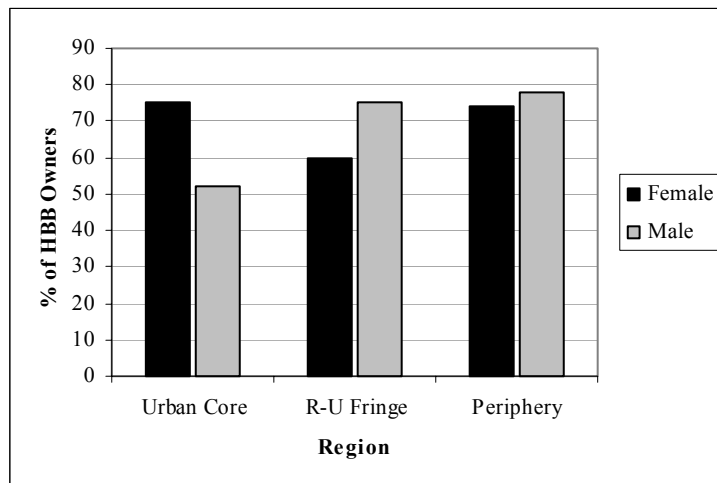


Source: Author, home business questionnaire survey

The fact that marital status influences business earnings may explain why rural home businesses may lag behind their urban counterparts in terms of the contributions of business earnings to household income. As a result, partners of business managers tend to work outside the home to supplement household income. A large proportion (67.4%)

of the married HBB owners indicated that their partners worked outside of their homes (Figure 5.4). It is believed that most of these people worked in the same community as the HBB owners. Comparatively, more male than female HBB owners in the fringe and periphery regions stated that their partners worked outside of the home, suggesting a different domestic division of labour wherein males took greater responsibility for the upkeep of the home, including providing childcare. This reinforces the earlier claim that home-based work is a way for men to work and maintain family obligations, contradicting the traditional view of male role in the home. Conversely, more female than male HBB owners in the urban core had partners who worked outside the home (Figure 5.4). The majority (76.9%) of the partners of HBB owners who worked outside the home in rural areas worked full-time, mostly in agriculture and construction occupations (52%), followed by retail and sales services (24%), professional and business services (12%) and other occupations (12%).

**Figure 5.4:** Percentage of Partners of HBB Owners Who Work Outside the Home, by Gender and Region



Source: Author, home business survey questionnaire

Based on these findings, one can argue that HBBs enable men and women to work from home to supplement household income while meeting other family responsibilities such as raising children and elderly care. It also enables partners of home business owners to work outside of the home and contribute to total family income. Research has shown that home businesses provide opportunities for diversification of rural agricultural households and employments (Brown and Muske 2001). It also means the survival of rural households depends on multiple sources of income and employment opportunities, including off-farm employment derived from home businesses. Therefore, the economic and social health of rural households is a complex issue. More importantly, the presence of these businesses, and the entrepreneurs and other members of their households in rural areas and small towns, contributes significantly to the sustainability of communities. This means the ability to attract and/or maintain families is imperative for the revitalisation and sustainability of rural and small communities, and home businesses offer this opportunity to individuals, households and communities.

#### **5.4.2 Age and Educational Status of Home Business Owners**

The age of managers is an important personal characteristic that influences the development and maintenance of small businesses (Blawatt 1998). Findings from several other studies have suggested that both male and female home-based workers are more likely to be middle-aged or older (Gurstein 1995; Orser and Foster 1992; Carter et al. 1992; Kraut 1988; Horvath 1986). This fact is also not uncommon to both rural and urban non-HBB small businesses (Miller et al. 2003; Bird et al. 2001). Horvath (1986) proposed that HBW is a more appealing occupational option for persons over 55 years of

age due to the greater difficulty in commuting daily to work. Other significant factors are that older workers have higher levels of previous work experience (Bird et al. 2001) and personal savings that enable them to establish a small business. Lin et al. (1999a) observed that self-employment in Canada increases with age but at a decreasing rate, mainly due to greater financial savings, more previous work experience, greater skills and better social networks of those aged 45 and older.

The results from this thesis and other accounts (Rowe et al. 1999; Bach 1997; Heck et al. 1995) indicate that the average age of those who work at the home is declining. The majority of the HBB owners surveyed in the periphery and the fringe fell within the 35 to 54 year cohort, not significantly different from the age distribution in the urban core (Table 5.6). In another recent study, the average age of HBB owners had declined to 30.7 years and a majority (51.3%) of home business owners were between ages 25 and 35 (Mills et al. 2000). This implies that home-based work or home business self-employment is now a more desirable occupational choice for “people who would not have considered it in the past” (Standen 2000: 5). Despite this apparent trend, it is important to note the lack of youth (under 25 years) in all the samples (Table 5.6). This phenomenon was even more pronounced in small towns where none of the home business respondents fell in the youngest age category (Table 5.6). The majority of the HBB operators in small towns (66.7%) were between 35 and 54 years of age compared with 44.5% of the same age group in rural areas. The participation of 24 to 35 year-olds in rural HBBs was an encouraging feature for the sustainability of rural communities in Saskatchewan. That is, as more young people consider rural home-based occupation as a

legitimate career it will help reverse the migration of this age cohort from the countryside to other places.

**Table 5.6:** Age Distribution of HBB Operators by Size of Community and Region

Age Group	Size of Community			Region		
	Rural	Small Town	Urban	Urban Core	Fringe	Periphery
25-34	16.7	-	1.9	1.9	16.7	7.7
35-44	16.7	38.1	26.4	26.4	27.8	23.1
45-54	27.8	28.6	32.1	32.1	22.2	30.8
55-64	27.8	14.3	32.1	32.1	16.7	25.6
65+	11.1	19.0	7.5	7.5	16.7	12.8
Total	100%	100%	100%	100%	100%	100%

Source: Author, home business questionnaire survey

Similarly, the educational status of small business entrepreneurs influences their choice of occupation, business success, and earnings (Blawatt 1998). As in Heck et al.'s (1995) study, the educational status of HBB operators in this sample influenced their choice of occupation. These managers had a wide range of levels of formal education. The proportion with at least a bachelor's degree was higher in urban areas (44.5%) than in rural areas (16.7%) and small towns (9.6%). Miller et al. (2003) found that most non-HBB small business owners in urban areas have attained at least some college education. This partly explains the predominance of urban HBB entrepreneurs in professional, business and administrative occupations, i.e., those that require advanced credentials or post-secondary education. On the other hand, 76% of HBB operators surveyed in small towns had either technical/vocational or some college/university education compared with 44.5% and 35% in rural and urban settings respectively. Rural areas (36.1%) had the largest proportion of HBB owners with only a high school education, followed by

urban areas (18.5%) and small towns (14.3%). Accordingly, the managers in rural areas tended to be involved in the relatively less skill-intensive occupations such as retailing and personal services. This means distance-to-market or the geographic location of managers influences their levels of education and choice of businesses. However, this thesis did not find any significant differences ( $p > 0.05$ ) between the genders, regarding their educational levels within the same geographic location (urban or rural). The implications of this on home business earnings for both genders would be discussed in Chapter Seven.

These results suggest that, compared to urban HBB owners, rural entrepreneurs tend to have less formal education (Hoy 1996). More importantly, this is a limiting factor or constraint on the sustainability of rural areas and small communities. This is also tied into local versus non-local marketing, because the sectors that predominate in the rural or rural-urban fringe are less likely to sell outside a limited local market. Therefore, three factors, namely education, sectoral type, and local versus non-local markets, are all interrelated in constraining the sustainability of rural and small communities.

### **5.4.3 Age of Business and Work Week**

Gender differences in the number of years owners have been operating their home businesses and the hours per week they worked at their businesses were both examined using the Student's T-test. The results of these analyses point to no significant statistical difference between men and women in terms of the years their HBBs have been in operation ( $p\ 0.386 > 0.05$ ) and the hours per week they have devoted to HBB operations ( $p\ 0.538 > 0.05$ ). Overall, there was very little difference in the average number of years

in business for men (9.1 years) and women (7.8 years). Mean hours worked per week followed a similar pattern whereby men and women worked 35.11 hours per week and 32.18 hours per week respectively. This lack of statistical significance is also extended to all of the sub-classification comparisons (e.g., rural female versus small town female, fringe versus periphery, etc.). These findings imply that their home businesses were full-time occupation for most of these managers, regardless of location generating income and employment locally. The fact that most of these businesses (69.1%) have passed the “five year milestone” for small business failure (Dickinson 1981) points to the significant potential of these businesses to sustain rural areas and small towns in Saskatchewan.

Horvath (1986) reached a different conclusion regarding the gender differences in numbers of hours worked per week. He found that the majority (60%) of women HBB owners worked more hours at home than men. Although not precisely comparable to the results herein, this implies that women tend to consider their home businesses as full-time occupations more often than do men (Gurstein 1996; Nanaimo CEDO 1995). In this research, slightly more women (57.4%) than men (54.8%) cited home business as their primary occupation. The fact that more than half of the sample deemed the HBB as their primary source of income suggests it is both a career and lifestyle choice for many individuals and households in the rural areas, small towns and urban settings.

## **5.5 Interpretation of Results and Summary**

The main focus of this chapter has been an analysis of the spatial variation of home businesses, the nature and degree of these businesses’ dependence on urban markets, the characteristics of businesses and managers, and the implications of these

factors for the sustainability of rural and small communities in Saskatchewan. The statistical results (i.e., a combination of the H-test, U-test, scatter plot, and cross tabulation analyses) support the hypothesis that distance does influence the nature of home-based business activity; rural areas and small communities do specialize in different types of home business activities from their urban counterparts. These findings reinforce Rowe et al.'s (1999) nine state (USA) study of the distribution of HBBs between rural and urban areas, and Gurstein's (1995) research at the national (Canada) level. Together, this research found that professional, business and communication service home businesses were found primarily in urban cores, while specialization in arts and crafts, retail trade, construction and trades and agriculture were not significantly represented in these places. Also, the results contained here support the ideas of the von Thunen model, and assist in explaining the sustainability of households and communities in rural Saskatchewan. It is argued that the spatial variation of home businesses has implications for the sustainability of rural and small communities. The question is how the connections between rural and urban places, in terms of home business activity, shape the development and survival of these small businesses and their potential for the sustainability of households and communities.

According to Kirby (1985), local economic initiatives such as small rural businesses do not automatically benefit the locality due largely to backward and forward linkages of investments between places. What this means is that, since a community is part of a system, its economic interactions with different geographical milieus shape its growth and sustainability. This supports the central idea of the von Thunen economic model. According to this model, economic activities mediate the interactions between



the urban core and its surrounding hinterland areas. It also means that communities cannot provide all the necessary goods and services they need. Hence, they tend to depend on each other for economic products. For example, the von Thunen model suggested that the rural hinterland supplies the urban core with raw materials, while it depends on the core for manufactured products and services. In this case study, however, it was found that urban residents also depend on the countryside for some specialized products (e.g., arts and crafts) and services (e.g., recreation and tourism). This implies that a new form of interaction between the core and periphery has emerged, which calls for re-examination of core-periphery models. It also points to rural diversification and the emergence of a new wave of economic activities in the countryside, led by the growth in service industries such as rural tourism and recreation: “Rural areas can thus no longer be viewed as economic backwaters, but need to be recognized as investment frontiers for a wide range of sectors” (Jarvis and Dunham 2003: 246).

Further, the interactions between the urban core and the rural hinterland through the purchasing and sale of goods and services create backward and forward linkages (Cunningham 2003; Kirby 1985), which affect the sustainability of communities. Backward linkages are defined as the purchases of businesses supplies from other businesses locally or from elsewhere. Forward linkages are the sales of HBB goods and services to other producers or companies within the same locality or in other communities (Cunningham 2003). These linkages may either increase or decrease the potential of generating revenue for households and communities in the countryside. The “multiplier effects” of linkages within the rural economy contribute to the sustainability of communities. That is, the sources of purchases and sales by home businesses generate

employment opportunities and income multiplier effects within their localities and surrounding communities. However, the magnitude of these effects varies largely from place to place (OECD 2003). Cunningham (2003: 5) explains further, “[s]pending outside the local economy reduces or eliminates the multiplier effects. Spending in the local economy by outsiders also sets in motion a multiplier effect.” Hence, the ability of rural areas and small communities to achieve sustainability depends on the level of inflows and leakages from these communities. Leakages occur when residents and business owners shop and invest outside their local communities.

The rural and small town home businesses surveyed participated in the rural-urban micro-region’s economy in two ways: first, through the purchase of business supplies and inputs; and second, by selling goods and services locally or elsewhere. As a result, backward and forward linkages, through home business activities, affected first, the local community, and second, the development of the entire micro-region. In other words, revenue and employment opportunities were generated through these linkages. Research has shown that the impact of economic linkages may extend beyond communities and micro-regions to the national level (Clark et al. 1995). Therefore, it is contended that the interactions and dependence of businesses within the fringe and the periphery on urban markets either enhance or undermine their growth and the sustainability of the communities in which they are located. The strong ties between the fringe home businesses and urban markets suggested that potential revenue from businesses were leaked into the urban core through the purchase of business supplies and services. This may weaken the opportunities for generating revenues for sustainable community development within the fringe.

In addition, the dependence of businesses in the fringe on urban markets suggested that they were exposed to competition with other businesses in the common market. The inability of home businesses to compete with these other businesses may limit their viability, which has negative repercussions for the sustainability of households and communities within the fringe. Interestingly, however, the majority (86.7%) of the businesses surveyed in the fringe did not consider other HBBs and commercial businesses in their marketplace as competitors, although most of them were aware of the existence of these other businesses. Moreover, a significant proportion (63.5%) of the managers in the fringe had plans to expand their businesses and the rest (36.5%) thought they were satisfied with the size of their businesses. This means that access by home businesses to larger urban markets is considered an opportunity. Their ability to survive close to the urban core may also depend on other factors such as business strategies and techniques used to compete in the marketplace. These strategies are discussed in the next chapter.

Compared to those in the fringe, home businesses in the rural hinterland were more “inward-looking”. They tended to depend, to a greater degree, on local markets for purchasing of business supplies. As a result, communities within the rural hinterlands may be in a better position than those in the fringe to retain most of the revenue generated from home businesses to support local economic growth. Another way of supporting economic growth in the rural hinterlands was through urban residents’ patronage of rural home business products and services. This contributes to increasing financial security for households and communities in the periphery. In addition, investments home businesses make in the rural hinterlands create further viable employment opportunities and spin-

offs for other businesses that contribute positively to the survival of rural economies. Thus, the main implication of the multiplier effects of these exchanges within the rural economy is the sustainability of communities in Saskatchewan.

On the other hand, the fact that most rural HBBs sell their finished products and services to local consumers points to the limited benefits of the multiplier effect of rural businesses. Conducting a business in rural Saskatchewan today means facing the uncertainty of the dwindling population size, which affects the growth and survival of small businesses. This in turn affects the sustainability of households and communities. Research has shown that the size of the population of rural and small communities is vital to the success of small businesses (Kean et al. 1998). Bhat and Fox (1996) referred to this population quandary as the “triple jeopardy phenomenon”, meaning that small rural businesses have fewer customers, who make fewer visits to these businesses, and who spend less per visit. Given this situation, it is expected that small rural businesses are more likely to fail when compared with those in or near metropolitan areas (Bastow-Shoop et al. 1995). Although similar data were not available for this case study, the survey did indicate that small businesses in rural areas have a promising future as the majority (94.6%) of business managers sampled deemed their businesses successful and had plans to expand or maintain the size of their businesses. Therefore, amidst all the challenges confronting small rural businesses, some still manage to thrive. This could be attributed to a variety of reasons, including the business strategies and techniques they adopt to compete in the marketplace. Examples of these strategies include their ability to focus on local markets and provide quality products and services, while offering lower prices to customers. In keeping with the results of this research, Miller et al. (2003: 216)

found that “small [rural] business operators realized how important it was for their survival in the rural marketplace to have the right item or services at the right price given the number and purchasing power of local customers.” An in-depth analysis of these businesses strategies is provided in Chapter Six.

It must be recognized that by their nature, some of the rural home businesses are more capable of creating links between urban and rural areas than others. For example, the rural and small town arts and crafts and accommodation and recreation businesses in the sample tended to depend more on visitors to the countryside for marketing of products and services than on local residents. These urbanites invested significant amounts of money in rural economies, thereby contributing to the sustainability of communities. In addition, the widespread presence of home business activity in the rural hinterland, compared with the level of representation in the fringe and urban settings, underscored its potential as a strategy for sustainable rural development in Saskatchewan.

So far it has been argued that interactions between places and the location of a business activity shape the growth and maintenance of businesses in those regions. Business structure (e.g., type, size) and owner characteristics (e.g., gender, age, educational status) are important dimensions of the sustainability of businesses and livelihoods in the countryside. Bird and Sapp (2004) argued that the more profitable businesses such as professional, computer-based and telecommunication businesses tended to generate greater economic returns to households and communities than the less profitable occupations such as crafts production, retail and personal services. This translates to rural relative economic disadvantage, due primarily to the structural reliance on lower-wage businesses for revitalization in rural places. Evidence from this thesis has

suggested that rural and urban residents specialize in different home business occupations. The urban core residents were more likely to be involved in the higher-wage occupations (e.g., professional and administrative businesses), compared to those in the countryside who tended to engage in lower-wage businesses such as crafts, personal, recreation and accommodation services. As a result, one would expect that potential gains from rural HBBs would be relatively limited compared to those in urban sites. Evidence presented here suggests this generalization is simplistic, and that this disparity does not always favour urban businesses. Some of the so called “least profitable” businesses surveyed in the rural hinterlands generated significant amounts of revenue within the household. For example, one rural female business owner earned about \$90,000 annually from her full-time accommodation and recreation business, compared to an urban female counterpart who earned about \$30,000 annually from her full-time professional services business. Therefore, profitability from a home business is not completely dependent on the type or location of that business. Other factors, including the motivation of business owners, also influence potential gains from the business.

It has also been argued in this chapter that the growth and maintenance of home businesses in the fringe and the periphery is shaped by gender. This suggests that, to a degree, the gender factor influences the theoretical framework of the thesis. The gender of business managers affects the success or survival of small businesses, and this is associated with location (Bird and Sapp 2004; Bird et al. 2001; Cotter et al. 1996). According to Tigges and Green (1994: 307), “[s]elf-employment and entrepreneurship may be desirable options [for] . . . women in light of the opportunities available in rural labor markets; however, these options too take on a gendered structure that maintains

women's economic disadvantage vis-à-vis men." The point to stress here is that the traditional gender gap in the labour market is explicit in home-based self-employment and this also has implications for the success and survival of businesses: "Gender . . . organizes human capital investments, social network, and owners' business goals. These factors, in turn, affect business structure and success" (Bird and Sapp 2004: 7). In this case study, rural female-owned businesses featured prominently in less profitable occupations such as retailing, bed and breakfast accommodations and other personal services, compared to male-owned businesses, which were disproportionately in the construction and trades sectors. Consequently, the contribution of rural female-owned home businesses to household income lagged behind that of male-headed businesses. The fact that earnings from businesses are critical to the sustainability of households has suggested that female-headed small businesses in rural areas are more economically disadvantaged than their males and female counterparts in urban settings. Therefore, it is argued that not only interactions between places and the locations of business activity shape the theoretical framework of the thesis but also gender factors influence the spatial variations in HBBs and in the contributions of these businesses to sustainability of households and communities.

The HBB survey results presented in this chapter have indicated that factors shaping the sustainability of households and communities are not mutually exclusive. The results further indicate that a combination of factors such as geographical location, linkages between places, and the characteristics of businesses and managers, particularly gender of managers influence the sustainability of households and communities. The implication is that the revitalization and sustainability of rural areas and small

communities must come from entrepreneurial and small business development initiatives such as home businesses (Bird et al. 2001; Rowe et al. 1999; Dykeman 1992). The next chapter examines the association between home-based business activity and the concept of rural entrepreneurship and business development. It uses the competitive strategy framework to explore business strategies and techniques that rural and small town home business entrepreneurs use to compete in the marketplace. It also examines gender differences in business strategies and techniques used for marketing products and services.



**CHAPTER SIX**  
**RELATIONSHIP OF HOME BUSINESS ACTIVITY TO**  
**THE CONCEPT OF RURAL ENTREPRENEURSHIP**

**6.1 Introduction**

This chapter examines the relationship of home business activity to the concepts of rural entrepreneurship and business development. It concentrates particularly on rural and small town home-based business entrepreneurs and on factors that influence the creation, growth and sustainability of their enterprises (Objective 2). One of the main arguments is that home business activity is a vital component of rural entrepreneurship and business development, due largely to similar features and underlying philosophies. This entrepreneurial activity promotes diversification and economic growth in rural and small communities. Home-based entrepreneurship may therefore be considered a potential strategy for sustainable rural/community development. As noted previously, rural sustainability relies highly on economic viability. An OECD (2003: 74) study reveals that the birth of new businesses or “[e]nterprise creation and development is clearly a critical component of local economic development, potentially contributing [to] employment and increased incomes, fiscal resources, improved services availability and positive role models.” This chapter also examines the business strategies and techniques home business entrepreneurs use to compete in the marketplace (Objective 2). It is contended that the choice of business strategies and techniques contributes to the growth of small rural businesses. According to Hoy (1996), there are more similarities than differences between rural entrepreneurs and their urban counterparts. It is therefore

hypothesized that the comparison between urban and rural/small town businesses may reveal similar findings. It is argued that economic and social goals are the two main reasons for the establishment of home businesses in rural and small communities.

## **6.2 The Rural and Small Town HBB Entrepreneur**

As noted in the literature, the term “entrepreneur” refers to an individual or group of individuals who identify an opportunity and act to purposefully initiate, create, organize, promote and maintain a business venture (Karmel and Bryon 2002; KCEL 2000). Also, entrepreneurs are innovators (Schumpeter 1934), and risk bearers (Petrin 1997) who tend to be directly involved in all aspects of the business venture. For example, they provide capital and ideas, participate in production and marketing processes, and control daily operations and strategic decisions of the business enterprise (Cortes et al. 1987). They are also usually the owners and managers of their businesses (Hoy 1996).

This diversity of functions clearly describes the rural and small town home-based business entrepreneurs. The survey data discussed in this chapter suggest that most of the rural businesses surveyed were established using the entrepreneur’s own initiative, ideas, and capital. These rural and small town HBB owners were usually the sole decision makers and handled most of the business operations. They mobilized capital, ideas, labour, and local raw materials and supplies to meet unmet market demand. This description supports Petrin’s (1997: 3) definition of the term rural entrepreneurship as “a force that mobilizes other resources to meet unmet market demand, the ability to create

and build something from practically nothing, [and] the process of creating value by pulling together a unique package of resources to exploit an opportunity” in rural settings.

Blawatt (1998) argued that educational status and age shape the performance of entrepreneurs. As noted in Chapter Five, the rural business owners surveyed were less educated (61% > high school) than their urban counterparts (80% > high school). Mann-Whitney U tests suggested that the observed educational disparity between the two groups was statistically significant ( $p\ 0.002 < 0.05$ ), confirming earlier findings by Hoy (1996). However, it was also found that the urban HBB owners in this sample were more likely to be older (71.7% above 44 years) than those in rural areas (66.7% above 44 years) and small towns (61.9% above 44 years). In other words, about one-third of those operating home businesses in the countryside were below age 45. This is an encouraging feature for rural employment in an era of rural out-migration of the younger population. This overview of the characteristics of the rural and small town HBB entrepreneur provides a context to better understand the reasons that compelled these individuals to be entrepreneurs.

### **6.2.1 Reasons/Motivations for Establishing Home Businesses in the Countryside**

The decision or ability to start and sustain an entrepreneurial venture in rural areas and small communities is largely influenced by an entrepreneur’s motivation (Blawatt 1998; Kurato 1995). Some researchers believe that the three motivational factors that characterize most small business entrepreneurs are the desire to be independent, the need for personal achievement (Blawatt 1998; Deschamps 1995; Good and Levy 1992) and the experience from previous work (Blawatt 1998; Soldressen et al. 1998).

In this Saskatchewan case study, several reasons were cited for the establishment of a home business, and these varied spatially (Hypothesis 1). This section utilizes information from the questionnaire survey of 111 HBB owners to describe the geographically-specific motivations for establishing HBB and the impact of these motives for the sustainability of communities. Ranking the principal motivation for establishing home businesses (see Question 20 in Appendix B) in descending order of importance, “potential income from business” (61.7%), “self-employment or being my own boss” (37.4%), and “satisfaction from work” (36.4%) were the top three reasons for starting a home business (Table 6.1).

**Table 6.1:** Motivations/Reasons for Establishing HBB by Region and Size of Community

Reasons/Motivation <sup>1</sup>	% of “n” for each Reason					
	Total (n = 107)	Region		◀ Both ▶	Size of Community	
		Periphery (n = 36)	R-U Fringe (n = 18)	Urban Core (n = 57)	Small Town (n = 18)	Rural (n = 36)
Potential Income	61.7	55.3	66.7	64.7	38.1	71.4
Self-Employed/Own Boss	37.4	15.8	33.3	54.9	23.8	20.0
Satisfaction from Work	36.4	50.0	27.8	29.4	38.1	45.7
Niche & Unique Opportunity	24.3	31.6	22.2	19.6	28.6	28.6
Utilization of Personal Ideas/Talents	20.6	13.2	27.8	23.5	19.0	17.1
Convenient for Family Obligations	20.6	21.1	22.2	19.6	14.3	25.7
Flexibility	17.8	-	5.6	35.3	4.8	-
Limited Overhead Cost	15.9	7.9	33.3	15.7	33.3	5.7
Improvement & Utilization of Home	9.3	21.1	-	5.9	9.5	14.3
Previous Work Experience	9.3	-	11.1	15.7	4.8	2.9
Hobby	9.3	13.2	16.7	3.9	4.8	20.0
Diversification	8.4	23.7	-	-	4.8	22.9
Avoid Commuting to Work	4.7	7.9	5.6	2.0	4.8	8.6
Retirement Job/Project	3.7	2.6	-	5.9	4.8	-
Develop/Take Over Family Business	2.8	2.6	-	3.9	-	2.9
Health & Disability Reasons	2.8	2.6	-	3.9	4.8	-
Other Reasons	6.5	10.5	11.1	2.0	9.5	5.7

1. Respondents were permitted to provide multiple responses

Source: Author, home business survey questionnaire

This result was consistent with Good and Levy's (1992) empirical study of HBBs in Manitoba where respondents cited income as one of the important motivations for starting a business from home. According to Miller et al. (2003), generating a profit was the most important reason for operating non-HBB small businesses in rural midwestern American communities. They argued that without financial gains, a small business owner could not remain in business for long as "profit was a necessity that allowed the business to generate a positive impact on the community by providing needed goods and services as well as providing quality jobs" (ibid: 216). However, Miller et al. acknowledged that the net benefit of small businesses to a small community extended well beyond economic gains to include social factors such as more positive relationships among business managers, greater involvement in associations, and stronger networks within a locality or region.

These findings suggest that home-based self-employment is not perceived to be marginal to the income generating sources for individuals and households. Making a profit from businesses was especially prominent in rural (71.4%) and urban (64.7%) areas compared to small towns (38.1%) (see Table 6.1). In keeping with this result, half of the rural HBB entrepreneurs surveyed considered their business as a primary source of income. This is especially the case with rural female entrepreneurs. The other half considered the home business as a supplementary or secondary means to provide for themselves and their households. It is clear that the rapid decline in primary economic sector employment in the countryside, particularly in agriculture (Stabler and Olfert 1996; Troughton 1992) and instability in farm income (Brinkman 2002; Stabler and Olfert 2000; Loker et al. 1995) have affected the motives (e.g., "financial

considerations”, “satisfaction from work”, “demand for goods/services” and “diversification”) for starting a home business in the rural hinterland. One rural HBB owner commented: “[I chose a home-based business] to be free and own our lives again. We had a dairy for 20 years [but] it’s hard to be able to replace our solid 6 figure income and be residents in this community.” The literature suggests that diversification is an important strategy for the sustainability of rural households and communities (Bollman 2001; Gertler 1994; Ilbery 1992). Loker et al. (1995) and Bryant (1988) claimed that the search for alternative job opportunities as a response to low farm income influences the growth of private sector economic activities in rural areas and small communities. According to Bollman (2001), a home business is one of the principal solutions to reverse the decline in rural employment.

Some of the results contained here also challenge Schumpeter’s (1934) claim that financial gain is a secondary consideration for the entrepreneur. Blawatt (1998) argued that the concept of a monetary goal in an entrepreneurial venture by itself is not as important as the independence and satisfaction gained from the accomplishment of starting a new business enterprise. This is reflected in the significance of the second and third most frequently stated reason for establishing a home-based business; that is, to be self-employed and to receive satisfaction from their work (Table 6.1). These findings support Schumpeter’s (1934) contention that factors such as the desire, dream and willingness to be independent and successful in both non-monetary and monetary terms, and satisfaction gained from personal achievement by utilizing one’s own ideas and talents, are the principal motivations for entrepreneurs.

The survey data also conform to the von Thunen theoretical framework. As was especially the case with the spatial distribution in types of HBB activity, the set of motivational factors also varied with distance. Regardless of gender and geographic areas, the motive of increasing household income was the major driving force for setting up HBBs. However, there were geographically-distinct differences in other motivational factors. Those HBBs surveyed in the urban core were more likely to stress the following factors than their counterparts in the periurban and peripheral regions: becoming self-employed or one's own boss, working flexibility (especially time), and using previous work experience. For example, the proportion of HBB owners who cited the importance of being self-employed or their own boss decreased systematically from the urban core (55%), the fringe (33%), to the periphery (16%). Therefore, it is not surprising that a vast majority of the urban business owners (72.2%) were sole-proprietors, compared with their counterparts in small towns (57.1%) and rural areas (38.9%). The rural and small town HBB owners were more likely to be involved in partnerships and family business enterprises than their urban counterparts. This result differs from those of Carter et al. (1992) where ownership of rural home businesses was solely characterized by sole proprietorship. Specifically, those who cited independence as the main reason for being HBB entrepreneurs also emphasized features such as more control over their working hours, choice of businesses, and decision-making regarding finance, production, and marketing. Gurstein's (1995) investigation of teleworkers also pointed to a significant relationship between working at home and the ability to control time and space as the most important reason for starting a home-based business.

It is argued that HBB entrepreneurs are not as completely independent (i.e., their own masters or bosses) as implied in the literature, but rather they serve many masters including their customers, suppliers, employees and families (Blawatt 1998; Cole 1959). One of their primary goals is to satisfy these groups, while meeting their own needs. Table 6.1 shows that satisfaction gained from work was the third most important reason cited for setting up a home business, particularly in rural settings. This suggests that the sustainability of small businesses in the countryside does not depend solely on financial consideration. Satisfaction may range from ability to start a new business venture to seeing it reach expected completion (Blawatt 1998). It also includes the opportunity for helping, working or interacting with others as cited by the owners surveyed. Those in rural areas (45.7%) were much more likely to state this as a reason for setting up their business than those in small towns (38.1%) or in urban areas (29.4%). These results were consistent with their perceived levels of satisfaction in working from home. In addition to being asked about their motivations for establishing a home-based business, respondents were also asked to indicate their level of satisfaction in working from home.<sup>1</sup> A greater proportion of the rural HBB owners (80.6%) said they were very satisfied in working from home, compared with 66.7% from small towns and 63.5% from Saskatoon.

When pressed further for reasons for this satisfaction, respondents cited independence and freedom, flexibility and convenience for family obligations, personal business achievement, serving and meeting people, and a way to avoid commuting to work. These reasons reinforced most of the motivational factors discussed previously. As noted earlier, research has shown that home businesses and home-based work in

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<sup>1</sup> Survey question stated, "How satisfied are you in working from home? (a) very satisfied, (b) satisfied, (c) dissatisfied, (d) very dissatisfied, (e) not sure"



general provide opportunities for entrepreneurs to maintain family responsibilities (Gurstein 1995). About a quarter (25.7%) of the rural HBB owners in this survey worked from home in order to attend to family responsibilities, particularly raising children. Fewer small town (14.3%) and urban home businesses (19.6%) mentioned this as a reason for being a home-based entrepreneur. This disparity is due to the lack of childcare services in rural areas compared with urban centres. It is believed that this family context may affect the performance of small rural businesses, in terms of their ability to generate earnings. Lower earnings contribute to financial insecurity of rural households. Conversely, Loscocco and Leicht (1993) claimed that in some cases family responsibilities pushed small business managers, including single parents, to work harder to generate higher earnings rather than hindering them from fulfilling their personal and economic achievements. They found that “women’s greater household responsibilities did not detract from their small business success. . . . The average age of these women’s businesses (9 years) marks them as extremely stable [or sustainable]” (ibid: 885). Therefore, family obligations at least partly encourage the growth of self-employment and business success rather than hindering this success.

Blawatt (1998) maintained that frustration with former employers, the desire to avoid working for others, and the desire to develop one’s own ideas all proved to be powerful motivations for people to become self-employed entrepreneurs. In a rural context, the reality of declining farm incomes has influenced individuals and households to diversify their sources of household income (Stabler and Olfert 2000; Catrina 1999; Loker et al. 1995). Interestingly, all the HBB owners (22.9%) who cited “diversification” as a motivational force for starting a home business were in the countryside, rather than

in urban settings (Table 6.1). For example, a female rural HBB owner said “I think I’ve been a good example for other women in our community to ‘break new grounds’ [sic] or think ‘outside the box’ as to what’s possible.” Like several others in the countryside, this woman said she started a home-based business after she and her husband experienced a long-term and consistent decline in farm income. Further, demand for certain goods and services in the countryside provided opportunities for starting rural and small town home-based entrepreneurial ventures (Table 6.1). Over a quarter (28.6%) of the rural and small town HBB entrepreneurs thought that the unique opportunity, niche or need for a particular business in their local areas influenced them to start a home business. Only about one-fifth of their counterparts in urban areas (19.6%) gave the same reason for establishing a business at home. This distinction confirms Petrin’s (1997) interpretation of the concept of rural entrepreneurship noted above.

The results of the survey also point to the fact that gender differences do exist in motivations for establishing home-based occupations. Satisfaction from work, need or demand for goods and services, and the opportunity to use personal talents were some of the major reasons males in rural areas engaged in home-based work. Female rural HBB owners were largely motivated by satisfaction from work, convenience for family obligations, need or demand for goods and services, diversification, and the opportunity to be their own bosses. Males in small towns were more likely to choose an HBB because it had limited overhead cost and low risk, and allowed them to use their personal talents. Conversely, females in small towns stated that the need or demand for goods and services, and satisfaction from work were the primary motivations for establishing home-based work. These results suggest that the growth and maintenance of small businesses

is determined by different factors and that these factors vary by geography and by gender. As a result, it would be inappropriate to use “male standards of success to assess women’s businesses because women may value personal fulfilment or social goals more than the income their businesses might bring” (Tigges and Green 1994: 307).

Although both male and female HBB owners claimed that satisfaction gained from working out of their homes underpins their self-employed business career, they tended to differ in their level of satisfaction. A combination of a Chi-square test and U-test procedures were used to examine the difference between the satisfaction of male and female business owners in the countryside gained from working from home. The overall results suggest a statistically significant variation ( $p 0.000 < 0.05$ ) between the different levels of satisfaction (Table 6.2), with a Chi square of 134.193 and three degree of freedom. This implies that a vast majority of HBB owners (75.4%) were very satisfied with working from home. Several reasons contributed to this high level of satisfaction, including the flexibility associated with self-employment, convenience for family responsibilities, potential income, socialization with other people, support from the local community, and avoiding a commute to work.

**Table 6.2:** Satisfaction Gained by Working from Home

Level of Satisfaction	Rural and Small Town Sample		
	Female	Male	Both
Very Satisfied	87.5	47.1	75.4
Satisfied	10.0	47.1	21.1
Dissatisfied	-	5.9	1.8
Very Dissatisfied	2.5	-	1.8
Total	100%	100%	100%

n = 54

Source: Author, home business survey questionnaire

Table 6.2 shows that 87.5% of women were very satisfied with working from home, compared to 47.1% of men who held the same view. The U-test and Chi-square results suggest that this apparent difference is statistically significant: U-test ( $p\ 0.002 < 0.05$ ) and Chi-square test ( $p\ 0.004 < 0.05$ ). These results may be linked to the motivations expressed by men and women. While men and women were both motivated by income considerations, the underlying motivation for women tended to be related to family goals, including being close to family. This supports the broader literature on women's work and the choices they make regarding their homes. This includes choosing a job closer to home, and working part-time to raise children. As a female rural HBB owner stated: "It is important for me to be at home as I have a young family and would like to be the prime caregiver to my children." Another rural respondent added, "I enjoy working out of my home. . . . You save time by not having to travel to and from work." Heck et al. (1995: 219) argued that "while home-based work can alleviate the need for child care in some cases, home-based workers need and use child care services."

Working from home is not only satisfying but challenging (Berke 2003; Heck et al. 1995). Problems inherent in working from home in rural areas and small towns include balancing work and home, physical space limitations, remote location and isolation, and lack of information such as business forecasts. According to one rural HBB owner: "The main negative thing about working out of the home, especially in the rural setting prior to fax, e-mail, etc. was lack of contact with other creative people to build ideas and to remain current." Heck et al. (1995) found that working from home creates feelings of isolation, and tension over the division of labour, business obligations

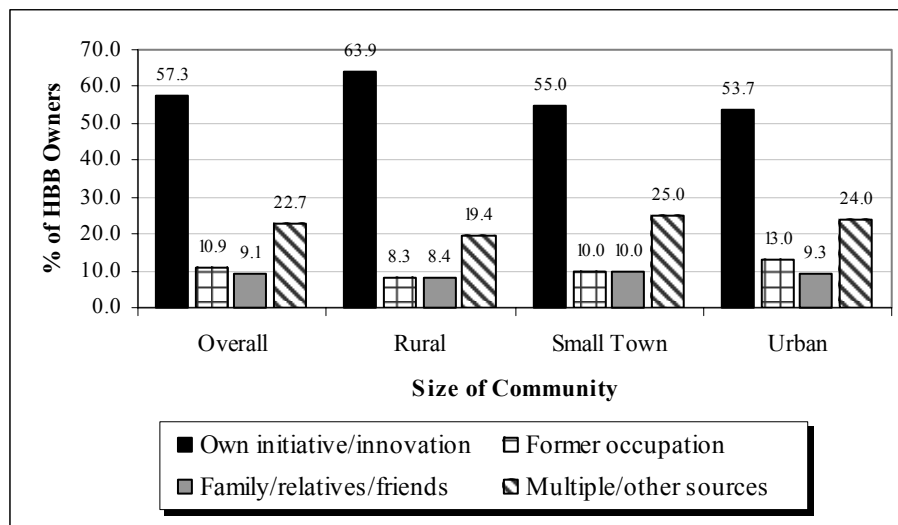
and family responsibilities. These in turn undermine HBB activities. It is apparent from the results presented here that this is especially the case in rural areas.

Another concern was how to balance a home business and employment outside the home. One small town HBB owner stated: “At present, primary employment outside of the home still takes precedence over my HBB.” Not only do HBBs have to fit in with other jobs outside the home, they must also do so with unpaid housework: “By having your business at home, housework and up-keep of yard sometimes takes a back seat to your day”, said one rural HBB owner. It means “[e]ven without children, household responsibilities have a way of perpetually interrupting paid work – houses and gardens demand attention, as do spouses” (Heck et al. 1995: 219). The above discussion suggests that HBB owners are aware of the challenges and benefits of their work situation. They also acknowledge that “the two domains of work and family need to have some boundaries or structure for both to be successful in their lives” (Berke 2003: 539). Amidst these challenges, it seemed the HBB owners interviewed were satisfied with their work arrangement. Therefore, overall the satisfaction gained from working at home contributes to the growth and survival of home businesses in rural and small communities. The sustainability of small rural businesses also depends on accessibility of capital resources. Entrepreneurs rely on various sources of ideas and capital to develop and maintain their business ventures. In the next section the question of where the initial resources for micro business operations, especially in rural areas, come from is addressed.

## 6.2.2 Sources of Initial Business Ideas

Empirical research has shown that experience gained in past jobs has been the main source of innovation or initial business ideas for most home-based entrepreneurs (Soldressen et al. 1998; Hoy 1996; Good 1993; Good and Levy 1992). That does not appear to be the case in this research. Figure 6.1 shows that the majority of home business owners in rural areas (63.9%) and small towns (55%) indicated that they relied on their own initiative, dream or innovation to establish their home-based businesses. Similarly, more than half (53.7%) of the urban HBB owners relied on personal ideas to start their businesses. Nevertheless, ideas generated from former occupations was the second most important single source of information for starting a business, followed closely by ideas from family members, relatives or friends (Figure 6.1). These results imply that the sources of initial ideas to establish home business in rural settings are not different from those for starting other new businesses (Good 1993).

**Figure 6.1:** Source of HBB Ideas by Size of Community



N = 111

Source: Author, home business survey questionnaire

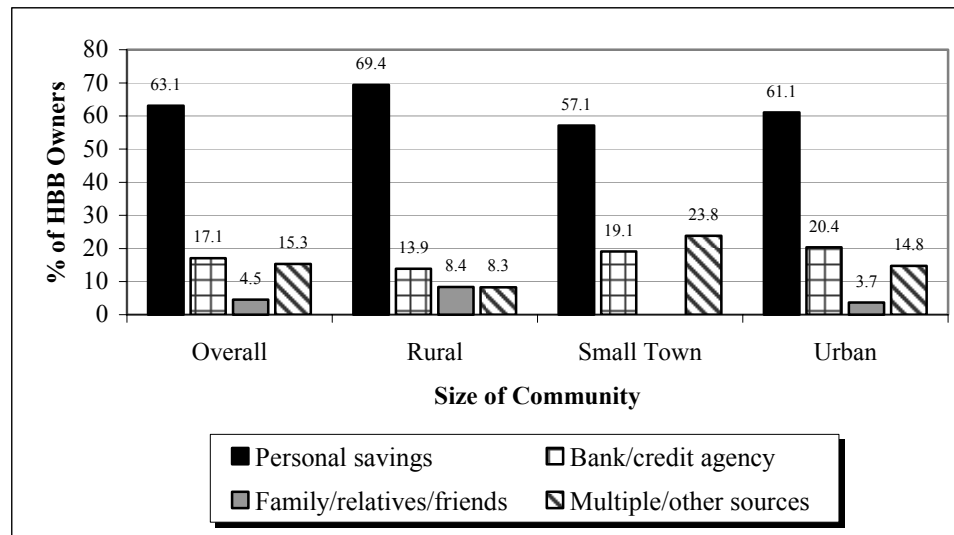
According to Good (1993), other important sources of new ideas for new small business enterprises included hobbies, casual observation (e.g., visiting an exhibition, daily life experience), and a deliberate search (e.g., internet, books and magazines, attending trade shows). About a quarter of the HBB entrepreneurs said they obtained business ideas from multiple sources; that is, through the internet, business associations, advertisements, trade shows, books, and certain products or services they had used in the past. These findings suggest that HBBs from all contexts rely on similar sources of information in deciding to open their business. Again, these sources of innovation were not unique to HBBs but are commonly cited by all entrepreneurs in search of new business opportunities, particularly starting small business ventures (Good 1993).

### **6.2.3 Source of Initial Business Capital**

Capital is one of the major resources required for starting a new business venture (Hoy 1996; Good 1993). Generally, self-employed HBB entrepreneurs draw on their personal savings or on the finances of their families, relatives and networks of friends to establish their businesses (Blawatt 1998; Carter et al. 1992). Findings from this dissertation pointed to personal savings as the main source of initial capital for most of the HBB entrepreneurs. Figure 6.2 shows that more than two-thirds of the rural HBB owners (69.4%) used personal savings to start their businesses. Similarly, the majority of those in small towns (57.1%) and urban areas (61.1%) relied on their personal savings for capital investment at the initial stage of their businesses. Good (1993: 151) argued that “the major source of the funds required to get [a new] business launched will have to be

[the entrepreneur's] own resources and personal savings [but] additional funds may come from [his/her] friends, family, and close personal relations.”

**Figure 6.2:** Source of Business Capital by Size of Community



N = 111

Source: Author, home business survey questionnaire

The second most important source of initial capital for the HBBs in all the geographic settings were banks and credit agencies, although less than a quarter of the businesses obtained their initial capital through this source (Figure 6.2). According to Good (1993), banks are the most widely used external source of capital for new businesses. A few of the HBB owners, particularly those in rural areas, said that they had financial assistance from families, relatives and friends (Figure 6.2). While this result was in keeping with the literature, it suggests similar sources of capital for rural, small town and urban home businesses. It also implies that people who have new business ideas but lack personal capital or have shallow or underdeveloped networks would be constrained in starting their own businesses. Blawatt (1998: 198) said that “[m]ost ideas



do not advance beyond the wishful thinking stage.” Hoy (1996) asserted that most business failures are partly attributed to entrepreneurs’ lack of sufficient initial funding. This implies that rural and small town HBBs are not different from other small businesses with respect to their initial sources of funds for developing their enterprises. They are more likely to rely on personal savings and resources than on any other source of funding.

### **6.3 Business Strategies and Techniques for Home Businesses**

Another major theme of self-employed entrepreneurship research involves the business strategies and techniques home-based and other small businesses utilize to compete in the marketplace. It is argued that business strategies and techniques influence the performance and success of home businesses thereby indirectly affect the sustainability of households and communities. This section assesses the following: (i) the perceived knowledge of HBB entrepreneurs about their common markets, and (ii) the business strategies and techniques rural and small town HBB entrepreneurs use to compete in the marketplace.

#### **6.3.1 Perceived Knowledge about Home Business Markets**

The lack of knowledge that entrepreneurs have about the marketplace is a major barrier to the growth and sustainability of small businesses (Blawatt 1998; Lussier 1995). This suggests that self-employed entrepreneurs who have sufficient knowledge about the common market are in a better position to choose appropriate business strategies and techniques for effective competition in the marketplace, and vice versa. Three principal

types of information about home business markets considered in this dissertation were (i) location of customers, (ii) reasons why their customers chose HBB products or services, and (iii) business competitors. As noted above, knowledge about home business markets is critical for the growth and viability of small businesses. Therefore, it is important to examine the spatial variations in this aspect of small enterprise development to uncover its effects on community sustainability.

Rural and small town HBB owners believed that they had sufficient knowledge about the location of their customers. It was noted that most of the rural and small town HBB entrepreneurs (more than 70%) thought that their customers were primarily located in their local communities and other rural areas. Carter et al. (1992) found that rural home businesses in Iowa marketed more than two-thirds of their goods and services directly to customers in their local community and surrounding areas. These findings suggest that, strategically, rural and small town HBBs are more likely to concentrate their efforts on local markets and surrounding communities. The HBB owners believed that this provides them with a competitive edge over other businesses due largely to their close social ties with others in their community.

Not only did HBB owners feel that they were aware of the location of their customers in their market areas, but also they believed they had knowledge about the reasons why their customers preferred home business goods and services. This information is significant in choosing business strategies and techniques. The business owners cited several reasons for customers choosing their products and services (Table 6.3). More than half (62.7%) of the owners thought that customers were attracted to their businesses by the quality of products and services provided. This is in keeping with

findings from other empirical studies (Randall 1997). In his study of HBBs in five western Canadian cities, Randall (1997) found that the preference for HBB products and services was due largely to the quality of service offered by urban HBB owners.

**Table 6.3:** Perceived Reasons for Customers Choosing Home Business Products and Services by Size of Community<sup>2</sup>

Reason for Choosing HBB Products/Services	% of “n” for Each Reason			
	Total (N = 111)	Rural (n = 36)	Small Town (n = 18)	Urban (n = 57)
Quality of product/service	62.7	50.0	70	68.5
Competitive price	36.4	25.0	30	46.3
Unique product/service	35.5	44.4	40	27.8
Demand & niche marketing	28.2	33.3	25	25.9
Location:	29.1	47.2	20	20.4
<i>Community</i>	10.9	5.6	10	14.8
<i>Tourist attraction area</i>	9.1	16.7	10	3.7
<i>Rural setting</i>	9.1	25.0	-	1.9
Special customer service	25.5	36.1	5	25.9
Professionalism/credibility	19.1	11.1	10	27.8
Reliability and availability	15.5	13.9	20	14.8
Advertising strategy used	14.5	11.1	5	20.4
Flexibility and convenience	11.8	13.9	10	9.3
Other reasons	15.5	11.1	25	14.8

Source: Author, home business survey questionnaire

Table 6.3 shows that more than one-third of the respondents in rural areas cited quality of goods and services, location of home businesses (i.e., in the countryside), uniqueness of goods and services, special customer service offered, and demand for certain goods or services in local communities as reasons why customers chose to patronize goods and services from a HBB. Urban HBB owners attributed the preference for their products and services mostly to quality, competitive pricing, uniqueness and

<sup>2</sup> Survey question stated: “In your opinion, what are the three (3) most important reasons (ranked from most important) for customers in choosing your particular product or service?”

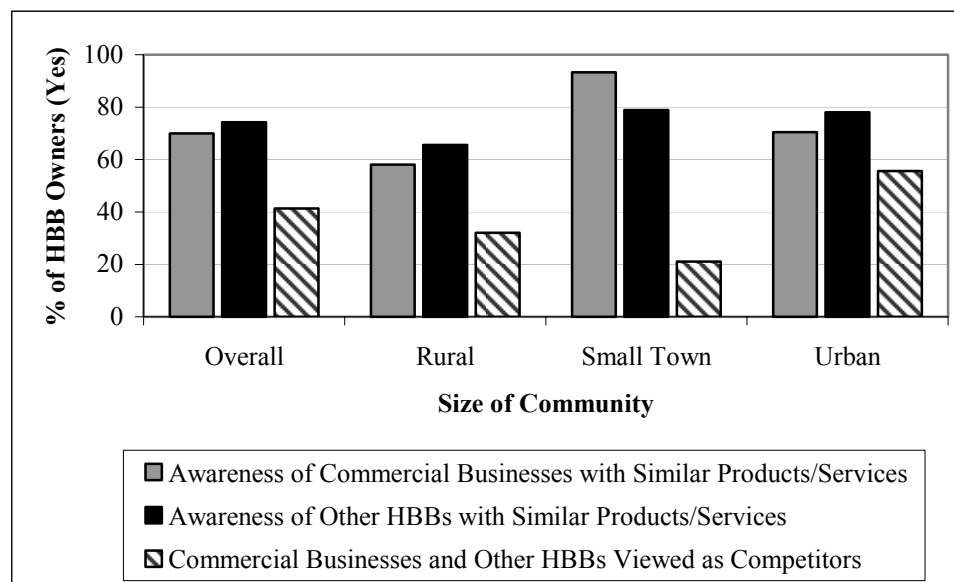
credibility or professionalism of work. These findings suggest that perceived differences and similarities exist between rural and urban home businesses with regards to why customers purchased HBB products and services. It is likely that this awareness and ability to capitalize on the perceived reasons why customers patronize HBBs have contributed to the growth and survival of the rural and small town home businesses.

The above discussion implicitly points to the fact that rural and small town entrepreneurs believe that they have knowledge about their business competitors to the extent that it has compelled them to focus on specific geographic markets and to tailor their goods and services to specific needs or tastes of customers. Competition is inevitable in small business entrepreneurship (Watkin 1986), which means both rural and urban HBBs are not immune to this phenomenon. Evidence in the literature has suggested that rural and small town home businesses compete with other businesses (Kean et al. 1998; Miemeyer et al. 1996). Urban home businesses also compete with other HBBs and commercial businesses (Randall 1997). Figure 6.3 shows that most of the HBB owners in all the geographic settings acknowledged the presence of both commercial businesses (CBs) and other home businesses in their markets that provided similar goods or services. According to Randall (1997), urban home businesses offer similar goods and services as their commercial counterparts and so he argued that the shared market suggests HBBs and CBs do compete.

The degree of awareness and the perceived degree of competition varied between the rural HBBs and their urban counterparts. More than 70% of urban and small town HBB owners said that they were aware of other businesses (CBs and other HBBs) in their market areas, compared with about three-fifths of rural HBB owners who held the same

view (Figure 6.3). It should therefore come as no surprise that the urban HBB owners (56%) were also more likely to view these other businesses (CBs and other HBBs) as competitors than rural HBB owners (32%). This disparity was attributed largely to the relative absence or lack of many small businesses in rural settings compared to urban places. In spite of these differences, these findings suggest that both rural and urban home businesses recognize that they are in competition with other HBBs and commercial businesses. This is one indication that home businesses should be considered as real and significant occupations for individuals and households in rural settings.

**Figure 6.3:** Awareness of Competitors in Market Areas of Home Businesses by Size of Community



N = 111

Source: Author, home business survey questionnaire

In addition, the functional types of home businesses identified earlier (see Table 5.1) suggested that HBBs and CBs offer similar goods and services. Not only did Randall (1997) reach a similar conclusion, he also argued that, reciprocally, CBs

recognize HBBs as competitors and that the nature of this ‘recognition’ was dependent upon the community context. For example, a mutual recognition of competitors was more likely to exist in smaller, more isolated places such as Yellowknife than in Vancouver. As with HBBs, CBs also stressed the quality of services provided to clients as a competitive strategy. This assessment suggests that quality of goods and services provided is a common competitive strategy for both HBBs and CBs in all locations, but that the nature of business attitudes may differ.

### **6.3.2 Competitive Strategies Used by HBBs**

As noted above, rural and small town home businesses acknowledged that they compete with other businesses for a share of the market. In this context, these HBBs utilized several business strategies and techniques for growth and sustainability (Kean et al. 1996, 1998). The competitive strategy model proposed by Porter (1980) was adapted to examine the growth and survival of HBBs in rural and small communities. It was hypothesized that a significant relationship exists between the competitive strategy chosen (i.e., cost leadership, differentiation, focus) and the survival of rural HBBs. Further, entrepreneurs in the countryside are likely to employ different strategies to compete in the marketplace than their urban counterparts (Hypothesis 2).

A combination of statistical tests, including reliability analysis, multiple regression and Spearman’s rank correlation coefficient were used to assess this hypothesis. One major requirement necessary for the multiple R analysis was the normality of the sampled data. Distance to market and years in residence (i.e., number of years the home business owner had lived in a community), two of the important variables

in this case study, were used to test the skewness of the sampled data. The value of skewness indicates the extent to which a distribution varies from a normal distribution (Ebdon 1985). Skewness values of 0.346 and 0.507, respectively, for distance and years in residence suggest a distribution that is relatively normally distributed. Therefore the normality assumption underlying the multiple R analyses was not violated.

Reliability tests were performed for the set of competitive strategies used in this thesis (see Appendix D). The results of these analyses indicated a strong reliability for the entire twenty-two item competitive strategy scale (coefficient alpha = 0.82), and for its sub-categories, namely cost leadership (coefficient alpha = 0.71), differentiation (coefficient alpha = 0.75) and focus (coefficient alpha = 0.63). The results of these analyses mirrored Dess and Davis's (1984) findings on organizational performance using competitive strategies (cost leadership = 0.69, differentiation = 0.76, focus = 0.69), and Kean et al.'s (1996) sixteen-item competitive strategies used to examine the performance of rural small businesses in the American Midwest (cost leadership = 0.73, differentiation = 0.88, focus = 0.69, entire 16-item scale = 0.89). This concurrence suggests that the basket of business strategies identified in the above studies share common features, and can therefore be considered as a model for measuring the performance of small businesses and the potential of these businesses for sustainable community development. After these analyses, the items in each of the sub-categories of the competitive strategy model (cost leadership, differentiation, focus - see Appendix D) were used as independent variables in the multiple R analyses. The number of years the home businesses had been in operation was used as the dependent variable as it was an indication of sustainability. Table 6.4 shows that there is a significant positive

relationship ( $r = 0.715$ ,  $p < 0.05$ ) between competitive strategies and age of HBBs. Also, the large  $R^2$ -value (0.511) suggests a significant relationship between competitive strategies and survival of HBBs. This means that approximately 51% of the explanation for the survival of businesses is attributed to their reliance on competitive strategies. These results support the hypothesis that there is a significant relationship between the competitive strategy chosen and the survival of rural HBBs. Overall, differentiation was the most preferred competitive strategy for the home businesses. Comparatively, its  $R^2$ -value (0.363) was greater than focus ( $R^2 = 0.242$ ) or the cost leadership ( $R^2 = 0.158$ ) strategies. This suggests that competitive strategies chosen by HBB entrepreneurs influenced the performance or sustainability of their businesses, reinforcing the hypotheses noted above. But what factor(s) determined the choice of a competitive strategy?

**Table 6.4**

Summary of Multiple R Analyses on the Relationship  
between Competitive Strategies and Age of Home Businesses

Model	Independent Variables (see Appendix D)	Dependent Variable	R	$R^2$	F-test (ANOVA)	df	Significant (0.05)
1	22-Item Business Strategy (A1 to C9)	Age of HBBs	0.715	0.511	3.462	22	0.000
2	Cost Leadership (A4, B1 to B6)	Age of HBBs	0.397	0.158	2.489	7	0.022
3	Differentiation (C1 to C9)	Age of HBBs	0.603	0.363	5.954	9	0.000
4	Focus (A1 to A3, A5 to A7, C3, C9)	Age of HBBs	0.492	0.242	3.667	8	0.001
5	Quality Product/Service (C1)	Age of HBBs	0.510	0.260	37.573	1	0.000

N = 111

Source: Author, home business survey questionnaire



Research has shown that the type and longevity of a business (Kean et al. 1996), and the change in population and age of small businesses in rural communities (Kean et al. 1998) all influence the selection of strategies. Table 6.5 shows that the geographic location of HBBs (rural or urban) influenced the choice of business strategies, especially between rural and urban home business owners. The owners surveyed were provided with a twenty-two item business strategies list and were asked both to choose those they used and also indicate the level of importance they attached to each of the strategies on a scale of 1 to 6, with 1 being the most important, 5 least important and 6 not used at all.

A comparison of the mean rankings in Table 6.5 and the scatter plot in Figure 6.4 indicated that, although on aggregate both rural and urban HBBs used similar business strategies, the two groups attached varying degrees of importance to these strategies. The scatter plot (Figure 6.4) shows that the closer a business strategy is to the diagonal line the stronger the similarity between the two settings, regarding their preference for a business strategy. Since the variables are ranked in this Figure, the more desirable business strategies are found in the lower left section of the diagonal with low scores of mean rankings, while the least desirable business strategies are found at the upper right section of the diagonal with high scores of mean rankings.

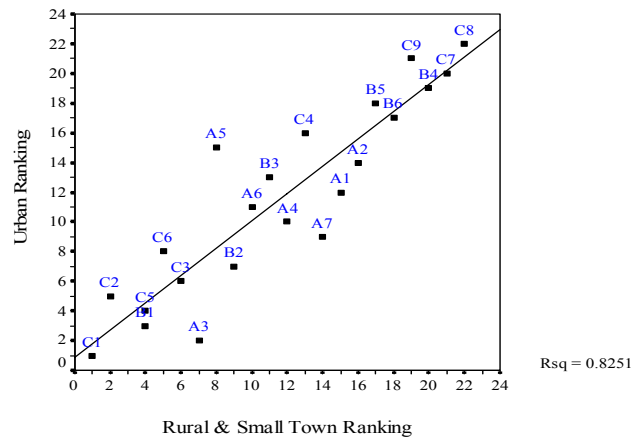
Within the list of business strategies, quality of products or services provided was the most important business strategy for home business activity in all three settings (Table 6.5: key C1). This result was consistent with the most important reasons given for customers' preferences for HBB goods and services (Table 6.3). Research has shown that both urban home businesses (Randall 1997) and rural HBBs (Kean et al. 1996) pay attention to quality of goods and services to gain a competitive edge in shared markets.

**Table 6.5:** Comparison of Mean Ranking of Business Strategies by Location of Business

KEY	Competitive Strategy (CS)	Type of Community					
		Rural		Small Town		Urban	
		Rank	Mean	Rank	Mean	Rank	Mean
	<b>COST LEADERSHIP (Coefficient alpha = 0.71)</b>						
B1	Minimize Overhead Cost	3	2.11	5	2.15	3	2.06
B2	Minimize Advertising Cost	9	2.74	10.5	2.75	7	2.60
B3	Minimize Transportation cost	12	3.12	10.5	2.75	13	3.36
B4	Minimize R&D	21	4.47	18	4.20	19	4.21
B5	Access to Raw Materials	18.5	4.14	17	4.10	18	4.21
B6	Accurate Forecasting of Business Trends	20	4.20	19	4.30	17	4.04
A4	Use Newest Technology	10.5	3.09	13	3.40	10	3.04
	<i>Average Rank</i>	<i>13.4</i>		<i>13.3</i>		<i>12.4</i>	
	<b>DIFFERENTIATION (Coefficient alpha = 0.75)</b>						
C1	Offer Better Quality Product/Service	1	1.33	1	1.15	1	1.35
C2	Competitive Pricing of Product/Service	2	1.97	2	1.75	5	2.28
C3	Offer New/Different Kind of Product/Service	6	2.42	7	2.21	6	2.45
C4	Use of Unique design/Brand Name for Product/Service	13	3.34	12	3.11	16	3.85
C5	Offer Special Customer Services	4	2.19	3	2.00	4	2.13
C6	Direct sales to Customers	5	2.33	4	2.11	8	2.71
C7	Use Unique Distribution Technique	18.5	4.14	22	5.11	20	4.34
C8	Marketing Through a Co-Op Organization	22	4.63	21	4.68	22	4.98
C9	E-Commerce/Internet Marketing	17	4.11	20	4.53	21	4.49
	<i>Average Rank</i>	<i>9.8</i>		<i>10.2</i>		<i>11.4</i>	
	<b>FOCUS (Coefficient alpha = 0.63)</b>						
A1	Skill Upgrading	15	3.58	16	3.90	12	3.33
A2	Planning & Documentation	16	3.71	14	3.74	14	3.58
A3	Professionalism/Credibility	7.5	2.69	6	2.20	2	1.94
A5	Serve Special Geographic Market	7.5	2.69	8	2.30	15	3.75
A6	Serve Special Groups of Clients	10.5	3.09	9	2.60	11	3.06
A7	Development of Business Networking	14	3.36	15	3.80	9	2.85
C3	Offer New/Different Kind of Product/Service	6	2.42	7	2.21	6	2.45
C9	E-Commerce/Internet Marketing	17	4.11	20	4.53	21	4.49
	<i>Average Rank</i>	<i>11.7</i>		<i>11.9</i>		<i>11.3</i>	

Source: Author, home business survey questionnaire N = 111

**Figure 6.4:** Scatter Plot: Comparison of Mean Rankings of Business Strategies between Rural/Small Town and Urban HBBs (see Table 6.5 for Key)



N = 111

Source: HBB Survey

Competitive pricing (key C2, i.e., less expensive goods and services) was the second most important business strategy for the rural and small town group, while credibility or professionalism (key A3) was ranked second by urban HBBs.

Another significant difference between rural and small town HBBs and urban home businesses was that the former group was more likely to offer products and services directly to customers in a specific geographic market (Table 6.5: key C6, A5). This finding is clearly a function of knowledge about the location of customers (Figure 6.6b) and confirms other empirical accounts (Carter et al. 1992). Conversely, urban businesses were more likely to focus attention on enhancing personal values (e.g., credibility, professionalism, networks) to gain a competitive edge in the market than any other group (Table 6.5: key A3, A7). An indication of this strategy was that a vast majority (80.4%) of the urban home business owners were members of business associations, compared with less than two-thirds (62.5%) of their rural and small town counterparts. The benefits gained from belonging to business associations included skills upgrading, recognition, credibility and networking. One other observable difference was that rural home businesses were more likely to use an internet marketing strategy more than any other group (Table 6.5: key C9). This might be attributed to the predominance of accommodation and recreational activities in rural settings than in other places (see Table 5.1). These sectors were more prone to use the internet to advertise their businesses. Overall, marketing through a co-operative organization was the least desirable strategy.

As with the multiple R, the results of the average rankings of the three competitive strategies (Table 6.5) suggested that differentiation was still the most desirable business strategy used by rural and small town HBBs for competition in the

market. Of the twenty-two item business strategy list, it had the lowest (therefore, more desirable) score of average ranking in both rural areas (9.8) and small towns (10.2). That is, the lower the average score of the rankings of business strategies under a sub-category, the more likely that category was used to compete in the market. Focus was the next most important set of strategies used by rural (average ranking of 11.7) and small town (average ranking of 11.9) home businesses, followed by cost leadership (13.4 and 13.3 respectively). These results were consistent with other empirical accounts (Kean et al. 1998; Dess and Davis 1984). Thus, most rural and small town small businesses use a combination of differentiation and focus strategies rather than cost-leadership. Kean et al. (1996) claimed that differentiation and cost leadership were the dominant strategies utilized by rural home businesses in the American Midwest.

Likewise, urban HBBs preferred a combination of focus (average ranking of 11.3) and differentiation (average ranking of 11.4) strategies, as opposed to cost leadership strategies (average ranking of 12.4). However, urban HBBs were still more likely to use various cost leadership approaches than were business owners in rural areas and small towns (Table 6.5). These findings point to a high degree of complexity in the business strategies chosen by home businesses across geographic space.

### **6.3.3 Advertising Strategies for Rural/Small Town Home Businesses**

Advertising is another important business strategy that influenced the growth and survival of the rural and small town HBBs. Generally, “word of mouth” or “customer referrals” is the most popular form of advertising used by all types of small businesses (Deans 2002; Jasper et al. 2000; Randall 1997). In this thesis, an overwhelming majority

of the rural (80.6%), small town (85.7%) and urban HBBs (79.6%) used this method of advertising (Table 6.6). The above result was consistent with findings from other research. Jasper et al (2000) found that 94% of HBBs used referrals to advertise and promote products and services to potential customers. Randall's (1997) study suggested that 86% of urban home businesses employed word of mouth to market products. Similarly, Deans (2002) found that 88% of rural entrepreneurs in Canada, United States, Mexico and elsewhere used word of mouth to advertise. One common feature about this business technique is that HBBs in all three settings used similar methods of advertising with varying degrees of emphasis (Table 6.6). For example, the five most important advertising methods in all three settings were word of mouth, business cards, brochures, business directories and the internet. In addition to spatial variations, gender differences also existed in choice of business strategies and techniques.

**Table 6.6:** Methods of Advertising HBBs by Size of Community

Method of Advertising <sup>1</sup>	% of "n" for Each Method			
	Total (N = 111)	Rural (n = 36)	Small Town (n = 18)	Urban (n = 57)
Word of Mouth or Customer Referrals	81.1%	80.6%	85.7%	79.6%
Business Cards	46.8%	36.1%	42.9%	55.6%
Brochures	28.8%	27.8%	23.8%	31.5%
Business Directory/Register	27.9%	25.0%	23.8%	31.5%
Internet (website)	27.0%	30.6%	28.6%	24.1%
Media (newspapers, flyers, newsletters, etc.)	15.3%	16.7%	23.8%	13.0%
I don't advertise or promote my business at all	9.9%	8.3%	4.8%	13.0%
Trade Shows/Festivals/Exhibition	9.0%	5.6%	4.8%	13.0%
Bill Boards (sign/s on property)	9.0%	22.2%	4.8%	1.9%
Other	8.1%	11.1%	9.5%	5.6%
Telephone Directory	4.5%	8.3%	19.0%	9.3%

1. The values may not add to 100% because respondents were allowed to cite more than one method of advertising.

Source: Author, home business survey questionnaire

#### **6.3.4 Gender and Business Strategies and Techniques**

It was suggested earlier that gender of the owners might make a difference in the choice of business strategies thereby influencing the survival and growth of home businesses. Also, this might modify the theoretical framework of the thesis. As in the spatial assessment, Spearman rank correlation and reliability tests were employed to examine the gender difference in the utilization of business strategies (Table 6.7). The results of this assessment suggest a significant positive correlation ( $r_s = 0.898$ ,  $p 0.000 < 0.01$ ) between the preferred business strategies for male and female HBB owners in the countryside. This implies that both males and females used similar business strategies, even if they placed different emphasis on individual strategies.

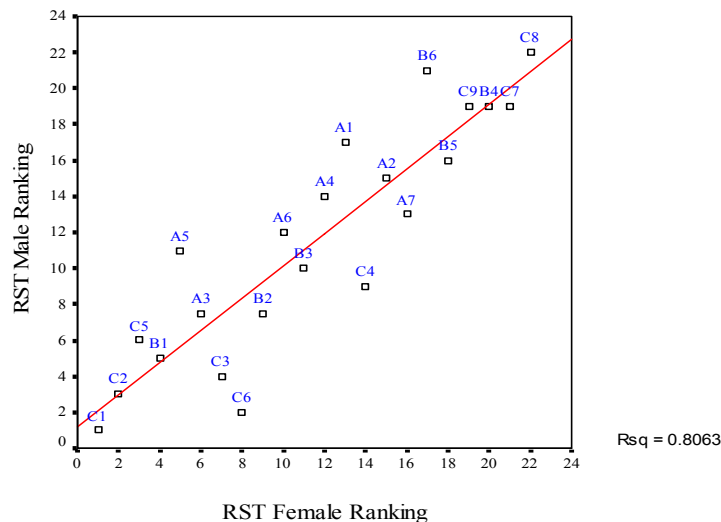
The scatter plot in Figure 6.5 reinforces the results of the correlation analysis. It points to an 80% confidence of predictability ( $Rsq = 0.8063$ ) of the rank of a business strategy for men, given the rank for women. These results suggested that both male and female home business owners in rural areas and small towns leaned more towards differentiation strategies, followed by focus and cost leadership strategies. However, the average rank scores (Table 6.7) suggested that men were more likely to choose differentiation strategies than women, while women favoured focus strategies more so than men. It is important to note that the strong positive relationship between male and female business owners is not limited to the countryside, but it also characterised other geographic settings (e.g., urban female versus male, periphery versus urban-core) albeit with more subtle variations.

**Table 6.7:** Comparison of Mean Ranking of Twenty-Two Item Business Strategies by Gender in Rural and Small Town (RST)

Key	Competitive Strategy	Male		Female	
		Rank	Mean	Rank	Mean
	<b>COST LEADERSHIP (Coefficient alpha = 0.71)</b>				
B1	Minimize Overhead Cost	5	2.24	4	2.08
B2	Minimize Advertising Cost	7.5	2.71	9	2.76
B3	Minimize Transportation cost	10	2.82	11	3.05
B4	Minimize R&D	19	4.59	20	4.27
B5	Access to Raw Materials	16	4.24	18	4.08
B6	Accurate Forecasting of Business Trends	21	4.71	17	4.03
A4	Use Newest Technology	14	3.24	12	3.19
	<i>Average Rank</i>	<i>13.2</i>		<i>13.0</i>	
	<b>DIFFERENTIATION (Coefficient alpha = 0.75)</b>				
C1	Offer Better Quality Product/Service	1	1.24	1	1.28
C2	Competitive Pricing of Product/Service	3	1.76	2	1.95
C3	Offer New/Different Kind of Product/Service	4	2.12	7	2.45
C4	Use of Unique design/Brand Name for Product/Service	9	2.76	14	3.49
C5	Offer Special Customer Services	6	2.29	3	2.05
C6	Direct sales to Customers	2	1.71	8	2.50
C7	Use Unique Distribution Technique	19	4.59	21	4.43
C8	Marketing Through a Co-Op Organization	22	4.76	22	4.59
C9	E-Commerce/Internet Marketing	19	4.59	19	4.11
	<i>Average Rank</i>	<i>9.4</i>		<i>10.8</i>	
	<b>FOCUS (Coefficient alpha = 0.63)</b>				
A1	Skill Upgrading	17	4.35	13	3.41
A2	Planning & Documentation	15	4.00	15	3.59
A3	Professionalism/Credibility	7.5	2.71	6	2.42
A5	Serve Special Geographic Market	11	2.94	5	2.37
A6	Serve Special Groups of Clients	12	3.06	10	2.84
A7	Development of Business Networking	13	3.18	16	3.67
C3	Offer New/Different Kind of Product/Service	4	2.12	7	2.45
C9	E-Commerce/Internet Marketing	19	4.59	19	4.11
	<i>Average Rank</i>	<i>12.3</i>		<i>11.4</i>	

Source: Author, home business survey questionnaire n = 54

**Figure 6.5:** Scatter Plot  
Rankings of Business Strategies by Gender in Rural and Small Towns (Key, Table 6.7)



n = 54

Source: HBB Survey

#### **6.4 Interpretation of Results and Summary**

Over time, the term entrepreneurship has become associated with business initiation and ownership and is often used interchangeably with the term “small business” (Diochon 2003). The past quarter of a century has witnessed an increasing recognition of the role entrepreneurial and small business development activities such as home businesses play in sustainable community development. According to the OECD (2003: 39), “stimulating entrepreneurship is one of the [major] pillars of most local and regional development strategies.” In addition, the literature presented in Chapter Two suggested that self-employment and small business development is the main vehicle for the revitalization and sustainability of rural and small communities. This type of business accounts for nearly two-thirds of all rural employment in North America (McDaniel 2001). It is therefore argued that a significant relationship exists between the growth and maintenance of small businesses and the sustainability of rural and small communities. Evidence indicates that sustainable rural communities and regions tend to have a high rate of small business enterprise formation (OECD 2003).

The findings contained in this chapter clearly show that relationships exist between home business activity and the concept of rural entrepreneurship and enterprise development, and stress the contributions of this activity to the sustainability of households and communities in Saskatchewan. As previously noted, the term rural entrepreneurship is defined as “the creation of a new organization that introduces a new product, serves or creates a new market, or utilizes a new technology in a rural environment” (Wortman 1990: 222). It also refers to the mobilization of resources to meet unmet market demands or to exploit opportunities in rural areas (Petrin 1997).



These definitions suggest that most rural and small communities have micro-business and entrepreneurial development opportunities that can be exploited for sustainable community development (Dykeman 1992). Also, the definitions point to the fact that rural entrepreneurs are motivated by multiple factors such as identifying a niche or need in a community and acting on it to support livelihoods in rural and small communities.

Evidence from this research showed that rural and small town home business managers capitalized on niches in their local communities and supplied needed goods and services to people and other businesses by relying on their personal savings and ideas, and local raw materials and supplies. It should be added that the sources of ideas and capital are not unique to home businesses but are common to those used by all entrepreneurs in their quest for new business ventures (Good 1993). Rural entrepreneurs, including those running home businesses, are influenced by common factors for establishing new business ventures. They are generally influenced by economic insecurity, but they are also motivated by family considerations and by job satisfaction.

Given the fact that entrepreneurship and business development are significant community and regional development strategies (Diochon 2003; OECD 2003) and that entrepreneurship is related to home business activity, it is logical to assume that the home business can be a driving force for sustainable rural development in Saskatchewan. This is because homegrown small businesses have a longer lifespan than larger companies in rural areas and small communities (Dykeman 1992; Bryant 1989). A study of 77 Iowa rural communities revealed that the promotion and development of small, homegrown businesses, rather than attracting larger external companies (e.g., meat packing plant), was a more important strategy in keeping some rural communities viable (ISU News

Services 2004). The main reason is that small entrepreneurial businesses contribute to diversification of local economies, which enables rural and small communities to respond more successfully to economic cycles. They are certainly “a dynamic force in the [rural] economy, bringing new ideas, processes, and vigor to the marketplace. They fill niche markets and locations not served by large businesses” (Headd 2000: 13). Small businesses are a stable anchor in rural community development.

It is argued that “[f]or rural communities, economic diversification means development and growth of business and industry that is usually small in scale and, for the most part, locally owned” (Dykeman 1992: 290). As noted in Chapter Five, one important characteristic of these “new” small business ventures is that they are mostly concentrated in non-traditional sectors of the communities, and/or they are involved in value-added production in traditional sectors. It is believed that a more diversified economy may reduce the negative effects of economic volatility in rural areas and small communities (Dykeman 1992; Ilbery 1992). The nature and extent of home business activity in the countryside, as indicated by the findings of this research, contributes to this diversification and sustainability in the micro-regional economy. The considerable number of years that most rural home businesses surveyed have been in operation is an indication that supports this claim. On average, these businesses have been operating for more than five years, providing needed goods and services to people, while generating income and providing employment opportunities in the countryside. The employment opportunities that are created by HBBs may contribute to the reduction of unemployment and poverty and the inevitable corollary of out-migration of people from rural areas and small communities to other places.

To this point it has been argued that home business is a kind of entrepreneurial and business development initiative that is desirable for sustaining households and communities in rural Saskatchewan. As noted, the growth of this economic activity in the countryside is shaped by several factors, including financial insecurity, job satisfaction, business strategies and techniques, as well as the gender of business managers. It is argued that women in rural and small communities, where employment opportunities and childcare services are more limited, may increasingly pursue the home business self-employment option (Tigges and Green 1994). In spite of this, recent studies have shown that when compared to rural men, rural women are more economically disadvantaged in terms small business earnings and success (Bird and Sapp 2004; Cotter et al. 1996). Considering this gender gap, why would rural women and women in general still be interested in self-employment and small business entrepreneurial activities? One possible explanation is that non-economic reasons such as independence, flexibility, job satisfaction, family considerations and accessibility have contributed largely to the growth and survival of female-owned small rural businesses. Evidence from this research showed that most rural female managers (89.3%) in the sample were very satisfied with working at home compared to their urban female counterparts (60.7%) and to male managers in both the country (50%) and the City (66.7%). This is primarily a function of the non-economic factors outlined above. Working at home while raising children and choosing a job nearer to home strengthens family bonds, which is an important element in the sustainability of rural households and communities. It is worth stressing here that this does not mean financial considerations were less important to the rural female small business owners. Another reason for the growing interest of rural

women in home businesses may be that low entry financial requirements and minimal initial training characterize this business activity. Recall from Chapter Five that the female rural business owners in the sample were less educated than any other group in both rural and urban areas. Therefore, for most of these women entrepreneurs, home business self-employment is more of a lifestyle choice. Also, as with the male-headed firms, the fact that most of the female-owned businesses have been in operation for more than seven years points to their contributions to rural Saskatchewan's economy and society. The foregoing discussion suggests that not only geographic location and economic factors shape the theoretical framework of the thesis but also gender factors influence the spatial distribution, characteristics, motivations and contributions of home businesses to community sustainability.

This chapter also highlighted the important role that business strategies and techniques played in the survival of rural home businesses. It needs to be emphasized that the sustainability of households and communities depends largely on the growth of self-employment and small rural business opportunities. The findings showed that in spite of rural restructuring and globalization, small rural businesses have been able to thrive and support households and communities. This is partly attributed to the business strategies and techniques (i.e., competitive strategies) used by the businesses surveyed. The rural home businesses tended to focus on specific geographic markets and groups of customers, particularly on local residents and tourists. In addition, they paid attention to the uniqueness, quality and price of their products and services to customers. Factors such as distance-to-market and type of business activity influenced the choice of strategies and techniques that these businesses used to compete in the marketplace. This

is an indication that the von Thunen model and the competitive strategy model are linked. The focus of these models on profit maximization in relation to location and businesses decision-making explains their importance in the interpretation of sustainable community development and regional economic development. Interestingly, business managers in the Isolated State utilized cost leadership (business) strategies to compete in the marketplace as transportation cost was central to the variation in economic activity over space. This means that the sustainability of businesses or economic activities in the rural hinterland in both the von Thunen Isolated State and in this thesis depended on the choice of business strategies, particularly on the one that minimized transportation cost and focused on a specific product and geographic market. Hence, small rural business owners' inability to generate appropriate business strategies and their lack of experience and knowledge about the common markets would undermine their performance, which might lead to the demise of their business (Gaskill et al. 1993). This situation would definitely have negative implications for the sustainability of rural and small communities.

In sum, the apparent relationship between home business activity and the concept of entrepreneurship and business development suggests that this form of economic organization is a pivotal factor in sustainable rural development. Also, the links between the von Thunen and competitive strategy models have helped to explain the survival of home businesses and the influence of these small rural businesses on the economic and social fabric of rural areas. This suggests that the economic models and the concept of sustainable community development are linked. That is, the von Thunen model helped explain the spatial variations in home business activities and their associated business

strategies. The competitive strategy model in turn addressed the growth and survival of rural home businesses, which in turn support households and communities. Today, home-based self-employment is a significant occupational opportunity for individuals and households in both rural and urban areas. This form of entrepreneurship simply cannot be overlooked or misjudged as a legitimate rural development strategy. The next chapter explores in more detail the contributions of home-based businesses to the sustainability of households and communities, and particularly their role in generating income, employment and the well-being of rural and small town residents.

## **CHAPTER SEVEN**

### **CONTRIBUTION OF HOME-BASED BUSINESS TO THE SUSTAINABILITY OF HOUSEHOLDS AND COMMUNITIES**

#### **7.1 Introduction**

The literature discussed in Chapter Two points to the growth of self-employment in Canada and in many other regions. Thus, it indirectly suggests that home-based self-employment is a growing phenomenon contributing to economic development and to the well-being of households. In order to explore this, one principal objective of this dissertation has been to examine the role of rural and rural-urban fringe HBBs in households and communities in Saskatchewan (Objective 3). It is contended here that home businesses contribute positively to the sustainability of rural and small communities through the creation of employment opportunities, income and the welfare of people. These businesses also support local economies through their sales, purchases and business networks. Undoubtedly, the implication of these exchanges is an improvement in the sustainability of households and communities. As noted in Chapter Five, home businesses are not a universally generic or homogenous entity. They vary with distance, so it is likely that those in rural areas and small communities play different roles in households and communities than their urban counterparts (Hypothesis 1). Chapters Five and Six highlighted some of the roles of home businesses in rural development, but this chapter explores in detail the contributions of this business activity to the sustainability of households and communities in Saskatchewan, using information

from the in-depth home business questionnaire survey. As noted earlier, rural sustainability as presented in this dissertation depends largely on economic circumstances. Therefore, a “sustainable rural community” is one that thrives economically on in situ businesses and on its own resources and possesses innovative and diversified opportunities, which help its residents to earn a living and a better quality of life. Thus, the continued existence of communities is shaped primarily by the economic opportunities they possess that help in retaining population while attracting new residents. Homegrown small businesses such as HBBs are considered a stable anchor in the community sustainability process.

## **7.2 The Roles of Home Businesses in Households**

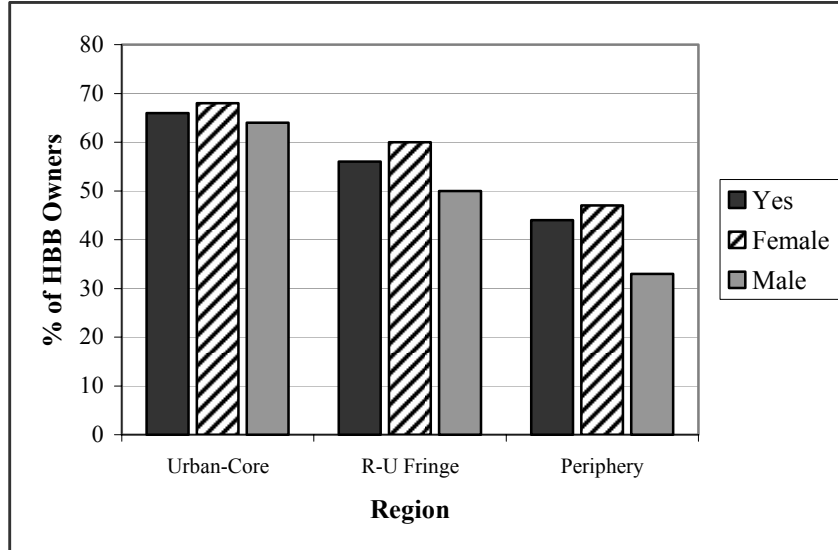
### **7.2.1 Primary Occupation/Employment**

The home-based business is becoming a significant economic contributor to the survival of households and communities in most industrialized countries today. Investments in this activity create jobs for owner-managers, for members of their households and for other employees within a locality. This contributes to the reduction of unemployment in rural areas and small communities thereby keeping people in the countryside. For example, the home business entrepreneurial activity constitutes the primary occupation of over half of those surveyed. This finding is similar to that obtained in the Nanaimo CEDO (1995) study where 52% of participants operated HBBs as a full-time primary occupation. The economic significance of the businesses to households, as presented by this indicator, is more prominent among the urban group (66%) than in the fringe (56%) or peripheral (43%) settings (Figure 7.1a). This Figure



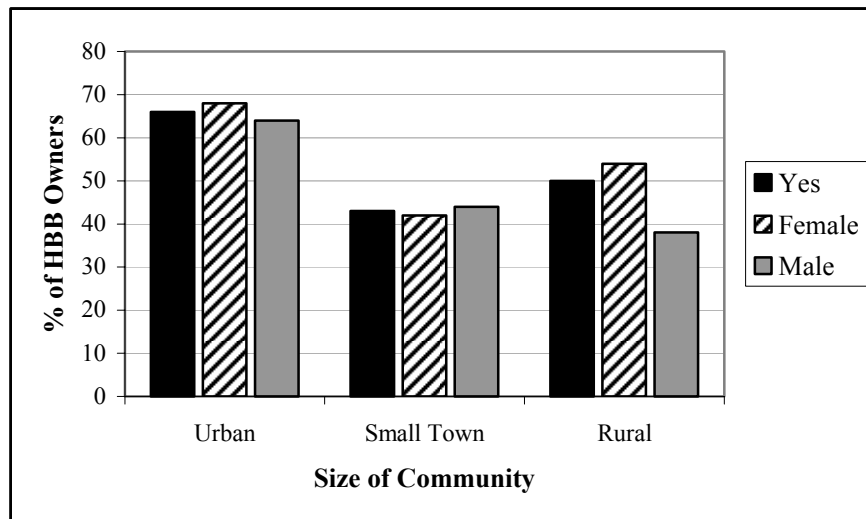
**Figure 7.1**

**(a) Home Business as Primary Occupation by Gender and Region**



N = 111

**(b) Home Business as Primary Occupation by Gender and Size of Community**



N = 111

Source: Author, home business survey questionnaire

also shows that, in each of these regions, a greater proportion of females indicated that the business was their primary source of employment, but that this gender difference decreased with distance from the urban-core to the periphery (Figure 7.1a). What this means is that urban business owners place much greater significance on the business as an economic contributor to their households than do their more rural counterparts. This result should be linked back to motivations (Table 6.1) where more than half of the urban sample indicated that they started their home business because they wanted to be self-employed or independent. It supports the hypothesis that home businesses play different roles in urban and rural communities. Also, the results imply that HBB offers opportunities for women to break away from the conventional patriarchal workplace environment and be their own bosses (Berke 2003; Rhode and Martin 2000; Jurik 1998). It is therefore not surprising that women are more likely to operate a business at home on a full-time basis.

Extending these results, in the rural areas, female-headed business owners (54%) were more likely than males (38%) to consider their home business a source of primary employment. This phenomenon may be especially significant in rural areas and small communities where there is a lack of employment opportunities. Among the urban business owners, slightly more women than men indicated that their home business was their main occupation (Figure 7.1b). In contrast to the rural and urban areas, only slightly more males than females in small towns deemed home businesses as a principal job (Figure 7.1b). Considering the fact that rural HBB owners were involved in accommodation, recreation, agriculture, arts and crafts, and manufacturing industries, it suggests that the rural home business offers farm households the opportunity to remain in

farming while adding value to their farm produce or adding a new business venture to their primary occupation (Brown and Muske 2001; Salatin 2001), thereby contributing to community sustainability.

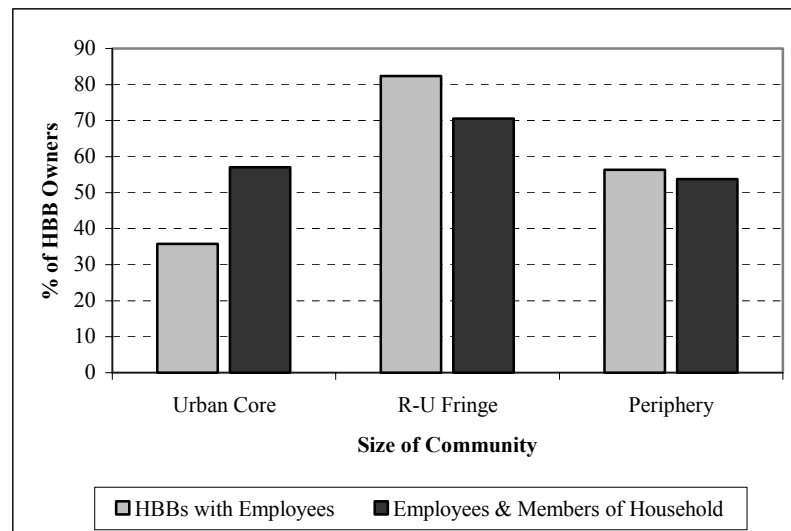
These findings point to the fact that the home business is much more than a primary income generating venture for many households in rural and urban areas. Once again, this complements existing research. For example, Brown and Muske (2001) found that one in every ten households in rural communities in the American South operates a home business. Therefore, in a rural community of 500 households, there may be as many as 50 home businesses providing goods and services, which would otherwise not be available in the community. In another account, 1,420 home businesses in Nanaimo provided employment for approximately 3,000 people, generating total annual revenues of \$80.6 million locally (Nanaimo CEDO 1995), and providing employment for at least one other person in the community in addition to the HBB owner. Therefore, it is contended that home businesses are even more vital to rural employment given the difficulty in attracting traditional businesses to rural areas and small communities (Standen 2000; Orser and Foster 1992).

Home businesses also provided employment for members of households of HBB entrepreneurs. Fifty-one percent of those surveyed indicated that they provided employment for someone else and about two-fifths (41.7%) of these business enterprises employed at least one member of their own household. This phenomenon is present in both rural and urban communities (Figure 7.2), where 82.4% of fringe HBBs and 56.4% of those in the periphery had at least one other person working for them and more than half of these employees were members of their own households. Comparatively, less

than two-fifths of the urban businesses had employees, and most of them (57.1%) were household members. What this means is that the HBBs surveyed were more internally focused in their labour market characteristics.

**Figure 7.2**

Proportion of HBB Owners with Employees by Region



N = 111

Source: Author, home business survey questionnaire

Another labour market strategy for home businesses and households is the use of members of households on an unpaid basis. This form of assistance helps minimize overhead costs for home businesses. Masuo and Li (2001: 1) found that “[small family] businesses have a competitive edge over other types of businesses because of their access to unpaid help from household members.” Also, the involvement of household members in HBB activity gives them the opportunity to learn and develop their entrepreneurial skills which may be useful in the future (Salatin 2001; Stanger 2000). Working together

strengthens family bonds among household members and assists in the intergenerational transfer of businesses (Salatin 2001).

### **7.2.2 Income from Home-Based Businesses**

Another principal channel through which HBB activity influences the sustainability of households and rural community development is through the generation of family income and revenue. Small business such as HBBs “tend to stay within their original locality or region, and that many inject income into the area by selling to wider markets” (OECD 2003: 43). The results presented here suggest that HBBs contribute significantly to household income in rural areas, small towns and urban centres. It was found that space and gender influence the amount of income from home businesses. These results were consistent with the literature. Several studies suggested that most small HBBs earn less than \$37,500 annually (Brown and Muske 2001; Stanger 2000; Carter et al. 1992; Good and Levy 1992). Stanger (2000) argued that while most home businesses have low income levels, others generated a significant amount of income for individuals and households. For example, a few (14% of 172) rural HBBs in Iowa earned an annual income of US\$750,000 from working at home (Carter et al. 1992), 10% of 113 HBBs in Manitoba generated between \$100,000 and \$500,000 in annual sales (Good and Levy 1992), and some HBBs in Australia generated up to \$AUS 200,000 per annum (Stanger 2000). These empirical findings suggest that, irrespective of locale, HBBs have the potential to play a significant role in generating income in current society.

Results from Chapter Six showed that financial consideration was the principal motivation for launching a home business in Saskatchewan. The business owners

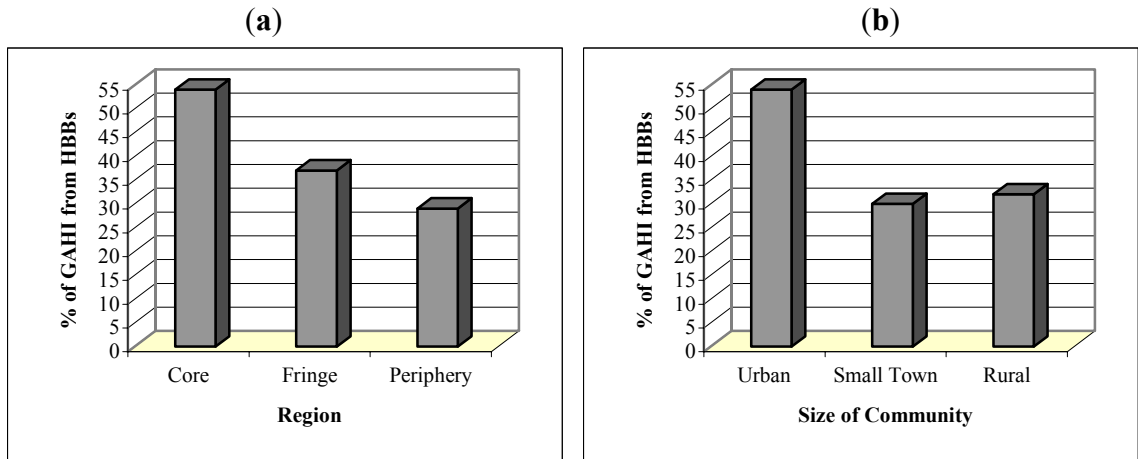
interviewed had an average gross annual household income in the previous year (2000) of \$54,797.48, with a mean income that was highest in the urban core (\$58,672.97), lower in the periphery (\$52,878.29), and lowest in the rural-urban fringe (\$47,352.44). Interestingly, these figures were comparable to or higher than the national and provincial average total annual household incomes of \$58,360 and \$49,068, respectively reported in the same year (Statistics Canada 2001a). This supports the claim that HBB earnings are a significant source of financial security for individuals and households in the Province. The thesis findings were similar to those obtained in Heck et al.'s (1995b) study, which indicated an average household income of \$US 42,262 as well as income disparities between urban (\$US 20,119) and rural home businesses (\$US 13,673). This income disparity may be due to different market sizes and business types in rural areas and urban centres. A majority (54%) of those who considered their home business as a primary occupation derived more than 70% of their gross annual household income from businesses, and urban residents were more likely to run a HBB as their main form of employment (see Figure 7.1). Interestingly, a quarter of this group of entrepreneurs had a gross annual household income of more than \$50,000. On the other hand, 81.4% of those who operate these enterprises as secondary employment obtained less than 21% of their gross annual household income from home businesses. Bach (1997) found that a small proportion (18% of 115) of entrepreneurs in North Dakota obtained 50% or more of their total household income from HBB. In another study, more than 75% of urban HBBs had gross annual revenue of less than \$50,000 (Nanaimo CEDO 1995). Carter et al. (1992) found that a vast majority (70.4%) of rural HBBs in Iowa earned less than \$US 20,001

annually from HBBs. This empirical evidence supports the results of this thesis and the claim that, where they exist, HBBs contribute significantly to household incomes.

The above findings point to spatial differences in home business earnings. In particular, HBBs in urban settings tend to generate more income than those in rural areas. Similarly, Olson et al. (1995) found that those female home business owners who lived in urban areas had significantly higher annual incomes than those who lived elsewhere. Figure 7.2a shows that the average proportion of gross annual household income from HBBs decreased with distance from the urban-core to the rural hinterland areas. Not surprising, this feature follows the same pattern as the variation in the proportion of those who operated home businesses as a form of primary occupation (Figure 7.1a). Likewise, the distribution of average gross annual household income from HBBs by size of community (Figure 7.3b) follows a similar pattern, being greater in urban areas, followed at a much lower level by rural areas and small towns.

**Figure 7.3**

Home Business Average Gross Annual Household Income (GAHI), 2000



N = 111

N = 111

Source: Author, home business survey questionnaire

These data underscore the hypothesis that geographic space influences HBB income and that potential income is an important reason for setting up home businesses in rural, small and urban communities. The occupational segregation (see Table 5.1) between the urban core and the rural hinterland is undoubtedly a major factor in explaining the income disparity between these geographic regions. As noted in Chapter Five, business owners surveyed in the urban core were more likely to be engaged in the relatively more profitable occupations such as consultancy and business administration services, compared to those in the hinterlands who were more likely to be involved in the relatively less profitable retail and personal services sectors. Geographic differences in income are also linked to similar differences in the educational attainment of home business owners (Heck et al. 1995). Therefore, educational status influences choice of business, and this also shapes earnings. An alternative explanation of the spatial variations in HBB earnings is the difference in market size in the urban core and the hinterland. Compared to those in rural locations, businesses in urban locations are more likely to have access to relatively large markets, which tend to increase their chances of generating higher sales and earnings. Research has shown that smaller populations tend to pose a threat to the financial viability of small businesses in rural and small communities (Kean et al. 1998; Bhat and Fox 1996). However, considering the size of the average rural HBB earnings in this case study, compared to the provincial annual average incomes for households, one could argue that small rural businesses are relatively high generators of income.

The literature suggests that gender has a significant mediating influence on home business earnings. This was evident in the 2001 Canadian census where the average total



household income in 2000 for males was greater than that for females both nationally (males, \$36,865; females, \$22,885) and provincially (males, \$31,323; females, \$20,496) (Statistics Canada 2001b). Similarly, several studies have found that males earn more than females (Hennon et al. 2000; Rowe et al. 2000; Stanger 2000; Trent 2000; Olson et al. 1995). One account from Australia indicated that the average annual income of male HBB entrepreneurs (AUS\$35,013) was significantly higher than that of their female counterparts (AUS\$24,838) (Stanger 2000b). In another study, Olson et al. (1995) found that gross annual income from home businesses for women was lower than that for men across most occupations, including professional and technical businesses (female, \$26,855.97; male, \$37,256.32), clerical and administrative support services (female, \$26,921.04; male, \$59,221.01), and crafts and artisan industries (female, \$11,753.78; male, \$38,665.01). Similar data (i.e., annual sales and profits) were not gathered from this case study so it is difficult to comment on the foregoing empirical findings.

The proportion of gross annual household income derived from HBBs was also influenced, to a statistically significant level, by the following variables: operating the business as a primary occupation ( $r = 0.411$ ,  $p < 0.01$ ), having a partner working outside the home ( $r = -0.424$ ,  $p < 0.01$ ), and the number of hours worked per week ( $r = 0.498$ ,  $p < 0.01$ ). As expected, those who deemed HBB as their primary employment were more likely to work more hours per week (more than 30 hours a week) and to obtain a greater proportion of their gross annual household income from HBBs. Overall, 58.6% of the HBB owners sampled worked 30 hours or more a week, meaning they worked full-time and had an average annual household income of \$54,797.48. This result is comparable to findings elsewhere. In Heck et al.'s (1995b) study, more than half (51%) of HBB owners

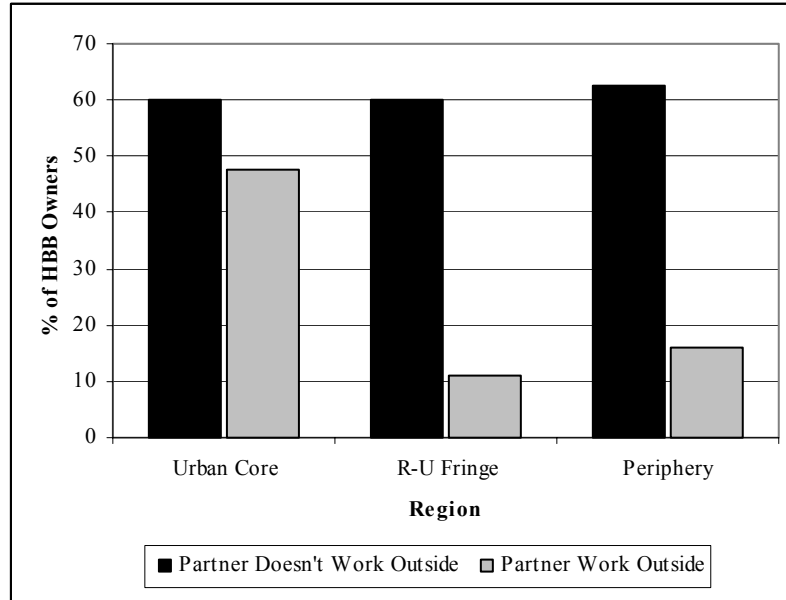
worked 35 or more hours (i.e., full-time) and had an average gross annual income of \$53,164 from their HBBs. Another study suggested that 41% of HBB owners in North Dakota worked the same number of hours but a few of them (18%) obtained 50% or more of their gross household income from HBBs (Bach 1997). As one would expect, the higher income earners were in professional services, which means they were more likely to be in urban areas. This finding differed from that of Olson et al. (1995) who found that high-income earners were in construction and the trades, followed by marketing and sales sectors. As noted in Chapter Five, urban HBB owners in the sample were primarily involved in professional and business management occupations. The foregoing results confirmed Rowe and Bentley's (1992) findings that type of occupation and hours worked influenced income from HBB.

It is important to note that in all places (urban core, fringe, periphery) HBB owners with partners who had no employment outside the home, generated most of their household income from their HBBs compared with those whose partners had jobs outside the home (Figure 7.4). One can argue that income from HBBs is more critical in households where partners did not work outside the home. Figure 7.4 shows that income from HBBs also constituted a significant proportion of household income for urban HBB owners whose partners worked outside for additional income.

This discussion points to the multiple and interdependent relationships among following variables: the percentage of gross annual household income from HBBs, the primary role of the home business, having a partner working outside the home, and the location of the business. Correlation coefficients ( $r$ ) and multiple stepwise regression analysis (multiple R) procedures (Bernard 2000) were used to examine this relationship.

**Figure 7.4**

Home Business Gross Annual Household Income<sup>1</sup> and Partner Working Outside the Home



N = 111

1. HBB owners who derived more than 40% of their GAHI from HBB.

Source: Author, home business survey questionnaire

The correlation coefficient analysis indicated a significant positive relationship between operating a home business as a primary occupation and the proportion of gross annual household income derived from the home business ( $r = 0.586$ ,  $p < 0.000 < 0.01$ ). It suggested significant negative relationships between the likelihood of partners who work outside the home and proportion of gross annual household income derived from HBBs ( $r = -0.424$ ,  $p < 0.01$ ), between operating HBB as a primary occupation and distance ( $r = -0.203$ ,  $p < 0.05$ ), and between proportion of gross annual household income derived from HBB and distance ( $r = -0.235$ ,  $p < 0.05$ ). These results imply that running a primary occupation from home contributes significantly to household income if one's partner

does not work outside the home. However, if partners were employed outside the home, most people do not consider home businesses as their main source of household income.

The correlation analysis emphasized the nature of the relationships between the variables, but it did not measure the variation in the proportion of gross annual household income from the home business (the dependent variable) that is accounted for by operating the HBB as a primary occupation, by partners working outside the home, and by distance (independent variables). The stepwise multiple R procedure addressed this issue, using the following regression equation or model:

$$Y = A + B_1X_1 + B_2X_2 + \dots B_nX_n$$

Where:

Y = Dependent variable  
 Y = GAHIHBB Percent of gross annual household income derived from the HBB

A = Constant (the intercept)

B<sub>n</sub> = Coefficients of the independent variable(s)

B<sub>1</sub> = HBBPRMO HBB is the primary occupation  
 B<sub>2</sub>. = PARTWOH Partner works outside the home  
 B<sub>3</sub>. = DISTKM Distance in kilometres from Saskatoon

X<sub>n</sub> = Independent variables:

X<sub>1</sub> = HBBPRMO HBB is the primary occupation  
 X<sub>2</sub>. = PARTWOH Partner works outside the home  
 X<sub>3</sub>. = DISTKM Distance in kilometres from Saskatoon.

Table 7.1 is a summary of the multiple R output from SPSS. The regression equation for the final model (Model 3) is: GAHIHBB = 37.421 + (41.253 x HBBPRMO) + (-30.750 x PARTWOH) + (-0.0052 x DISTKM). This equation suggests that operating

a HBB as a primary source of employment positively influences household income, while having a partner who is employed outside the house and the location of the home business both negatively influence household income. For example, on average, a business owner who is located 150 kilometres away from Saskatoon and who operates a home business as a primary occupation with a partner employed outside the home, would generate 47.1% of the total household income from the HBB compared to an average of 77.9% for another HBB owner within the same location but with a partner who is not working outside the home.

**Table 7.1**

Multiple R Analysis: Variables Influencing Share of Household Income  
Derived from a Home Business

Model	R	R <sup>2</sup>	Increment	Independent Variable Added	Final Model (3)	Coefficient	t	Sig. (2tails)	Tolerance
					Constant	37.421	4.810	0.000	-
1	0.578	0.335	0.335	HBBPRMO	HBBPRMO	41.253	4.810	0.000	0.942
2	0.684	0.468	0.133	PARTWOH	PARTWOH	-30.750	-4.389	0.000	0.942
3	0.684	0.468	0.000	DISTKM	DISTKM	-0.0052	-0.100	0.920	0.949

Model 1: dept. var. = GAHIHBB, indept. vars. = HBBPRMO.

Model 2: dept. var. = GAHIHBB, indept. vars. = HBBPRMO and DISTKM.

Model 3: dept. var. = GAHIHBB, indept. vars. = HBBPRMO, PARTWOH and DISTKM.

Consider two other business owners located in Saskatoon, operating HBBs as their main occupation. The difference is that one has a partner employed outside the home, while the partner of the other is not employed outside the home. According to this model, income from the HBB would constitute 47.9% of the total household income for the former business owners and 78.7% of household income for the latter. Table 7.1 also shows that HBBPRMO alone accounts for a significant 34% of the variance in

GAHIHBB ( $r^2 = 0.335$ ), and PARTWOH accounts for a further 13%, suggesting that these two variables have a significant effect on the contribution of HBB income to household income. Together, the two variables explain 47% of the variation in GAHIHBB ( $r^2 = 0.468$ ). The 53% variation in GAHIHBB unaccounted for in this model is attributed to other variables not in the model such as gender, educational level or satisfaction gained from working at home. The discussion so far suggests that a combination of geographic, social and economic factors explains the variations in home business earnings.

It is argued that the sustainability of households in rural areas and small communities at least partly depends on residents' ability to generate income from multiple sources including farming, home businesses and other off-farm jobs. The prevalence of off-farm employment has increased substantially since the mid-1980s. This is due to increased insecurity in farm income (Weersink et al. 1998), farm insolvency, large business closures (Gringeri 1994), and increased access to alternative off-farm job opportunities due to proximity of some rural communities to urban areas (LeClere 1991). Like home businesses, other off-farm income sources have become increasingly important in diversifying or maintaining income stability, as well as in supplementing income (Weersink et al. 1998; LeClere 1991). These activities also serve a social function providing opportunities for rural residents to make contact with their neighbours (Weersink et al. 1998).

The survey results presented here suggest that a greater proportion of the business owners surveyed relied on multiple sources to generate overall household income. Sixty-seven percent of the HBB owners indicated that their partners worked outside the home

and three-quarters of these (72%) worked full-time. Not surprisingly, the proportion of partners working outside the home increased as one moved from the urban-core (61%, 72% full-time) to the fringe (67%, 83% full-time) and to the rural hinterland (75%, 67% full-time). These high values suggest that household income, especially in rural areas, is multifaceted and complex.

The results presented in Table 7.2 suggest that a greater proportion of home business owners in rural areas worked with their partners at home, supporting the claim that there were more jointly-owned or family-owned HBBs in the rural hinterland than elsewhere (see Table 5.5). As one rural respondent said, “My wife operates the sunflower business, I assist (delivery). I operate the B&B [bed and breakfast], my wife helps with cleaning and laundry.” This family-orientation is in sharp contrast to the situation in the urban areas where 71% of those who operated HBBs as a primary occupation had partners engaged in employment outside the home (Table 7.2). In other words, the proportion of business owners who operated HBBs as a primary employment and who had a partner working outside the home decreased with distance from the urban core to the rural hinterland areas. Correlation analyses of these two variables indicated an insignificant statistical relationship in all three regions. While the results of this analysis suggested no significant relationship, they do suggest that household members supported in home business activities in many ways, and this contributes to the sustainability of these businesses, which in turn support the households.

**Table 7.2**

Cross-Tabulation of Home Business as Primary Occupation and Partner Working Outside the Home by Region

Size of Community	HBB is Primary Occupation	Partner Work Outside the Home		
		No (%)	Yes (%)	Total (%)
Urban Core (n = 57)	No	37.5	29.2	32.5
	Yes	<b>62.5</b>	<b>70.8</b>	67.5
	Total	100	100	100
<hr/>				
R-U Fringe (n = 18)	No	33.3	50	44.4
	Yes	<b>66.7</b>	<b>50</b>	55.6
	Total	100	100	100
<hr/>				
Periphery (n = 36)	No	33.3	63	55.6
	Yes	<b>66.7</b>	<b>37</b>	44.4
	Total	100	100	100

N = 111

Source: Author, home business survey questionnaire

### 7.2.3 Entrepreneurial Development of Household Members in the Home Business

In this section, it is argued that the involvement of other family members in a home business household (e.g., children, spouses, partners) also helps develop entrepreneurial skills, thereby indirectly leading to future business creation and regional economic growth. Salatin (2001: 385) maintained that “children taking over the family business illustrate a certain active belief system”, in this case, in the significance of self-employment and the home business in sustaining households and communities. Salatin argued that the involvement of children and spouses in home businesses creates strong family ties that strengthen the social networks within households.

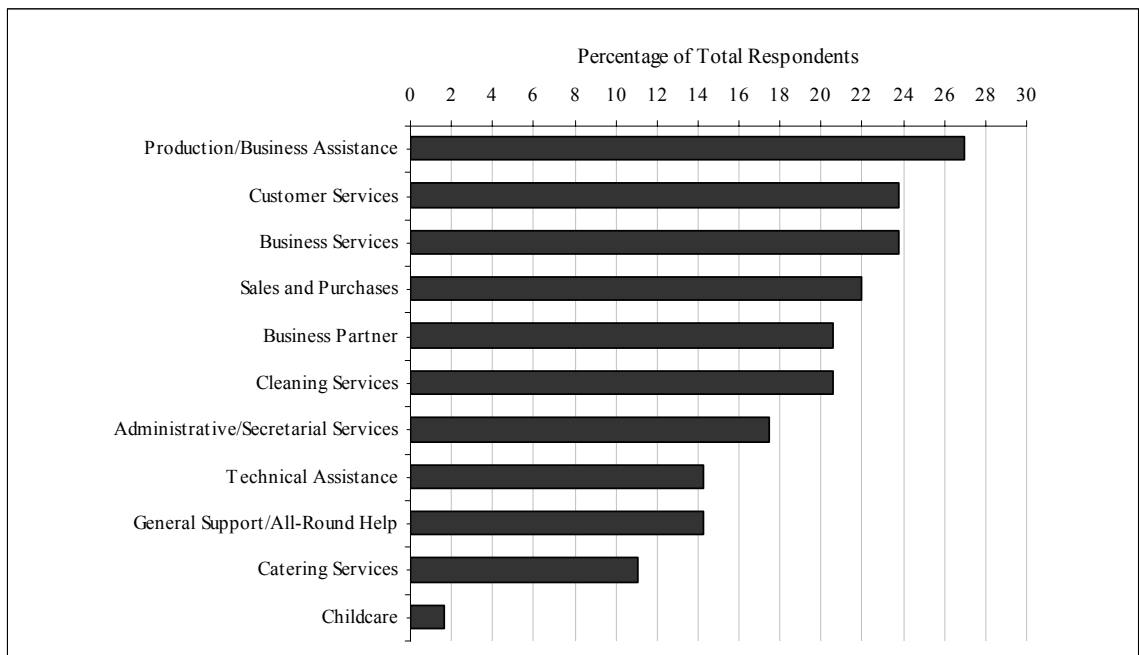
Figure 7.5 shows that, overall, more than half (57%) of home business owners received some kind of assistance from other household members. The four most



important roles were, providing production or business assistance (e.g., research, design, assembly, packing), customer service (e.g., answering phones, serving clients, taking orders, giving referrals), business services (e.g., banking, bookkeeping, advertising), and sales and purchases (e.g., selling, delivery, placing orders, picking up items).

**Figure 7.5:**

Distribution of Roles of Household Members



N = 111

Source: Author, home business survey questionnaire

As anticipated, there were systematic spatial variations in the proportion of businesses that received help from other family members. Eighty-three percent of owners in the fringe, 66.7% of those in the periphery, and 40.7% of those in the urban core reported receiving assistance from household members in their businesses. These findings reinforce the contention that home businesses are fundamentally different in

rural environs than in urban centres, including being more family-oriented. These unpaid household workers help minimise labour costs as well as advertising, transportation, research and development expenses. As one survey respondent commented: “My husband [does] consulting, negotiations, research, marketing/sales, design and delivery. Janis [does] consulting, proposal development, research, design and delivery.” Another business owner added, “My husband does my banking, my sons deliver information and pick up items for me.” These kinds of assistance have the potential to increase family earnings while maintaining family networks and cohesiveness. Home businesses are therefore both family (social) and entrepreneurial (economic) activities, which have employment potential for future generations and have implications for the survival of households and communities. According to Stanger (2000: 5), “[t]he potential beneficial effects of family involvement in the business in terms of the learning of business skills . . . may help prepare family members for self-employment in HBB or small business.” Apparently, the help received from household members contributes in part to the growth and viability of these enterprises in communities. This discussion suggests that HBBs create employment opportunities for the entrepreneurs who operate them and for the members of their households, thereby reducing rural unemployment.

### **7.3 The Roles of Home Businesses within Communities**

The main argument in this section is that home-based business activity contributes to the sustainability of communities through broader community employment opportunities: sales, purchases, and business networks that are generated; and through the maintenance of populations. In other words, the collective activity of home business

entrepreneurship fosters sustainable community development. To recap, a sustainable rural community is one that thrives economically, which supports lifestyles and livelihoods of individuals, households and communities. Its continuous existence depends primarily on its ability to function and grow through the use and regeneration of its own resources and its ability to offer innovative and diversified economic opportunities that help its citizens to earn a living and a better quality of life, thereby keeping its population while attracting others to the community

### **7.3.1 Impact on Local Employment**

One element of the contribution of home businesses to the sustainability of communities is the employment of non-household members. As with any small business, home businesses help expand employment opportunities in rural and small communities. In Miller et al. (2003) and Bird et al.'s (2001) accounts, small rural commercial business employed 2.9 and 5.98 people respectively. In this case study, a much higher percentage of HBB owners in the rural-urban fringe (82.4%) and in the periphery (56.4%) had at least one person working for them compared with urban home businesses (35.8%). This supports the argument that rural areas benefit differently by the presence of home businesses. In several exceptional cases home businesses had large labour force. For example, a Saskatoon-based cleaning service had fifty employees; and a rural childcare business had twenty employees who provided childcare service to hotel guests, tourists and campers, and who offered this service during events such as weddings, conferences and reunions. In Scholz's (2000) study, a fruit processing HBB venture owned by a married couple in a rural community in Saskatchewan employed eight full-time and

twenty-five part-time workers, and it also contributed significantly to the local economy through its sales and purchases.

### **7.3.2 The Local Commerce Connection**

One important role of home businesses in the sustainability of communities is their impact on other local businesses through their sales, purchases and business networks. In fact, most newly created small businesses “tend to serve local markets initially, reaching more distant markets as they mature” (OECD 2003: 43). They tend to stay within their original locality or region, thereby sustaining other local businesses. Home business owners were asked for their perception on their impact on other local businesses. Overall, 55% of respondents thought home businesses positively shaped the economy of their local communities. Those in the periphery (76.9%) were much more likely to believe in this positive impact than those in the urban core (48.1%) and the rural-urban fringe (27.8%). This difference may be attributed to the relative absence of commercial businesses in the rural hinterland making home businesses more vital components of local economies.

Most of those surveyed, particularly those involved in arts and crafts production, health services, accommodation and recreation ventures, thought their businesses attracted people into their communities and that these visitors spent significant amounts of money locally. One rural business owner commented that, “[g]uests who come to stay in my B&B [bed and breakfast] go to town and spend money either in restaurants, stores or community events.” Another stated, “We often include local activities and events (rodeos, powwows, country fairs) in our packages. We visit local attractions with our

guests (museums, parks, etc.).” This finding reinforced other accounts in the literature (Mitchell 1998; Dahms 1991). For example, Mitchell (1998) found that sales and marketing of heritage and traditional products (e.g., quilts, ornamental ironwork) and services (e.g., bed and breakfasts, heritage homes) in St. Jacob, a rural community near Kitchener-Waterloo, Ontario, attracted more than a million tourists who contributed \$20 million to the economy of this community.

In addition, home businesses exploit specialized niche markets in the countryside. The home business owners surveyed believed that their businesses supplied essential goods and services to citizens that would otherwise not be available in their communities. Evidence in the literature supports this claim (Brown and Muske 2001; Miller and Kean 1997; Loker et al. 1995). Brown and Muske (2001: 4) argued that “[t]o a community, they provide services and products that would otherwise not be available thus allowing the community to benefit from the diversity of the business mix.” Previous studies indicated that HBBs support other local businesses through the sale of products and services, and purchase of business supplies (Randall 1997; Loker et al. 1995; Carter et al. 1992; Orser and Foster 1992; Good and Levy 1992). It is argued that the degree and nature of this support, especially in relative terms, is a more difficult question to answer due to a lack of information. In this case study, most business owners thought that their businesses supported other local businesses through sales and purchases, client referrals and networking among local businesses. According to one respondent, “[w]e network with hair, nail, and clothing shops – one business attracts the other.” Another said, “[w]e provide contract work to local processes, inspection agencies, courier services, labs, etc.”

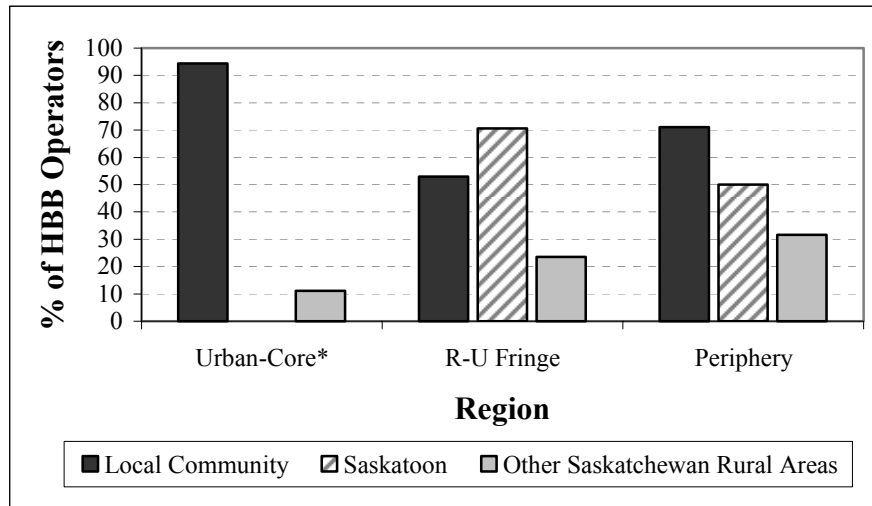
Figure 7.6 shows that HBB owners surveyed tended to purchase business supplies and sell goods and services in the same or surrounding communities. An overwhelming majority of business owners in the urban-core (94.4%) and periphery (71.1%) obtained at least some of their business supplies from the same community in which they were located (Figure 7.6a). About four-fifths (78.2%) and three-fifths (55.2%) of home businesses in the urban-core and the periphery, respectively, bought more than half of their business supplies within the same community. These results were consistent with the findings of Loker et al. (1995) who found that 86.9% of urban and rural HBB owners purchased business supplies locally.

Unlike those in the periphery, HBBs owners in the rural-urban fringe were more likely to purchase supplies from Saskatoon (70.6%) than from businesses within their own community (52.9%) (Figure 7.6a). Only a few (17.7%) of the business owners in the rural-urban fringe purchased more than half of their supplies locally. As noted in Chapter Five, due to their proximity and accessibility to a large urban market, it is not surprising that home businesses in the rural-urban fringe tended to have closer input ties with the urban-core. As expected, the proportion of HBB owners who bought supplies from other Saskatchewan rural communities increased as one moved towards the rural hinterland (Figure 7.6a). This phenomenon is also reflected in business attitudes, as a greater proportion (31%) of business owners in the periphery than in the fringe (22.2%) or the urban core (22.6%) thought minimizing transportation costs was extremely important. The absence of many suppliers in the rural hinterland areas also appears to have affected the non-local pattern of purchases. Figure 7.6b shows that most HBB owners in all places were more likely to have their customer base in the same community,

**Figure 7.6**

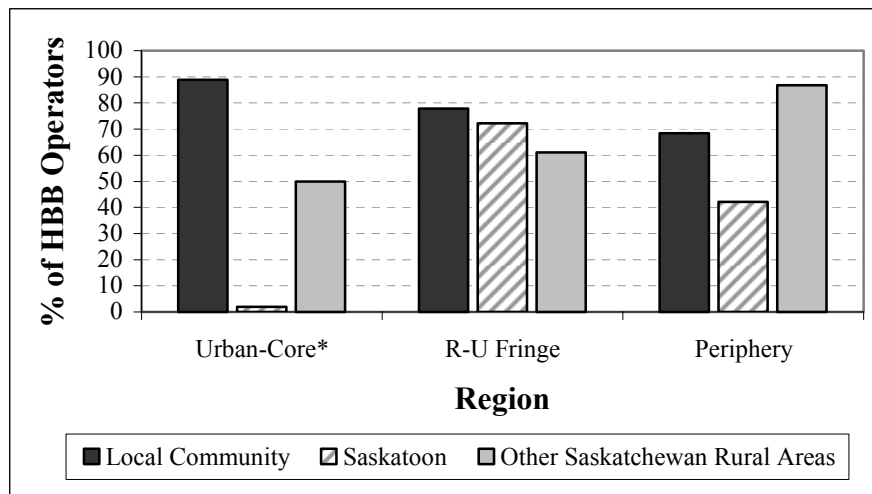
Sources of HBB Supplies and Customers by Region

**(a): Source of Supplies/Inputs<sup>3</sup>**



N = 111

**(b): Location of Customers/Clients<sup>4</sup>**



N = 111

\* For these businesses, local community and Saskatoon are the same.

Source: Author, home business survey questionnaire

<sup>3</sup> Survey question stated: “On average, what percentage of the supplies or inputs (e.g., raw materials) for all of your businesses comes from the following places?”

<sup>4</sup> Survey question stated: “To the best of your knowledge, where are your clients/customers (for all your HBBs) located? Please indicate by writing in the percent of sales to clients in each of the following places”

and this phenomenon decreased with distance from the urban-core (88.9%) to the rural hinterland areas (68.4%). All of these imply that urban home businesses have a larger threshold market for their goods and services within their own communities than their more isolated counterparts.

Notwithstanding the spatial variations in their markets, home businesses in the urban-core, fringe and periphery still sell overwhelmingly within their communities, providing needed goods and services to local residents who would otherwise have to travel long distances for them. Distance-to-market and lack of large threshold markets within individual communities contributed to the significant dependence of HBBs in the fringe (72.2%) on urban markets and those in the periphery (86.8%) on markets of neighbouring rural communities. Loker et al. (1995: 152) argued that most home businesses “were instituted to fill market niches not well met in established trade areas. In some areas, the client base was too small to support a separate outlet. Especially in rural areas, travel to a larger market outlet was not cost effective for either producers or consumers.” As with the results presented here, Loker et al. found that a vast majority (88.1%) of rural and urban HBBs in nine states sold most of their goods and services within the same community or within an hour’s drive of their homes. In other accounts, rural (Carter et al. 1992) and urban home businesses (Randall 1997; Nanaimo CEDO 1995) marketed more than 70% of their products and services directly to customers in the same community. Most earlier research found that only a few home businesses marketed their products in other Canadian or international markets (Randall 1997; Nanaimo CEDO 1995). This local orientation is also applicable to storefront businesses. Therefore, it may be more a function of the size of the business than the status of business. This



means that home businesses are more likely to create and maintain stronger linkages among local businesses and places. It is therefore important to recognize their potential for regional economic development. According to Rowe et al. (1999: 72), home businesses “directly or indirectly contribute 3.5% of total gross sales, 4.6% of total earnings, and 6.7% of total employment” in nine states, generating a total annual income of \$US 19.7 billion. It is important to note that this figure does not include revenue from agriculture. It is argued, therefore, that home businesses are more likely to buy and sell locally, thereby constituting a core economic element to rural households and communities.

#### **7.4 Interpretation of Results and Summary**

Rural decline has been a long-standing concern in Saskatchewan and the quest for strategies to reverse this trend has increasingly recognised the opportunities associated with establishing small entrepreneurial ventures. It is therefore argued here that the presence of home-based businesses may contribute positively to rural sustainability. In fact, the empirical evidence from the thesis pointed to a link between home business activity and sustainable rural development. The findings of this thesis also underscored the relative dominance of home business activity in the countryside, compared to those in urban settings. The lack of many commercial businesses and large firms in the countryside magnify the relative economic benefits from home businesses in rural communities, especially compared to those in cities.

Furthermore, the long-standing history of home-based businesses contributes to our understanding of their important role in sustainable community development. In

other words, the home business component of small business development strategy is one of the oldest if not the oldest means of livelihood for many people in rural and small communities. Importantly, the employment opportunities created by home businesses reduce unemployment, financial insecurity and poverty in rural and small communities. Consequently, this economic activity may help to minimize the rate of rural out-migration, which is one of the principal factors in the chronic rural decline problem in Saskatchewan.

Moreover, the versatility of home business activity makes it one of the most important strategies for revitalizing rural and small communities in Saskatchewan. Results from Chapter Five indicated that home business activity includes a wide range of occupations or industries, from retail to professional businesses. This feature suggests potential opportunities for diversification of the rural economy. A more diversified economy can minimize the negative repercussions of volatility associated with traditional rural occupations such as agriculture, fishing and forestry, and therefore help to stabilize regional economies (Tonts and Selwood 2003). Also, in comparison with large companies and traditional occupations, small businesses are more able to quickly and efficiently respond to changes in business and community environments. Their small and flexible nature enables them to modify commodities promptly in response to changing consumer tastes (Miller et al. 2003). This adaptability was one of the more important business strategies used by rural home businesses in the sample. For example, when asked to provide the most important reasons customers bought their products, about two-fifths (41.1%) of the rural business managers noted the uniqueness of their products and services; and about half (46.4%) attributed it to quality. These small businesses can also

shift production promptly from one product to another in accordance with economic cycles. Some managers have multiple home businesses, i.e., they operate more than one business concurrently in order to survive. For example, one of the rural HBB managers simultaneously operated a bed and breakfast and a holiday farm business. These findings suggest that the general business trend towards flexibility in the process and product is strongly represented in rural home business entrepreneurial activities.

If follows from the above discussion that home-based business activity represents a shift in the nature of the rural economy from one that is highly dependent on the principles of mass production to an economy that has the potential to offer greater diversity and flexibility. This is part of a broader shift in the Western World from mass production of standardized commodities such as wheat, beef, iron and textiles towards a more diversified, flexible and profitable production system within niche markets that have the capacity to meet specialized needs (Diochon 2003; Tonts and Selwood 2003). Evidence of this shift, mirrored in the rural landscape, is the increasing decline in traditional occupations such as agriculture and its associated farm income. As discussed earlier, this has called for survival strategies such as exploring home business and other off-farm employment opportunities within rural communities and regions. Another classic example is the growing interest in the development of tourism and recreation industry in the countryside. Some of the managers in the sample who provided bed and breakfast, ranch and holiday farm services are benefiting from this new form of production. It is implied that the resurgence of home business and home-based work in general is one of the positive outcomes of the restructuring process. Diochon (2003) argued that global restructuring of production systems, technology and competition has

increased businesses' demands for flexibility, quality, cost-effectiveness and timeliness; and these are the same values that home businesses strive to achieve. The global restructuring and the re-emergence of homework also means that the location of work has come full circle; that is, there is a gradual movement of workers and work back to the home from the office. The growing recognition and acceptance of this changing trend may increase support for home-based self-employment and small business development as a potential survival strategy for households and communities in society today.

In addition to their economic roles, home businesses also offer several social benefits to rural households and communities. For example, they offer opportunities for women to break away from the conventional patriarchal household and workplace environment in order to be their own bosses (Barke 2003; Jurik 1998). It also offers men and women in the countryside the opportunity to work together as entrepreneurs and breadwinners of their households. The predominance of jointly-owned businesses in the countryside in the survey, compared to those in urban areas, suggests that couples are opting to work and live together. Moreover, rural home business managers are more likely than those in urban areas to receive support or to involve other members of their households in their business endeavours. The implication is that working together strengthens bonds among household members. This may contribute to the strengthening family values and entrepreneurial skills in rural and small communities. Most family businesses survive over the long term because they are passed on to the future generation (Salatin 2001).

It is also maintained that interactions and networking opportunities generated through HBB activity is important for rural and small communities. Interactions between

managers, customers and suppliers provide significant occasions for networking and socialization in rural areas where such opportunities might otherwise be scarce. A recent study has suggested that associational involvements and business networks are important precursors to sustainable community development (Miller et al. 2003). For example, a male rural business manager surveyed said that his home business enabled him “[to] meet great people from around the world.” He explained that this gave him satisfaction, as it minimised the problem of isolation characterized by rural entrepreneurship. Another said that “the main negative to working out of the home, especially in rural setting [sic] prior to fax, e-mail, etc. was lack of contact with other creative people to build ideas off and to remain current.” Unlike those in rural areas, managers in urban areas benefited from the presence of business associations: to network and socialize. These networks helped eliminate isolation and boredom, which usually characterise home business activity. Commenting on this, an urban female business owner said: “The biggest problem in working from home is isolation. I am single, live alone, and have to make a conscious effort to get out to spend time with people. It is lonely sometimes.” She expressed further that her membership in business associations “constitutes a social network of people with shared interests and provides an opportunity to get out.”

It follows from the discussion so far that the small enterprise development and self-employment in rural and small communities is apparently a pivotal components of sustainable rural development and regional economic development, due largely to the global restructuring process. This changing trend has also influenced the increasing departure of regional and community development approach from the exogenously top-down interventions towards a more grassroots or endogenous development approach

(Diochon 2003; Ofosuhene 1997). According to Diochon (2003: 11), “[t]his shift of approach involves significant changes in the means used to stimulate growth.” One of such means is the promotion of self-employment (or self-reliance) and small business development to generate employment opportunities, wealth and economic security in rural and small communities. Today, people want to manage their own resources and take control over their own destinies because of a belief that individuals at the local level know their values, principles, needs, problems and strengths better than anyone else including governments (Maser 1997; Douglas 1994). Therefore, they are in a better position to initiate their own businesses and development activities for the sustainability of their communities. This implies that the principal agents for sustainable rural/community development are individuals, households and communities, compared to the previous dominance of governments in rural community development. It is argued that the small rural businesses that individuals and households establish are the “incubators” for rural and small town economic growth with heavy reliance on local culture, idea, initiative, talent and capital. The businesses surveyed are testament to this claim. As previously discussed, these businesses are supporting other local businesses through their sales, purchases and client referrals; they are employing other people from their localities; and they are providing goods and services that would otherwise not be available locally. The businesses have also attracted visitors and tourists who spent money in the local economy and interacted with local residents. This reinforces the contention that home businesses are critical to reversing the decline in rural employment. Therefore, their social and economic potential should not be underestimated.

The discussion in this chapter indicated that home businesses provide significant economic, social and psychological benefits to individuals, households and communities. However, this leads to policy implications for rural governments. As Bird et al. (2001: 529) stated, these small businesses must “[fill the gap] in employment created by job losses in key economic sectors such as farming, forestry, mining, and manufacturing. If small businesses are to do so, however, communities must nurture an environment that promotes diversity of business interest and opportunities.” In addition, the increasing importance of home-based work implies that “the principal economic decisions which affect [the sustainability of households and communities] are taken by individuals who personally have an interest in, and presumably some attachment towards, their local area” (Clark et al. 1995: 175). There is evidence to show that businesses belonging to managers who hold this view are more likely to survive much longer to support the sustainability of households and communities than any other business (Clark et al. 1995). The next chapter summarizes the major findings of the thesis and their implications for future research. It also discusses the contributions of the thesis to the existing body of knowledge, while assessing the shortcomings or limitations of the research.

## CHAPTER EIGHT

### SUMMARY AND CONCLUSIONS

#### 8.1 General Overview

Rural decline has continued to be a major concern in the Canadian prairies, particularly in Saskatchewan where globalization, and restructuring in agriculture and other resource industries have led to a decrease in household income and employment opportunities. The consequences of this phenomenon include the out-migration of the rural and small town population, the closure of social amenities (Bollman 2000; Stabler and Olfert 1996) and, in extreme cases, the demise of rural communities (Nozick 1999; Paul 1977). The fact that economic circumstances have contributed considerably to rural decline suggests that rural sustainability is largely dependent on the economic viability of communities, and on the diversification of household income and local economies. Lately, efforts to reverse the decline include the development of grassroots rural revitalization programmes and sustainable community initiatives, particularly the promotion of small business development and rural entrepreneurial ventures. In other words, the development of new forms of enterprises such as home-based businesses may provide new products and services, or create new markets in rural settings to generate revenue, income and new employment opportunities to support local economies. However, several factors may influence the potential contributions of home businesses to community sustainability. These factors include the geographic location and linkages among places, types of businesses, personal characteristics and motivations of



entrepreneurs, amount of business capital, and the competitive strategies businesses use in the marketplace.

It was against this background that this thesis sought to examine (i) the nature and degree of urban connections with rural areas in the context of home business activity and the ramifications of these linkages for sustainable community development, (ii) the relationship of this economic activity to the concept of rural entrepreneurship and business development which underlies sustainable rural development strategies pursued today, and (iii) the contributions of rural and small town home businesses to the sustainability of households and communities in Saskatchewan. This chapter reviews the major findings of this thesis. It also summarises the original contributions of the thesis and describes shortcomings, limitations, and recommendations for future research.

## **8.2 Summary of Major Findings of the Thesis**

The findings of this research suggest that home business entrepreneurship is an important part of the new rural economy. It is a multifaceted mechanism for rural revitalization and sustainability. It was also found that the potential contributions of this form of business activity to rural sustainability are shaped by a number of factors, including the geographic location and linkages among communities, types of businesses, gender of business owners, financial motives, and types of competitive strategies businesses used in the marketplace.

One of the most significant findings of the dissertation relates to linkages that home business activity creates among different geographic regions (urban core, fringe, periphery) and among communities (rural, small town, urban). This supports the

theoretical framework of the thesis. That is, the level of dependence of home businesses within these regions on the urban market decreased systematically from the core to the periphery. For example, home businesses within the fringe had stronger ties with urban markets than those within the periphery in terms of the purchase of business supplies and the location of customers. One of the implications of this characteristic is that home businesses in the periphery are more likely to create and maintain stronger linkages among local businesses and neighbouring rural communities, thereby contributing to rural sustainability. This micro-enterprise activity creates backward and forward linkages of investments within rural and small communities. It is argued that this interdependence is critical for the sustainability of the micro-region. Certainly, the multiplier effects of linkages may be more beneficial to communities in the rural hinterlands than to urban communities as businesses within the hinterland region tended to purchase their supplies locally while generating revenues from both within and outside their localities. One possible explanation for this local supply and market orientation is that the absence of commercial businesses in the rural hinterlands increases the relative prominence of home businesses in these communities.

Another noteworthy finding of the thesis relates to the spatial variation in home business activity (see Table 5.1). This lends support to the theoretical framework of the thesis (see Figure 3.1). Residents in rural areas and urban centres tended to specialize in different forms of home business activities. Rural residents especially were more likely to be engaged in relatively low-wage business sectors such as accommodation, recreation and personal services, and the production of crafts, compared to their urban counterparts who tended to be involved in high-wage occupations such as professional services (e.g.,

consultancy, accounting, computer-related businesses). This has different implications for community sustainability across the urban hierarchy, including the fact that the proportion of average gross annual household income generated from home businesses was consistently greater in the urban core (54%) than in the rural hinterland (29%).

The empirical analysis also pointed to the fact that personal characteristics, and in particular the gender of business managers, influenced the sustainability of home businesses in the countryside. To a degree, as discussed below, gender modifies the theoretical framework of the thesis. In this case study, rural female-owned businesses featured prominently in less profitable occupations such as retailing, bed and breakfast accommodations and other personal services, while male-owned businesses were disproportionately represented in the more profitable and higher wage construction and trades sectors. Consequently, the contribution of rural female-owned home businesses to household income lagged behind that of male-headed businesses. The fact that earnings from businesses are critical to the sustainability of households has suggested that female-headed small businesses in rural areas are more economically disadvantaged than their female (and male) counterparts in urban settings. It needs to be emphasised that the traditional gender gap in the labour market is explicit in home-based self-employment, where women business managers were their own bosses, picked their own occupation and made other personal decisions. This was due to the relatively lower levels of education attained by female business managers in rural areas relative to both male and female HBB owners in urban areas. Therefore, educational status of female small business entrepreneurs in rural Saskatchewan influences choice of occupation and level of business earnings.

Further, the findings of the thesis suggested that, irrespective of gender and location, monetary considerations were the main reasons to establish a home business in the countryside noted by most (61.7%) of the managers surveyed, particularly by those in rural areas (71.4%). This means that household economic difficulties, rather than social factors, are the main underlying reasons for residents in rural and small communities to establish home businesses and engage in other off-farm employment activities. Oughton and Weelock (2003: 2) argued that “the growing insecurity of livelihood, rather than hitherto unrealized ambitions for entrepreneurship, . . . lies at the heart of much microbusiness behaviour.” This is attributable to the decline in farm income (Stabler and Olfert 2000; Catrina 1999) and to the lack of employment opportunities in the countryside (Rowe et al. 1999; Tigges and Green 1994). More importantly, the sustainability of households and communities in rural Saskatchewan today depends on residents’ reliance on multiple sources of external household income, including that from home-based occupations and other forms of off-farm employment.

The competitive strategies and motivations that influenced the sustainability of home businesses also varied spatially. While HBBs in the fringe and in the periphery relied on competitive strategies, they leaned more towards a combination of differentiation and focus strategies than to a cost-leadership one to gain a competitive edge in the marketplace. This is especially the case for those businesses that have existed for more than five years. Thus, distance-to-market influences the choice of competitive strategies for HBBs. An apparent positive relationship was also found between the use of business strategies and techniques, and the survival of rural home businesses. Miller et al. (2003: 219) found that “[b]usiness operators who are attached to their community and

feel responsible towards their community develop significant different [business] . . . strategies than those who are less interested in strengthening the local community.” In the case of home businesses in south-central Saskatchewan strategies and techniques used by small businesses also varied across different geographical settings. For example, the rural home businesses surveyed were more likely to employ a combination of differentiation strategies (e.g., emphasizing quality and providing unique products and services), and focus strategies (e.g., tailoring HBB products and services to the needs of local residents and tourists) to gain a competitive edge in the marketplace. The choice of business strategies and techniques is crucial to the survival and growth of small rural businesses. This also suggests that the concept of the competitive strategy model contributed to our understanding of sustainable community development, which supports the theoretical framework of the thesis.

As noted above, a key finding of the thesis was that home businesses contribute positively to the sustainability of households and communities in rural Saskatchewan. This business activity generates considerable income and employment opportunities for people, while assisting to retain the business owners and their family members within rural and small communities. It was found that the home business played a primary rather than a secondary role for the majority (56.4%) of the business owners surveyed, including women in all geographic regions (57.4%). The home businesses sampled generated an average annual household income of \$54,797.48, which was comparable to or higher than the national (\$58,360) and provincial (\$49,068) total annual household incomes reported in the same year (Statistics Canada 2001a). This supports the claim

that HBB earnings serve as a significant source of financial security for individuals and households in Saskatchewan.

It was also argued that the employment opportunities generated through home businesses contributed significantly to the reduction of unemployment and insecurity in rural and small communities thereby keeping people in the countryside. For example, on average, the business managers surveyed had lived in their communities for twenty-three years. Since 68% of the businesses surveyed had existed for at least five years, it suggests that most of these businesses are going to remain active in Saskatchewan. The literature suggests that if businesses are going to fail, the failure is highest in the first five years of operation (Blawatt 1998; Watkin 1986; Dickinson 1981). The empirical results further indicated that small businesses in the countryside have a promising future as almost all of the business managers sampled in the fringe (100%) and in the periphery (94.6%) deemed their businesses successful and had plans to expand or stay the same size. Interestingly, the importance and positive future of home business in the new rural Saskatchewan economy is underscored by the fact that 93 percent of non-agricultural firms in Saskatchewan are small businesses, particularly in retail trade and in the service sector, which directly employs about one-third of the labour force in this province (Baker and Ketilson 1995). More recently, ACRE found that “[r]ural Saskatchewan has a large and growing business community. Approximately 70 per cent of Saskatchewan’s businesses are located in rural areas” (Government of Saskatchewan 2005: 11). Although one does not dispute the fact that rural Saskatchewan is still experiencing high levels of out-migration, it is reasonable to conclude that the absence of job opportunities

associated with rural home businesses would have resulted in even greater rural out-migration, thus undermining rural sustainability.

All of these findings reinforce the central claim of the thesis that rural sustainability is linked tightly with economic circumstances, not only generating significant income and employment opportunities directly and indirectly through the multiplier effect, but also diversifying local economies, filling a market niche, and providing greater choice to rural consumers.

Conceptualization of the sustainable rural community extends beyond the survival and growth of businesses and populations. This term also encompasses the interaction among geographical, economic and social dimensions. The fact that many of the business managers surveyed had lived in their communities for more than twenty years has also meant that they have had the opportunity to balance work and family responsibilities and have gained a measure of satisfaction by working from home. Therefore, a “sustainable rural community” involves not only the development, maintenance and survival of small businesses, but also support a chosen lifestyle and livelihood for those living in the countryside. For the community it is shaped by geographic location and linkages with other places, type of businesses and business strategies, motivations and personal characteristics of entrepreneurs, and attitudes of people towards local small businesses. A sustainable rural community is also influenced by its population size, distance-to-market, as well as government intervention. As noted before, rural decline in the south-central region in Saskatchewan is a direct result of a combination of several factors over time, including economic, political, environmental, as well as mechanization, industrialization, urbanization, and globalization. Thus, in order

to achieve any meaningful rural sustainability in Saskatchewan it will necessitate an integration of all the components of sustainable community development as suggested by the theoretical framework of this thesis (Figure 2.1). It needs to be emphasized that, although this thesis focused on the economic component of sustainable community development, it recognises the importance of the other components of SCD and notes that the economic aspect of SCD is not mutually exclusive.

### **8.3 Contribution of Thesis**

This dissertation makes significant contributions to the literature. Until now, most of the research into home businesses has been atheoretical. This thesis proposed a rural-urban theoretical framework that captures new forms of work, economic activity, and core - peripheral relationships. It used a combination of the von Thunen economic model, Porter's competitive strategy model and the concept of sustainable community development to examine the rural-urban linkages in HBB activity and to assess the contributions of home-based business activity to the sustainability of households and communities across a rural-urban region.

The thesis proposed a "Rural-Urban Home Business Model", incorporating different levels of linkages in HBB activity, e.g., rural-urban, urban-rural, and rural-rural linkages. It also showed the variation of HBB activity across space and how location influences motivation, performance and the impact of economic activity on households and communities. The traditional von Thunen model suggested that the hinterland produces only primary goods such as food and raw materials for urban markets, and depends upon the core for more specialized products and services (von Thunen 1826).



Evidence of residents in the countryside providing specialized goods and services to urbanites suggests a changing relationship between the countryside and the urban core as well as an evolving rural lifestyle. It was also interesting to note that rural home businesses have multiple markets over long distances. In addition, the von Thunen model emphasizes the profit maximization aspect of economic activity, but the empirical results contained herein expanded the motivations for setting up a business to include social and psychological contributions such as the opportunity to satisfy family responsibilities and the satisfaction gained from work.

It is noteworthy that gender is one of the more important factors modifying the theoretical framework proposed in this research. As with geographic location, gender was an important distinguishing feature related to the type of business, motivations and selection of the set of competitive strategies. For example, it was found that female residents in the countryside were more likely than their male counterparts to be associated with relatively lower-wage and highly competitive home business sectors (e.g., personal services, retail trade). As a result, the direct financial benefits being generated from these businesses vary by gender. The argument here is that the contribution a business may make towards sustaining a household and ultimately a community depends on the type of business and, indirectly, the gender of the business owner. The “[s]ubtle and perhaps overt gender biases embedded in rural communities . . . need to be understood more fully in order to clarify the persistence of sex differences in small business success” (Bird et al. 2001: 528). Also, given the gender difference in earnings, types of businesses, and business strategies it would be unfair to use the same variables to assess the sustainability of male versus female-owned home businesses because “women

may value personal fulfilment or social goals more than the income their businesses might bring” (Tigges and Green 1994: 307).

In spite of the popularity of Porter’s competitive strategy model, no prior Canadian or Saskatchewan home business study had purposely considered it in measuring business performance and sustainability. Overall, the rural home businesses surveyed normally used a combination of differentiation (e.g., quality of product, new brand of product) and focus (e.g., specific geographic market) strategies to gain a competitive edge in the market. It was found that business managers’ use of business strategies and techniques varied across the rural-urban micro region. Thus, it points to a link between the two economic models. For example, business managers in the von Thunen Isolated State implicitly utilized cost leadership strategies such as minimizing transportation cost and focus strategies such as targeting products to specific geographic markets to stay in business while maximizing profits.

The introduction of a spatial dimension into Porter’s competitive strategy model is another notable contribution of this dissertation. As such, it links the Porter model more closely to the von Thunen model, and added social dimensions such as the role of households, family values and social networks in business performance. This thesis has shown that, in addition to economic benefits, spatial, social and psychological factors influenced the survival and growth of businesses in rural and small communities.

In addition to showing a spatial dimension to the application of competitive strategies, the thesis has suggested that a relationship exists between the sustainable community development conceptual framework and the economic models by von Thunen (1826) and Porter (1980). Recall that the empirical analysis in this thesis indicated that

the sustainability of households and communities in rural Saskatchewan depends largely on the survival of small business activities, which varies with distance from the urban core to the rural hinterland. Therefore, it is not unreasonable to suggest that the economic models by von Thunen (1826) and Porter (1980) and the concept of sustainable community development are linked. That is, the former two help explain the latter. The implication here is that the concepts of “entrepreneurship” and the “business development approach” now in vogue in most sustainable community development and rural development applications differ among geographical settings. Therefore, the type of small businesses that may support economic growth in urban settings may not necessarily help rural communities. The strategies that rural and small communities adopt for diversification, revitalization or sustainability should reflect local resources, needs and characteristics of a particular geographic setting. Home business or small business activity in general is not a universal strategy for the revitalization of all rural and small communities. For example, some rural and small communities may capitalize on their natural environment and resources to promote tourism, recreation and accommodation ventures for sustainability. Others may focus on farm diversification and value-added production, or on the promotion of small telecommunication and information technology businesses for revitalization. Irrespective of the approach adopted, the most important thing is that rural and small communities focus on developing and maintaining diversified homegrown small business ventures such as home businesses for sustainability rather than relying on one or two large companies for survival. The sudden closure of these large companies negatively affects the survival of rural and small communities.

The ability of residents and leaders in rural areas and small towns to identify the kind of entrepreneurial and business development activities that may generate economic growth is, probably, the key to the potential sustainability of these communities and to regional economic development. For example, while the countryside shares its natural resource endowments with urbanites through recreation and tourism, the urban core also provides a potentially large customer base for small rural businesses. Moreover, certain activities in the urban core can be relocated in the countryside to ease congestion in urban areas, while helping to revitalize the countryside. This emphasizes the point that the survival or growth of one community is linked to that of other communities. Achieving stable regional economic development in Saskatchewan, therefore, means balancing the values and needs of rural and urban residents with their interests in small business entrepreneurial ventures, social programs, and efforts of governments at all levels. Sustainable rural development and regional economic development requires one to pay attention to several complex and interconnected factors such as the promotion of productive self-employment activities tailored to the particular economic and social problems in rural Saskatchewan.

This research also provides support for the increasing importance of home business self-employment and small business development in general in the new (rural) economy. Possible explanations for this are the restructuring of the global economy and advancements in transportation and telecommunication technologies, which have contributed to reducing the friction of distance between places, regions and people. Although the process of globalization offers many challenges to rural areas and small communities, it also offers opportunities for local economies. The size of the markets

within which rural enterprises undertake transactions has expanded in the new economy. This is particularly significant for some home business products such as arts and crafts, and processed food, which in the old economy were produced and consumed locally. For example, as can be recalled from Chapter Five, some of the rural business managers surveyed, particularly those engaged in accommodation and recreation, and arts and crafts occupations, bought, sold and advertised their products and services to people and other businesses outside of Canada. The growing significance of service sector activity in North America is also shaping both urban and rural economies. As is the case in many regions, service sector employment in Saskatchewan has witnessed continuous growth over the past two decades, while the primary sectors, particularly agriculture, have declined. Therefore, it is not surprising that services characterize most home business self-employment activities. This phenomenon points to significant shifts in most rural economies affecting the overall rural development process in North America and Europe.

More substantively, the growth of home-based enterprises and other micro-businesses in the countryside suggests that a “new wave of rural economic activities has emerged, spearheaded by the expansion of service industries, such as leisure and tourism, and the ruralisation of traditionally urban-based manufacturing” (Jarvis and Dunham 2003: 1). While this calls for a re-examination of regional and rural development models, it also suggests that rural and small communities need to be recognized as “new” investment frontiers for a diversity of business activities. Evidence presented in this dissertation has suggested that urban residents patronize rural and small town home business products and services. Bryant (1989: 342) claimed that “with the influx of ex-urbanites into the countryside and small towns, market sizes have increased in many rural

areas and have surpassed the threshold levels necessary for viable operation of the commercial enterprises involved.” This signals a new form of regional economic development initiative that emphasizes more complex economic linkages between urban and rural communities.

The resurgence of home-base work and self-employment signifies a shift in the new capitalist economy, whereby work and workers are moving from the factory and office back to the home. Gibson and Graham (1996) made a very contentious claim that this transformation signals the end of capitalism. The findings of this research suggest that, although home business self-employment activities are not directly under capitalist control, these businesses, to a degree, operate within an existing capitalist system in a different form. It should be noted that HBBs are not the same as informal household-based work that clearly replaces formal capitalist production. Home businesses operate as intermediate forms of capitalist production that combine some of the characteristics of the household-based, informal economy with some aspects of formal capitalist production. For example, self-employed HBB entrepreneurs acquire real estates, business vehicles, goods and services through capitalist establishments such as financial institutions, grocery chain stores, and computer shops. This suggests that the co-existence of three major categories of work, namely formal capitalist production, intermediate forms of work (e.g., HBBs), and informal household-based work should be recognized and studied in an integrated manner in the new economy. Suffice to say that the new economy should be recognized as a continuum of the capitalist economy to a non-capitalist one (Gibson-Graham 2001). This may contribute to the promotion of awareness and support for self-employment and home-based business activities as

significant contributors to community sustainability. It may also help to foster local capacity building for community sustainability.

Overall, this thesis has responded to the call for more research into home business activities (Dykeman 1992; Orser 1991), and finding a theoretical framework for home-based business research. The literature suggested that home businesses had not received satisfactory attention regarding their role in contributing to community sustainability by community development planners, policy makers and community leaders (Rowe 1999; Heck et al. 1995).

#### **8.4 Limitations**

Despite its achievements, several challenges were encountered in this research. The first major challenge was drawing general conclusions from the thesis due mainly to the lack of large sample size. Although its empirical findings provided significant insight into the characteristics of HBB activity across the rural-urban micro region, it is believed that a large sample size would have enhanced the depth of knowledge about HBB activity in rural Saskatchewan. As in this thesis, several studies have shown that identifying and surveying HBB owners is a very challenging task due to the anonymity and reluctance of business owners to participate in surveys (Berke 2003; Jurik 1998; Kraut 1988). Due to financial constraints in hiring research assistants who would help visit rural and small communities to locate HBB operators, the snowball sampling method was employed in this thesis. Although very useful for identifying “invisible” populations in a community, this method was time consuming. The next section presents some recommendations for future research.

## **8.5 Future Research**

This thesis has demonstrated that a combination of theoretical and methodological approaches can be used to study home-based businesses. The approach used in this research needs to be advanced or further refined by applying it to different geographic regions. The rural-urban home business theoretical framework proposed in this thesis also needs to be explored further to help gain a better understanding of the multiple linkages HBB activity creates among places (rural-urban, urban-rural, rural-rural, local-national, local-international) and the contributions of these linkages to sustainable community and regional economic development. In addition, future HBB research should consider the application of the economic base theory as a theoretical framework to explore the role of home business activity in rural and regional economic development. The diversity of HBB activities (i.e., ranging from professional services, construction and trades, manufacturing and processing, to personal services) may be classified into the two major components of the theory, namely basic and non-basic economic activities, to assess their impacts on the sustainability of rural and small town economies.

Also, by studying a larger group of home-based entrepreneurs one would learn more about the characteristics and conundrums of rural entrepreneurship. For example, studies that compare the performance and contribution of rural HBBs to those of rural commercial businesses will direct the distribution of scarce business resources. By identifying the kind of entrepreneurial activity that is suitable for a particular rural community, the revitalization and sustainability process would be boosted and accelerated. Additional information is needed to address the following questions: what level of support does rural home-businesses receive from government and non-



governmental institutions? Do children from home business households consider this form of occupation as a potential career and how can they be encouraged to consider rural entrepreneurship? Based on their involvement in home business, are they better off than children of other employed workers? Who inherits the established rural and small town home-based businesses and why? Addressing these questions will deepen our knowledge of the effects of this economic activity on individuals, households and communities.

More research is required to examine the division of labour in home business households and to assess the impact of unpaid-household work on home-based enterprises. A longitudinal study of a large sample size of home-based entrepreneurs would uncover the dynamics of this activity in terms of when it is best to start such a business and the transformations in this form of economic activity. For example, it would be important to know why rural home businesses are terminated, why they remain small, or why they expand out of the home into commercial businesses. Also, one would like to know whether HBBs still remain in rural areas after expanding. It is believed that the transformations in home business have different ramifications for the sustainability of households and communities. Moreover, building on the results of this thesis, future research could investigate the cultural dimensions of home-based entrepreneurial activity in Saskatchewan. It is anticipated that different cultural groups might have different views and approaches to this form of occupation. For example, it is suspected that the type, extent, motivation and impact of home business in Aboriginal communities could be different from those of non-Aboriginal communities in Saskatchewan.

Finally, this thesis examined the contributions of home-based business to households and communities using variables such as annual household income derived from HBB, number of employees, location of customers and suppliers, number of years a business has been in operation in a community, and entrepreneurs' perception of businesses' impact on local commerce. Further research is needed to explore and measure the multiplier effects of these businesses outputs, earnings, and employment capabilities on the sustainability of rural and small communities. This will increase the awareness of the economic impact and social benefits of home business to sustainable community development, thereby increasing overall public support for home-based self-employment.

## **8.6 Conclusion**

The overall goal of this thesis was to contribute to the discussion of rural sustainability by considering home-based self-employment as a potential driving force for rural revitalization and sustainability. The thesis indicated that home business creates linkages between rural and urban areas and these linkages have positive implications for regional economic development. It was apparent in this dissertation that home-based businesses are vital components of rural entrepreneurship, and the sustainability of rural households and communities. It was learned that these businesses contribute considerably to household income, and generate employment opportunities and wealth in communities. Also, they offer opportunities for diversification in rural agricultural households; that is, residents in the countryside consider home business as a survival strategy in the face of declining farm incomes, due to global economic restructuring.

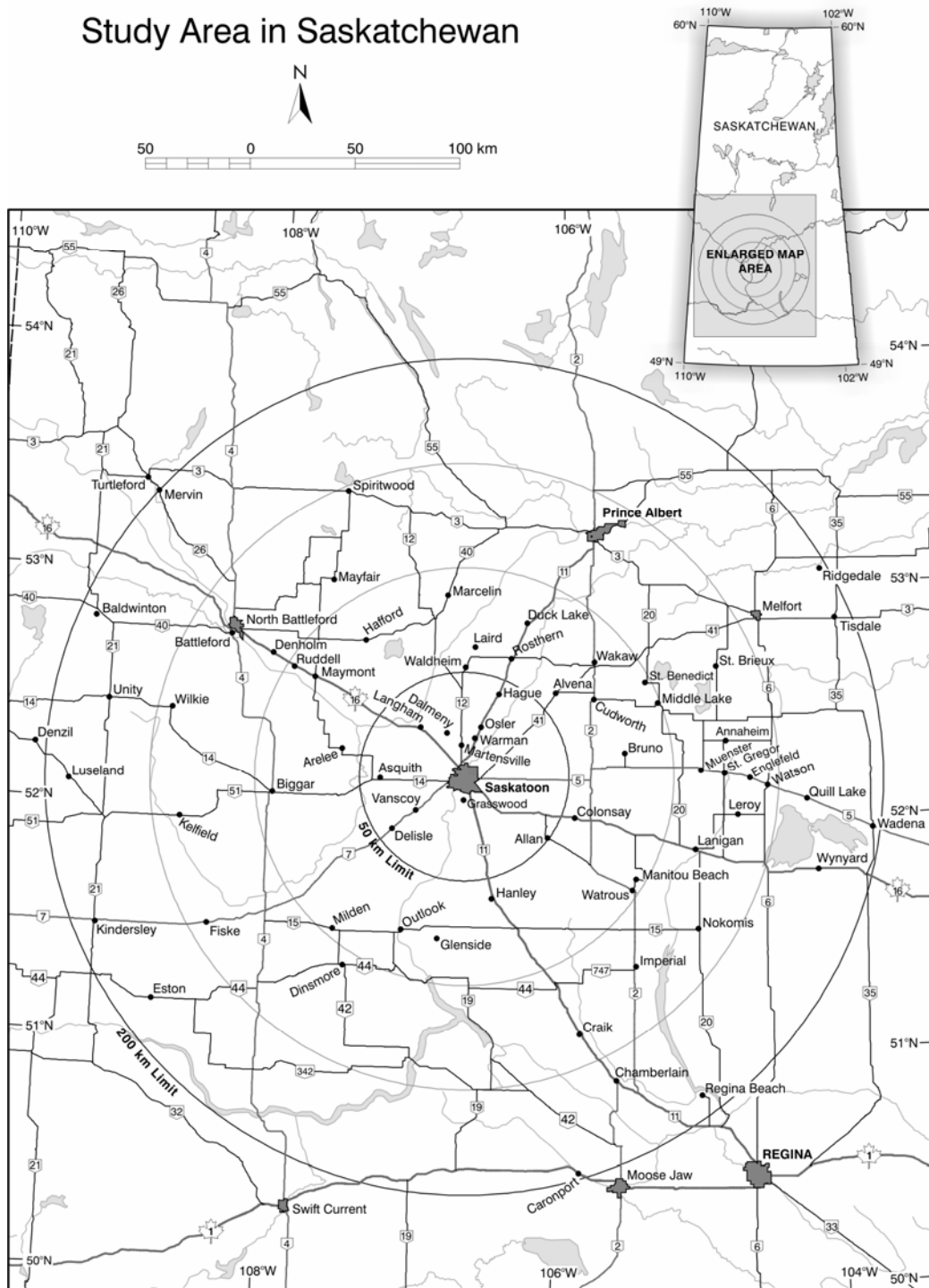
Additionally, the fact that home business entrepreneurs are not highly mobile contributes significantly to the sustainability of rural and small communities.

However, several challenges undermined the potentials of home-based business. The two most important challenges are financial constraints and public perception and attitudes toward this activity. The business managers claimed that some people do not consider home-based self-employment as a “real job”. Others regard it as a nuisance in the community. Any effort towards the removal of these barriers will enhance the potential of home businesses to sustain households and communities. Heck et al. (1995: 221) argued that “the trend toward home-based work has been a quiet revolution”, hence, little attention has been given to the significant roles HBB plays in sustainable community development. This thesis therefore recommends that full attention and recognition should be given to facilitating the growth and survival of HBBs in rural and small communities. As in this thesis, most observers, commentators and government officials believe that the growing trend in home businesses will continue (Edwards and Field-Hendrey 2002; Heck et al. 1995; Dykeman 1992) and with time, it will come to dominate society (Blawatt 1998). People need to be educated to acknowledge the fact that home-based business is a legitimate lifestyle or career choice for the individuals and households who operate them. This business activity is not a “marriage of convenience” or just a “female occupation”. Failure to recognize this form of occupation as part of the rural economy is tantamount to the loss of a significant alternative strategy and opportunity for sustainable rural/community development.

## **APPENDIX A**

Location of Home Businesses by Name, Size of Community, and Region

(1) Large Scale Map of the Study Area in Saskatchewan



Source: Designed by Bigelow, Keith (Department of Geography, University of Saskatchewan)

**(2) Location of Home Businesses by Name, Size of Community, and Region  
(Compiled Data on 604 HBBs)**

Size of Community	Name City/Town/Village	Region			Total
		Urban-Core	R-U Fringe	Periphery	
<b>Urban</b>  (10,000 and more population)	Saskatoon	171			171
	Prince Albert	23			23
	Regina	16			16
	Moose Jaw	9			9
	North Battleford	3			3
	<b>Total</b>		<b>222</b>		
<b>Small Town</b>  (between 1,000 and 9,000 population)	Martensville		37		37
	Wynyard			35	35
	Rosthern			31	31
	Outlook			13	13
	Langham		5		5
	Tisdale			4	4
	Watrous			5	5
	Melfort			4	4
	Dalmeny		3		3
	Regina Beach (Regina)		3		3
	Battleford			2	2
	Caronport		2		2
	Unity			2	2
	Warman		2		2
	Biggar			2	2
	Eston			2	2
	Kindersley			1	1
	Wadena			1	1
	Wilkie			1	1
<b>Total</b>			<b>52</b>	<b>105</b>	<b>157</b>
<b>RURAL</b>  (fewer than 1,000 population)	Allan		21		21
	Asquith		18		18
	Delisle		14		14
	Luseland			14	14
	Quill Lake			13	13
	Muenster			11	11
	Englefeld			10	10
	Leroy			8	8
	Annaheim			8	8
	Cudworth			8	8
	St. Brieux			7	7
	Duck Lake			7	7
	On-Farm			8	8
	St. Gregor			7	7
	Dinsmore			5	5
	St. Benedict			5	5
	Watson			5	5
	Alvena			4	4
Chamberlain			3	3	

	Colonsay			2	2
	Denzil			2	2
	Manitou Beach			2	2
	Marcelin			2	2
	Middle Lake			4	4
	Osler		2		2
	Spiritwood			2	2
	Vanscoy			2	2
	Wakaw			2	2
	Waldheim			2	2
	Arelee			1	1
	Baldwinton			1	1
	Bruno			1	1
	Denholm			1	1
	Farm (15 km - Lanigan)			1	1
	Fiske			1	1
	Glenside			1	1
	Craik			1	1
	Grasswood			2	2
	Hafford			1	1
	Hague		1		1
	Hanley			1	1
	Imperial			1	1
	Kelfield			1	1
	Laird			1	1
	Mayfair			1	1
	Maymont			1	1
	Mervin			1	1
	Milden			1	1
	Nokomis			1	1
	On Farm (near Rosthern)			1	1
	On-Farm (5km Turtleford)			1	1
	On-Farm (6km-Leroy)			1	1
	On-Farm (near Englefeld)			1	1
	On-Farm (near Lanigan)			1	1
	On-Farm (19km-Mayfair)			1	1
	Ridgedale (PA)			1	1
	Ruddell			1	1
	<b>Total</b>		<b>56</b>	<b>169</b>	<b>225</b>
<b>Summary</b>	<b>Size of Community</b>	<b>Urban-Core</b>	<b>R-U Fringe</b>	<b>Periphery</b>	<b>Total</b>
	Urban	222	-	-	<b>222</b>
	Small Town	-	52	105	<b>157</b>
	Rural	-	56	169	<b>225</b>
	<b>OVERALL</b>	<b>222</b>	<b>108</b>	<b>274</b>	<b>604</b>

**(3) Location of Home Businesses by Name and Size of Community, and Region  
(Questionnaire Surveys: Data on 111 HBBs)**

Size of Community	Name City/Town/Village	Region			Total
		Urban-Core	R-U Fringe	Periphery	
<b>Urban</b> (10,000 and more population)	Saskatoon	57			57
	<b>Total</b>	<b>57</b>			<b>57</b>
<b>Small Town</b> (between 1,000 and 9,000 population)	Rosthern			5	5
	Martensville		4		4
	Outlook			3	3
	Unity			2	2
	Warman		2		2
	Langham		1		1
	Watrous			1	1
	<b>Total</b>		<b>7</b>	<b>11</b>	<b>18</b>
<b>RURAL</b> (fewer than 1,000 population)	Allan		6		6
	Asquith		3		3
	Luseland			3	3
	Delisle		2		2
	Englefeld			2	2
	St. Brieux			2	2
	St. Brieux			2	2
	Manitou Beach			2	2
	Watson			1	1
	Chamberlain			1	1
	Vanscoy			1	1
	Wakaw			1	1
	Bruno			1	1
	Baldwinton			1	1
	Imperial			1	1
	On-Farm (19km-Mayfair)			1	1
	On Farm (15km-Lanigan)			1	1
	On Farm (near Rosthern)			1	1
	On-Farm (5km-Turtleford)			1	1
	On-Farm (6km-Leroy)			1	1
	On-Farm (near Englefeld)			1	1
On-Farm			1	1	
<b>Total</b>		<b>11</b>	<b>25</b>	<b>36</b>	
<b>Summary</b>	Size of Community	Urban-Core	R-U Fringe	Periphery	<b>Total</b>
	Urban	57	-	-	<b>57</b>
	Small Town	-	7	11	<b>18</b>
	Rural	-	11	25	<b>36</b>
	<b>OVERALL</b>	<b>57</b>	<b>18</b>	<b>36</b>	<b>111</b>



## **APPENDIX B**

Home-Based Business (HBB) Survey – Questionnaire Survey for  
Home-Based Business Owners

## HOME-BASED BUSINESS (HBB) SURVEY

### QUESTIONNAIRE SURVEY FOR HOME-BASED BUSINESS OWNERS

**Purpose of Survey:** The purpose of this questionnaire is to obtain information on urban, small town (more than 5,000 population) and rural (5,000 or less population) home-based businesses (HBBs) **in a region surrounding Saskatoon**. This would help provide a better understanding of the nature and extent of this phenomenon and its contribution to sustainability in Saskatchewan.

We would appreciate your participation in this research by answering the following questions and returning the questionnaire in the postage paid, self-addressed envelope, within two (2) weeks after receiving it. Please return the questionnaire (completed or uncompleted) to this address: CUISR, University of Saskatchewan, 57 Campus Drive, Saskatoon, SK, S7N 9Z9. It should take you approximately 40 minutes to complete. Thank you for your cooperation and help in this study. If you have any questions, please do not hesitate to contact Maxwell Ofosehene (Researcher) at (306) 966-2421 or Dr. Jim Randall (Research Supervisor) at (306) 966-5678.

**Confidentiality:** All the information in this survey will be kept strictly confidential, and no one except the Researcher and his Research Supervisor at the University of Saskatchewan, will see the completed surveys. The mailing list will never be sold or given to anyone else.

---

**PART I: Let's begin with a few questions about the characteristics of your home-based business. Respond to these questions by filling in the BLANK spaces, or choose and CIRCLE the right response(s).**

(1) Name of city/town/village in which your home business is located: .....

(2) How long have you lived in your current city/town/village? ..... (# of Years)

(3) How many types of home-based businesses do you currently operate?: ..... (# of HBBs).

*If you currently operate more than **ONE** (1) home-based business, unless otherwise stated, please answer the following questions in terms of the most significant business to you.*

(4) Is your home-based business your current primary occupation? (circle one)

- (a) Yes
- (b) No

(5) If your home-based business is **not** your primary employment, please list your primary occupation.

.....  
.....

(6) How long has your home-based business been in operation? ..... (in # of years)

(7) On average, how many hours/week do you work at **all** of your home-based businesses?

..... (# of hrs/wk)

(8) Is your home-based business seasonal? (circle one)

- (a) Yes
- (b) No

(9) If YES, what months do you work the greatest number of hours? (Please write in months)

.....

(10) Which of the following best describes your business?

- (a) Sole-proprietor/owner
- (b) Partnership
- (c) Business cooperative
- (d) Family business
- (e) Limited partnership or company
- (f) Teleworker/Subcontracting (working for a larger company)
- (g) Other: .....

(11) Please describe what goods or services you provide through your home-based business(es):

.....  
.....

(12) Other than yourself, how many people work within your home-based business(es)?

..... (# of other employees)

(13) How many of these other employees are members of your household?

..... (# of household member employees)

(14) Please describe the roles that members of your household play in your home-based business.

.....  
.....  
.....

**PART II: Let me ask you a couple of questions about where you obtain your business supplies/inputs, and also where you sell your products.**

(15) On average, what percentage of the supplies or inputs (e.g., raw materials) for **all** of your businesses comes from the following places?

	<b>% of Supplies</b>	<b>Types of Supplies/Services</b>
(a) Your Local Community	.....	.....
(b) Saskatoon	.....	.....
(c) Other Saskatchewan Rural Areas	.....	.....
Outside the Province	.....	.....
Outside of Canada	.....	.....
TOTAL	<u>100%</u>	

(16) On average, what percentage of the revenue generated for the products from **all** your HBBs come from the following market outlets? (Circle all that apply to your businesses)

	<b>% of Revenue</b>
(a) Farmers' markets	.....
(b) Trade shows and festivals	.....
(c) Your own home	.....
(d) Client's home	.....
(e) Mail Delivery	.....
(f) Shops (e.g., art and craft shops)	.....
(g) Wholesale	.....
(h) Others	.....
TOTAL	<u>100%</u>

(17) To the best of your knowledge, where are your clients/customers (for **all** your HBBs) located? Please indicate by writing in the percent of sales to clients in each of the following places:

	<b>% of Sales to Clients</b>
(a) Within your local community	.....
(b) In Saskatoon	.....
(c) Outside your local community but within other Saskatchewan rural areas	.....
(d) Outside Saskatchewan but within Canada	.....
(e) Outside of Canada	.....
TOTAL	<u>100%</u>

(18) Some home-based businesses (especially those in rural areas) rely on drive-by impulse sales as a market. Is this the case with your business? (circle one)

- (a) Yes
- (b) No

(19) In your opinion, what are the **three (3)** most important reasons (ranked from most important) for customers in choosing your particular product or service?

- 1<sup>st</sup>. .....
- 2<sup>nd</sup>. .....
- 3<sup>rd</sup>. .....

**PART III: Now I would like to ask you a few questions about how and why you started your home-based business.**

(20) What were the main motivations (reasons) for setting up your home-based business? Please list your reasons in order of importance, from the most important (1<sup>st</sup>) to the third (3<sup>rd</sup>) most important.

1<sup>st</sup>, .....  
 2<sup>nd</sup>, .....  
 3<sup>rd</sup>, .....

(21) Which of the following best describes the sources of your ideas to initiate this business? (circle one only)

- (a) Ideas from former occupation
- (b) Own initiative/dream/innovation
- (c) Suggestions from family and relatives
- (d) Suggestions from friends
- (e) Information from government agency
- (f) Information from the Internet
- (g) Business association/organization
- (h) Others: .....

(22) Which of the following best describes the sources of your start-up capital for this business? (circle one only)

- (a) Personal savings
- (b) Family and relatives
- (c) Friends
- (d) Bank
- (e) Credit agency
- (f) Provincial government
- (g) Federal government
- (h) Business organization/association
- (i) Others: .....

(23) Which of the marketing strategies/techniques listed in #23(A), #23(B), and #23(C) do you use, and how important is each of them to your home-based business(es)? Please indicate the level of importance by circling a number from 1 to 5, with 1 being the Most Important, and 5 Least Important. (Circle 6 if you don't use this strategy or technique)

		Type of Business Strategies/Techniques		Level of Importance				
				<i>High</i>			<i>Low</i>	<i>Not Used</i>
23(A)	(i)	Skill Upgrading (e.g., seminars, school)	1	2	3	4	5	6
	(ii)	Business Planning and Documentation	1	2	3	4	5	6
	(iii)	Professionalism/Credibility (e.g., license, etc.)	1	2	3	4	5	6
	(iv)	Use of Newest Technology	1	2	3	4	5	6
	(v)	Serve Special Geographic Market (e.g., local community, urban area)	1	2	3	4	5	6

	(vi)	Serve Special Group of Customer/Clients (e.g., the aged, children, women, tourists)	1	2	3	4	5	6
	(vii)	Development of Your Business Networks	1	2	3	4	5	6
23(B)	(i)	Minimize Business Overhead Cost	1	2	3	4	5	6
	(ii)	Minimize Advertising Cost	1	2	3	4	5	6
	(iii)	Minimize Transportation Cost	1	2	3	4	5	6
	(iv)	Minimize Research and Development Cost	1	2	3	4	5	6
	(v)	Access to Raw Materials	1	2	3	4	5	6
	(vi)	Accurate Forecasting of Business Trends	1	2	3	4	5	6
23(C)	(i)	Offer a Better Quality Product/Services	1	2	3	4	5	6
	(ii)	Competitive Pricing of Product/Service	1	2	3	4	5	6
	(iii)	Offer New or Different Kind of Product/Service	1	2	3	4	5	6
	(iv)	Use of Unique Design/Brand Name for Product	1	2	3	4	5	6
	(v)	Offer Special Customer Services	1	2	3	4	5	6
	(vi)	Direct Sale to Customers/Clients	1	2	3	4	5	6
	(vii)	Use Unique Distribution Technique	1	2	3	4	5	6
	(viii)	Marketing through a Co-op Organization	1	2	3	4	5	6
	(ix)	E-commerce (Internet Marketing)	1	2	3	4	5	6

(24) (i) Do you intend to change your current marketing strategies? (circle one)

- (a) Yes
- (b) No

(24) (ii) If YES, how will you change your marketing strategies?

.....  
 .....  
 .....

(25) What are the **three (3)** most important methods of advertising that you use in **all** of your home-based businesses? Please circle the three that are most important to your business(es).

- (a) I don't advertise or promote my business at all
- (b) Business directory/register
- (c) Internet (web site)
- (d) Media (newspapers, flyers, newsletters, radio, TV)
- (e) Brochures
- (f) Business Cards
- (g) Trade shows, festivals or exhibition
- (h) Word of mouth or customer referrals
- (i) Bill boards (sign/s on property)
- (j) Telephone Directory
- (k) Others: .....

(26) Which of the following best describes the future you see for your business(es)? (circle one)

- (a) Staying about the same size or volume
- (b) Increasing the size or volume
- (c) Decreasing the size or volume
- (d) Not applicable

(27) What do you consider to be the **three (3)** most important constraints or limitations to the growth and viability of your home-based business(es)? Please list them in order of the principal limitation (1<sup>st</sup>) to the least (3<sup>rd</sup>).

1<sup>st</sup> .....  
2<sup>nd</sup> .....  
3<sup>rd</sup> .....

(28) (i) How satisfied are you in working from your home?

- (a) Very satisfied
- (b) Satisfied
- (c) Dissatisfied
- (d) Very dissatisfied
- (e) Not sure

(28) (ii) Any comments on your answer in question #28 (i)?

.....  
.....  
.....

**PART IV: We will like to find out a little bit more about the relationship you and your business may have with your local community.**

(29) In your opinion, how does your home-based business(es) affect other businesses located in your area? (circle one)

- (a) In a positive way
- (b) In a negative way
- (c) No effect
- (d) Not sure

**Comment:** .....  
.....  
.....

(30) Are you aware of any other businesses in your market that provide a product similar to yours?

- |  |         |        |
|--|---------|--------|
| (i) Commercial Businesses ( <b>circle one</b> )        | (a) Yes | (b) No |
| (ii) Other Home-Based Businesses ( <b>circle one</b> ) | (a) Yes | (b) No |

(31) If YES to #30, do you view these other businesses as your competitors? (circle one)

- (a) Yes
- (b) No

(32) (i) Are you a member of any business organization or association? (circle one)

- (a) Yes
- (b) No

(32) (ii) If YES, specify: .....  
If No, please go to #34.

(33) What benefits does your home-based business(es) receive from your business association/organization?

.....  
.....

(34) (i) Are you aware of any community economic development (CED) or regional economic development (RED) organization/agency in your local community? (circle one)

- (a) Yes
- (b) No

(34) (ii) If YES, please provide the names of these CED/RED organizations/agencies.

.....

(35) How beneficial are these CED/RED organizations to your business(es)?

- (a) Very beneficial
- (b) Somewhat beneficial
- (c) Does not make a difference

(36) (i) Have you played any formal role in any local or regional economic development organization within the past **five (5)** years?

- (a) Yes
- (b) No

(36) (ii) If YES, what role(s) have you played?

.....  
.....

(37) What is it about your local community that either **encourages** or **hinders** home-based businesses such as yours?

**Encouraging Factors:** .....

.....

**Hindering Factors:** .....

.....

**PART V: Finally, I have a few additional questions about your household characteristics. This information will be used for classification purposes only. Like all the other information you've provided, this will also be kept strictly confidential.**

(38) Please indicate your gender. (circle)

- (a) Male
- (b) Female



(39) Which of the following is your age group?

- (a) Younger than 18 years
- (b) 18 – 24 years
- (c) 25 – 34 years
- (d) 35 – 44 years
- (e) 45 – 54 years
- (f) 55 – 64 years
- (g) 65 years or older

(40) (i) What is your current marital status? (circle one)

- (a) Married or equivalent
- (b) Single, divorced or widowed (**go to #41**)

(40) (ii) Does your spouse or partner work outside of the home? (circle one)

- (a) Yes
- (b) No

(40) (iii) If YES, what is the nature of his/her job?

**Spouse's Occupation**

- (a) Part-Time .....
- (b) Full Time .....

(41) How many children currently live in your household? ..... (number)

(42) What is the highest level of formal education you have attained? (circle one)

- (a) Grade school
- (b) High School
- (c) Technical/Vocational School
- (d) Some college or university education
- (e) Bachelor's degree
- (f) Graduate school
- (g) Other: .....

(43) Which one of the following categories best describes your gross average household income in 2000? (circle one)

- (a) Less than \$10, 000
- (b) \$10,000 to \$19,999
- (c) \$20,000 to \$29,999
- (d) \$30,000 to \$39,999
- (e) \$40,000 to \$49, 000
- (f) \$50,000 to \$59,999
- (g) \$60,000 to \$69,999
- (h) \$70,000 to \$79,000
- (i) \$80,000 to \$89,999
- (j) \$90,000 and More

(44) What percentage of your gross annual household income in 2000 (before taxes) was from **all** of your home-based businesses?

..... (%)

(45) What type of home do you live in? (circle one)

- (a) Single detached
- (b) Duplex/semi-detached
- (c) Condominium
- (d) Apartment
- (e) Trailer
- (f) Other: .....

(46) Which part of your home do you use for your business(es)? (Circle **all** that apply to your businesses)

- (a) Living room
- (b) Bed room
- (c) Kitchen
- (d) Basement
- (e) Enclosed Office
- (f) Garage
- (g) Backyard
- (h) Others: .....

(47) Do you own or rent your home? (circle one)

- (a) Own
- (b) Rent
- (c) Other: .....

**METHOD OF DATA COLLECTION (SAMPLING)**

Since it is difficult to come up with a complete list of home-based businesses (HBBs), the sample for this survey is being created by using a “snowball” technique. This means I need you to provide me with names and contact information of other HBBs that you might be aware of. If you know of other HBB operators, could you please give me their names and contact information (phone number and/or address) below?

(1) Name of Business/Business Owner: .....  
Telephone Number: .....  
Mailing/Email Address: .....

(2) Name of Business/Business Owner: .....  
Telephone Number: .....  
Mailing/Email Address: .....

(3) Name of Business/Business Owner: .....  
Telephone Number: .....  
Mailing/Email Address: .....

**ORDER FOR FINAL RESULTS OF THE SURVEY**

As a way of acknowledging your support and thanking you for your participation in this study I would like to send you a copy of the summarized version of the study’s results. If you wish to receive a copy of the results of the survey, please check the box below, and provide your name and address in the space provided. You may also attach a copy of your business card to this completed questionnaire.

Name: .....  
Address: .....

**THANK YOU VERY MUCH FOR YOUR TIME AND INFORMATION  
YOU HAVE PROVIDED FOR THIS STUDY**

.....  
MAXWELL

## **APPENDIX C**

Classification of Home-Based Businesses  
Using the 2001 National Occupation Classification

**CLASSIFICATION OF HOMEBASED BUSINESSES USING  
THE NATIONAL OCCUPATION CLASSIFICATION (NOC) 2001**

#	CLASSIFICATION	OCCUPATION	NOC Code
1	<b>Accommodation, Recreation &amp; Entertainment</b>	Entertainment Services	
		Accommodation Services Managers/Operators	0632
		Restaurants & Food Services Managers/Operators	0631
		Recreation Services	0513
		Tour & Travel Guides	6441
		Bed & Breakfast Operators	
		Guest Ranch Owners	
		Holiday Farm Owners	
		Stable Operators	
2	<b>Agriculture &amp; Resources</b>	Farmers & Farm Managers	8255
		Nursery & Greenhouse Operators	8251
		Landscaping & Ground Maintenance	8254
		Logging & Forestry (e.g., tree cutting)	8255
		Aquaculture Managers	8616
		Greenhouse Mangers, Breeding Dogs	8257
		Herbs Cultivators, Horticulture	
		Firewood Harvesters	
		Vegetable Packaging	
3	<b>Artists and Craftspersons</b> Professionals(513):  Technical/Skilled (524):	Painters	5136
		Sculptors	5136
		Other Visual Artists	5136
		Craftspersons, Potters, Weavers	5244
		Ceramics	5244
		Artisans, Carvers, Leather Work	5344
		Floral Arrangers	5244
4	<b>Business &amp; Administrative Services</b>	Bookkeepers	121-124
		Secretaries	1231
		Insurance Adjusters,	1241
		Administrative Officers/Services	1233
		Conference and Event Planners	1221
		Loan Officers	1226
		Desktop Publishing	1232
		Personnel & Recruitment Officers	1423
		Property Administrators/Managers	1223
		Storekeepers	1224
		Couriers	1472
		Business Enterprises	1463

5	<b>Construction &amp; Trades</b>	Contractors Computer Services Excavating Contractors Electricians Electronic Technologists Plumbers Sprinkler System Installers Blacksmiths Carpenters Cabinetmakers Bricklayers Drywall Installers/Plasterers Roofers and Decorators Refrigeration and Air Conditioning Motor Vehicle Body Repairers Mechanics (general) Metal Works Upholsterers Tailors & Dressmakers Shoe Repairers & Shoemakers Jewellers Printing Press Operators Handyman Services	721-762 721 2242 7217 7241 2241 7251 7252 7266 7271 7272 7281 7284 7295 7313 7322 733 7261 7341 7342 7343 7343 7381
6	<b>Graphic Designers</b>	Photographers Graphic Arts Interior Designers Embroidery Designers Music Editors/Recording Studio Cartoonists Advertising Designers Graphic Designers Patternmakers (e.g., textile)	522-524 5221 5223 5242 5243 5225 5241 5241 5242 5245
7	<b>Health Services</b>	Professionals Chiropractors Veterinarians Dentists Technical/Skilled Reflexologists, Acupuncture Massage Therapists Practitioners of Natural Healing Midwives Assistants Nurses Nurse Aides	3122 3114 3113 3232 3235 3232 3232 3233 3413

8	<b>Manufacturing &amp; Processing</b>	Good Production, e.g., books, magazines Food & Beverage Processing Textile Manufacturing Brewers/Meat Grinders Seed Cleaning/Grain Millers Plucking & Eviscerating services Honey Processing	0016 9461 9441 9461 9461
9	<b>Multi-Level Marketing</b>	Mannatech Ambrotek International Mary Key	
10	<b>Personal Services</b>	Salon Operators Beauticians Hairstylists & Barbers Childcare/Daycare Providers Home Support Workers Homemakers/Homecare Housekeepers Babysitters & Nannies Parent's Helpers Beauty Product Consultants Image/Other Personal Consultants Estheticians & Electrologists Pet Groomers & Animal Care Other Personal Services	6271 6482 6271 6474 647 6471 6471 6474 6474 6623 6481 6482 6483 6484
11	<b>Professional Services</b>	Accounting Advertising Specialists Architects Associates Business Development Officers Chiropractor Consultants and Researchers Computer Training Instructors Training Officers Employment Counsellors Family, Child, etc. Therapists Web Designers and Developers Marketing Consultants Lawyers Human Resource Writers and Authors Editors Translators/Interpreters Public Speaking Veterinary Services	111-112 1111 1122 2151 1112 4163 3122 416 4131 4131 4213 4153 2172 4163 4112 1121 5121 5122 5125

<b>12</b>	<b>Retail Trade</b>	Cosmetics Sales (e.g., Anon Distributer)	6421
		Venders	6421
		Watkins Distributors	6623
		Tupperware Distributors	
		Utencils/Housewares	
		Other Products	
<b>13</b>	<b>Sales and Services</b> (e.g., sales & services of overhead doors, auto parts)	Hiring Agents	621-668
		Insurance Agents & Brokers	6231
		Real Estate Agents	6232
		Retail & Wholesale Buyers	6233
		Technical Sales Specialists	6221
		Rental Services	
		Sales Representatives/Agents	6411
		Retail Salespersons	6421
		Hotel Front Desk Clerks	6435
		Bartenders	6452
		Chefs	6241
		Caterer/Cook	6242
		Butchers & Meat Cutters	6251
Bakers	6252		
<b>14</b>	<b>Transportation Services</b>	Trucking	
		Hauling (e.g., grains, gravels)	
		Car Rentals	
		Movers (e.g., building)	
<b>15</b>	<b>Wholesale Trade</b>	Clothing	6411
		Food & Beverage	
		Other Products	
<b>16</b>	<b>Cleaning Services</b>	Light Duty Cleaners	666
		Furnace Cleaners	6661
		Septic Tank	6662
		Carpet Cleaners	6662
		Window Cleaners	6662
		Janitors & Caretakers	6663



## **APPENDIX D**

### Reliability Test for Competitive Strategies Used by HBBs

## Reliability Test for Competitive Strategy Used by HBBs

### Entire 22-Item Business Strategies

\*\*\*\*\* Method 1 (space saver) was used for this analysis \*\*\*\*\*

R E L I A B I L I T Y   A N A L Y S I S   -   S C A L E   ( A L P H A \* )

1.	SKILLUPG	Q23(A1)	Skill Upgrading
2.	PLANDOC	Q23(A2)	Business Planning and Documentation
3.	PROFLISM	Q23(A3)	Professionalism/Credibility
4.	NEWSTECH	Q23(A4)	Use Newest-Technology
5.	SPECLMKT	Q23(A5)	Serve Special Geographic Market
6.	SPECLGRP	Q23(A6)	Serve Special Group of Clients
7.	BUSNETWK	Q23(A7)	Development of Business Networks
8.	OVERHEAD	Q23(B1)	Minimize Overhead Cost
9.	ADCOST	Q23(B2)	Minimize Advertising Cost
10.	TRANCOST	Q23(B3)	Minimize Transportation Cost
11.	RDCOST	Q23(B4)	Minimize R&D Cost
12.	RAWMAT	Q23(B5)	Access to Raw Materials
13.	FORECAST	Q23(B6)	Accurate Forecasting of Business Trends
14.	QUALITY	Q23(C1)	Offer Better Quality of Product/Service
15.	PRICING	Q23(C2)	Competitive Pricing of Product/Service
16.	DIFFPROD	Q23(C3)	Offer New/Different Kind of Product/Serv.
17.	DESIGN	Q23(C4)	Use Unique Design/Brand Name for Product
18.	SPECLSEV	Q23(C5)	Offer Special Customer Service
19.	DIRETSAL	Q23(C6)	Direct Sales to Customers/Clients
20.	UNIQDIST	Q23(C7)	Use Unique Distribution Technique
21.	COOPMKT	Q23(C8)	Marketing through Co-op Organization
22.	ECOMERCE	Q23(C9)	E-commerce (Internet Marketing)

Reliability Coefficients

N of Cases = 97.0,            N of Items = 22,            **Alpha = 0.8183 (82%)**

---

### (I) Cost Leadership

\*\*\*\*\* Method 1 (space saver) was used for this analysis \*\*\*\*\*

R E L I A B I L I T Y   A N A L Y S I S   -   S C A L E   ( A L P H A \* )

1.	NEWSTECH	Q23(A4)	Use Newest-Technology
2.	OVERHEAD	Q23(B1)	Minimize Overhead Cost
3.	ADCOST	Q23(B2)	Minimize Advertising Cost
4.	TRANCOST	Q23(B3)	Minimize Transportation Cost
5.	RDCOST	Q23(B4)	Minimize R&D Cost
6.	RAWMAT	Q23(B5)	Access to Raw Materials
7.	FORECAST	Q23(B6)	Accurate Forecasting of Business Trends

Reliability Coefficients

N of Cases = 102.0            N of Items = 7            **Alpha = 0.7143 (71%)**

## (II) Differentiation

\*\*\*\*\* Method 1 (space saver) was used for this analysis \*\*\*\*\*

### RELIABILITY ANALYSIS - SCALE (ALPHA\*)

1.	QUALITY	Q23(C1)	Offer Better Quality of Product/Service
2.	PRICING	Q23(C2)	Competitive Pricing of Product/Service
3.	DIFFPROD	Q23(C3)	Offer New/Different Kind of Product/Serv.
4.	DESIGN	Q23(C4)	Use Unique Design/Brand Name for Product
5.	SPECLSEV	Q23(C5)	Offer Special Customer Service
6.	DIRETSAL	Q23(C6)	Direct Sales to Customers/Clients
7.	UNIQDIST	Q23(C7)	Use Unique Distribution Technique
8.	COOPMKT	Q23(C8)	Marketing through Co-op Organization
9.	ECOMERCE	Q23(C9)	E-commerce (Internet Marketing)

Reliability Coefficients

N of Cases = 105.0      N of Items = 9      **Alpha = 0.7455 (75%)**

---

## (III) Focus

\*\*\*\*\* Method 1 (space saver) was used for this analysis \*\*\*\*\*

### RELIABILITY ANALYSIS - SCALE (ALPHA\*)

1.	SPECLMKT	Q23(A5)	Serve Special Geographic Market
2.	SPECLGRP	Q23(A6)	Serve Special Group of Clients
3.	ECOMERCE	Q23(C9)	E-commerce (Internet Marketing)
4.	DIFFPROD	Q23(C3)	Offer New/Different Kind of Product/Serv.
5.	SKILLUPG	Q23(A1)	Skill Upgrading
6.	PLANDOC	Q23(A2)	Business Planning and Documentation
7.	PROFLISM	Q23(A3)	Professionalism/Credibility
8.	BUSNETWK	Q23(A7)	Development of Business Networks

Reliability Coefficients

N of Cases = 102.0      N of Items = 8      **Alpha = 0.6255 (63%)**

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\* **Note:** The Alpha (Cronbach) Model is used to test internal consistency, based on the average inter-item correlation.

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