

# Double-tier Business Networking in Rural and Urban Regions

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*Rural regions are undergoing many changes, including the field of employment, entrepreneurship development and the growth of small businesses. In many cases business owners in rural areas far from large cities face challenges such as customer shortage, seasonality, lack of professional workers and, therefore, unrealized growth potential. Consequently, the rate of development and success of these businesses is relatively small compared to similar businesses in urban areas. Business networking is one way for business owners in rural areas to cope these challenges. This paper is based on an Israeli study, comparing small businesses in rural areas and similar small businesses in large cities, examining the business networking characteristics in rural areas and their impact on the development potential of these small businesses. We present both quantitative findings and results from in-depth interviews conducted with entrepreneurs in rural areas. The findings clarify the rationale leading entrepreneurs in rural areas to set up small businesses and develop new and different business networks including local and external collaborations, thus promoting the growth potential of their businesses and the rural areas in general.*

**Keywords:** Rural; Farm; Entrepreneur; Small Business; Double-tier; Networking; Local Development

For three decades far-reaching changes have been taking place in rural areas in many countries around the world, mostly expressed in technological and structural changes in agriculture. Business corporations have identified the profit potential inherent in agriculture and have centralized development, growth and marketing processes accompanying the agriculture industry (Busch, 2010; Carolan, 2013; Preibisch, 2012). These processes have promoted changes such as professional specialization, activity in the model of agricultural farms operating in large areas, and a reduction in the number of employees in agriculture (Lampe et al., 2014; Kline and Moretti, 2014). Thus, places for employment and livelihood began to develop in rural areas that are not based on agriculture, but on new branches that define the rural economy as a diversified economy.

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The changes were at first more pronounced in rural areas adjacent to larger cities, with an incursion of businesses, commerce and utilization of storage space in buildings and agricultural areas (Ben-Dror & Sofer, 2010; Crandall & Weber, 2004; Sofer & Saada, 2016), and occurred at a slower rate in more remote and peripheral rural locales. Initially, there was a reduction of agricultural activity and a decrease in the number of farmers (Long and Woods, 2011; Hoggart et al., 2014) which perhaps led to the establishment of small businesses in the field of rural accommodation and tourism, and industries based on agriculture (Greenberg, 2013; Schnell et al., 2015; Sofer, 2004). These businesses promote economic growth and help understand the mechanisms of creating value as linked to business activities that enable continuity within rural places (Bosworth & Turner, 2018). In recent years, the growth phenomenon of these small family businesses has been expanding, employing anywhere from one part-time to five full-time employees, as have new commercial endeavors not at all related to the traditional connection to agriculture. Until the 1980s, the rural communities in Israel were organized into cooperative agricultural associations, which were the main organizing body in everything related to production, purchasing and marketing in agriculture (Sofer and Applebaum, 2008). The cooperative gave the private farmer an organizational and economic umbrella in purchasing equipment and supplies and in the marketing of agricultural produce. Since the cooperative association also owned some of the land, it could offer backing and economic security to its members. In fact, the cooperative association was often the impetus for entrepreneurial and visionary economic development in the community.

Since the 1990s, the State of Israel has undergone accelerated privatization processes; some argue that this was one of the reasons for the great economic crisis in agriculture in those years. One result of that crisis was a reduction in the number of people engaged in agriculture, and the growth of private, non-agricultural businesses. These new businesses are privately owned and not at all affiliated with the cooperative agricultural associations. The farmer, once a shareholder in the joint cooperative economic association, reduced his share of activity in favor of increased private economic activity in the new businesses that sprouted on his farmland (Sofer and Saada, 2016).

The unique characteristics of the rural community, such as its distance from large cities and industrial and commercial centers and even the distance from one village to another, together with the small number and poor quality of roads, all pose challenges for entrepreneurs and small business owners in these areas to reach profitability and justify the investment made (Adams & Funk; 2012; McLaughlin, et al., 2012; Lewis & Humbert, 2010). Thus, entrepreneurs face several obstacles: a relatively small number of customers, difficulty in finding and hiring professional employees and difficulty and expense in bringing in experts to solve professional problems (due to lack of professional expertise in these areas). Small businesses operating in rural areas contribute to the local population by expanding opportuni-

ties for livelihood, reducing unemployment and increasing local capital by selling products and services produced in the rural area to those who reside elsewhere. Gaddefors et al. (2020) explored the meaning of rural cultural fences of those living in rural areas, citing ‘exaptation’ and maintaining that people raised in these communities will have difficulty at a cognitive level imagining and implementing new uses for properties and assets traditionally utilized in a different manner. The authors suggested that regional entrepreneurs must value the importance of exaptation as a source of innovation.

The findings of this study show a trend toward developing a new business model characterized as a double-tier networking model in rural areas far from large cities. This article presents research findings about the characteristics of small businesses in rural areas far from large cities, the extent of their business networking and the impact of this networking on growth potential. First, we shall review the characteristics of development and change that have taken place in rural areas around the world and in Israel and examine the factors that promote business collaborations and networking activity in business and commercial endeavors in rural areas. We shall touch upon the benefits that entrepreneurs and small business owners can derive from promoting their business through developing business networks beyond the traditional networking in these areas. The second part of the article will present the research findings showing that some small business entrepreneurs in rural areas operate in regional and national networks, so that their business networking takes place both at the regional and national levels and even at the international level, thus improving their growth potential.

## THEORETICAL BACKGROUND

### *Rural changes in Israel*

The economic crisis of the 1980’s that hit Israel’s agricultural sector was fueled by international trade agreements signed by the State of Israel, after which the markets for agricultural products were opened for import (Gabay and Rob, 2001), water prices rose (Kimhi, 2009) the need for agricultural workers decreased due to technological innovations (Heilburn, 2010; Sofer and Applebaum, 2008) and high inflation led to increased farmers’ debt to banks. Since then, the rural area has undergone far-reaching changes reflected in the streamlining of agriculture, reduction in the number of people employed in agriculture, increased use of mechanization and computing, and the development of new durable and resistant crops and strains, high in quality and yield. This turn of events has led to a reduction in agriculture’s share of the rural family’s livelihood, to a shift from farm economy to a diversified economy based on a variety of sources of revenue, and a weakening of the status and influence of agricultural cooperatives as central to income and the economy.

In agricultural communities adjacent to large cities, the transition from agricultural to diversified farms (i.e. the entrepreneurial use of farm resources for a non-agricultural commercial gain purposes) began as early as the first half of the 1980s. This resulted in a reduction of land for agricultural use and the entry of urban businesses - such as small-scale trade and storage - into buildings that had previously been used for agricultural purposes and were now used for commerce (Sherman and Keidar, 1993; Sofer, 2004). The transition to agriculturally-diverse farms in remote rural localities at first played out in the development of rural accommodations, hospitality and tourism, and then in business initiatives based on individual services and industrial processing of agricultural crops (Greenberg, 2012; Schnell et al., 2015).

### *Small business characteristics*

Small businesses influence economic development by increasing the number of jobs as well as increasing income at the household, local and even regional levels. Studies examining economic trends in large number of countries have shown a link between the growth of free market attributes and the development of small businesses in countries where these businesses operate (Smallbone and Welter, 2001; Ritchi, 2009; Greckhamer, 2016).

The definition of the term “small business” does little to specify group size. In Israel small businesses are commonly divided into three categories: very small, small and medium-sized. The lack of uniformity in classification makes it difficult to gather information on the three types of businesses, in order to analyze the problems and barriers they face. The Israeli Agency of Small and Medium-Sized Businesses identifies two components that define and categorize them: the number of employees and the level of revenue. A very-small business (micro enterprise) is defined as one that employs up to four people and has a sales turnover of up to NIS 1 million. A small business has between five and twenty employees and its sales turnover is up to twenty million NIS, while a medium-sized business can employ from eleven to one hundred people and have a sales turnover of up to one hundred million NIS (Ben Aharon, 2018).

Functionally, these businesses are characterized by little bureaucracy, flexibility in the employees’ job definitions, mobility and rapid growth which allow them to respond quickly to changes in business and new business opportunities. Many are the consequence of entrepreneurial thinking and professional training of the business owner - the entrepreneur, who often raises the initial capital to start a business from family or friends. Their business success is measured on three levels: survivability - their ability to continue operating over the years, production, and sales - increase in profits and growth in the number of employees. The last is the measure most commonly used to assess the growth of small businesses (Henrekson and Johansson, 2010; Haltiwanger et al. 2013; Coad et al. 2014; Baù et al. 2018) and was found suitable as a measure of business growth in this study as well.

The contribution of small businesses to the economy is reflected in the number of people they employ, in their contribution to income at the local and regional level and in some, their export activity. A survey conducted in Israel in 2013 found that 77% of workers in the business sector are employed in small businesses (Ben-Aharon, 2018). Distribution of businesses by region shows that 73% (405,795) of small businesses in Israel in 2016 were in the central region, and only 27% (148,241) in the peripheral regions (Ben Aharon, 2018). Israel is ranked as one of the best performing among OECD countries in establishing small businesses and their impact on the economy, especially in the field of services. Around 2015, 15% of small businesses in Israel were involved in export activity and half were engaged in some type of innovation (OECD, 2016).

A study that focused on comparing small businesses with large businesses and the impact of small businesses on economic activity found that the economic activity of small businesses in remote areas exceeds that of small businesses in urban areas. One reason is the tendency of large businesses to concentrate on cities and population centers where resources of capital, knowledge, competition and partnerships are located. Also, small businesses affect the economy to a greater extent than large businesses (Fingleton et al., 2017).

### *The effect of collaborations and business networking on small businesses*

Activity networks are defined as a web of connections and collaborations that promote partnerships in knowledge, experience and resources, for the purpose of business development and increasing business and economic activity. The activity in these networks is based on collaboration between individuals whereby personal knowledge becomes social capital that can advance others active in the network while addressing the interests of other partners. The principle is that all participants benefit from the joint efforts that occur in the business network activity.

The term “embeddedness”, or the different term “networking” in the case of businesses, describes the number of contacts that each participant has and the number of alliances between him/her and the other businesses in the network. Polanyi (1957) described business networking as a partnership between people who have identical interests in the business field, who produce a dynamic system of social relations between elements with a variety of needs. Thus, the social relationships between those operating within the business network affect their motivation to develop business and economic collaborations (Dosi, & Malerba, 1996; Uzzi, 1996).

Many businesses and entrepreneurs operate in the business networks, and their activity has been increasing in recent years. For example, there are working groups that hold regular meetings for the purpose of acquaintance and mutual exposure and promotion of partnerships based on these contacts. Joining the activity in each of the business networks is done by personally contacting one or a several of the businesses active in the network. This allows the business to become a partner in extending the activity of the network itself, to expose oneself to the other partners

in the network and be exposed to them. Business networking promotes the business activity of network partners by strengthening collaborations that make it possible to overcome the distance between the business and other stakeholders, as well as shorten the process of building partnerships, reduce marketing and sales costs, and rapidly disseminate ideas, products and innovative thinking (Casciaro & Piskorski, 2005; Gulati & Sytch, 2007; Noordhoff et al., 2011). According to Taylor (2010) and Hashai & Buckley (2014), the greater a business's cooperation, the more it is exposed to a larger consumer audience, thus promoting its growth potential. As for business networking activity on the internet's social networks, the more entrepreneurs are immersed in business networking and connected to other business owners, the more they are exposed to knowledge, which can help them significantly profit in the professional marketing and economic fields (Le Breton-Miller and Miller, 2009; Gao et al., 2008; Özen et al., 2016; Buckley, 2012).

Studies that focused on examining business networking in areas far from large cities suggest that networking can help business owners face the challenges that characterize remote areas, such as lack of professional experts and business services, lack of customers and the high sales costs due to long distances. Business networking can affect productivity and production and contribute to increased sales. In addition, business networking helps locate stakeholders and investors who can contribute to the growth potential of the business (Foreman-Peck & Nicholls, 2013).

A comparison between urban and rural areas shows that business networking activity in rural areas is limited in scope and in the number of participating businesses (Bennett et al., 2001; Pallares-Barbera et al., 2004). Networks in rural areas are characterized by activity on the community and regional levels, are based on long-term acquaintances, emphasizing interpersonal relationships and personal closeness rather than professional and business activity (Hinrichs, 2000; Kalantaridis & Bika, 2006).

Furthermore, other studies on business networking of rural businesses in Israel found that the role of community residents and close and distant family members in these businesses is more significant than the role of external elements (Schnell et al., 1999; Schnell et al., 2015; Heilbrunn et al., 2014).

### *Migration from city to village*

In recent decades, alongside accelerated urbanization processes, there has been a reverse movement of migration from the city to the village. Among the migrants are young families who choose the rural area for its quality of life, proximity to nature and desire to live in a small and intimate community. Ingelhaert (1990) noted that due to influence of the post-modern characteristics, people are also driven by post-materialistic values such as self-expression and realization, subjective well-being and quality of life. Spain (1993) noted the need for middle-to-upper-class people in white-collar occupations to find a home in the village that meets their needs for raising children in a protected, calm, and safe environment away from the crowded

and noisy city with all its risks. Karsten (2007) reinforced this claim and argued that most middle-class people are willing to pay the price of a long-distance commuting to workplace in exchange for living in a more relaxed environment suitable to raising children.

Ailey (2018) maintained that this phenomenon of people choosing to move from the city to the village with no intent of working in agriculture, also exists in Israel. This migration developed mainly because of the 'expansion neighborhoods' in the moshav and kibbutz villages that allowed a non-agricultural population to move to what had previously been a rural farming area. Greenberg (2012), who examined the occupational characteristics of these new migrants to rural localities, found that most have a higher number of education years than local residents, have training and jobs that would typically be described as 'urban', and engage in services, sales and free professions. We assume that this population will have an impact on the development of very small and small businesses in the rural areas.

## HYPOTHESES AND METHODOLOGY

Our assumption is that businesses characterized by a contemporary business orientation, also operate in non-local networks in order to promote current and future business growth. From this, five hypotheses were drawn and examined regarding the effect of networking on the growth of small businesses in rural and urban areas:

- The rate of business growth in rural areas is lower than in urban areas.
- In rural areas the proportion of customers who are geographically close to a business is greater than in urban areas.
- The dependence of business growth on proximity to customers is higher in urban areas than in rural areas where the population is more geographically dispersed.
- The dependence of business growth on collaborations with other businesses is higher in rural than in urban areas.
- Business growth is more dependent on the spouse's support in rural areas than in urban areas.

This study combines quantitative and qualitative research methods and is based on the research approach that quantitative data contribute to an understanding of the dimensions of the phenomenon and the correlations between the different variables affecting this phenomenon. In-depth interviews conducted in the study allow researchers to reach a more profound understanding of the topic as well as the thoughts and reasoning of respondents relating to their activity in the context of the issue under study (Bryman, 2006; Ivankova et al., 2006).

The quantitative questionnaire was developed by this study's researchers, and four researchers whose field of expertise is small business and entrepreneurship research

were involved in drafting the questionnaire. The questionnaire was validated in a pilot study of seventeen respondents, after which the necessary corrections to the questionnaire were made. The full sample included 616 respondents (see Table 1), of which 157 were entrepreneurs whose businesses are in rural locales in Israel's eastern Upper Galilee and in the Golan Heights far from large cities. The other 459 are urban entrepreneurs, small business owners in Tel Aviv and the surrounding cities. Those who conducted the surveys underwent training whose objectives were to become familiar with the conditions in the rural areas and their unique characteristics and to understand the questionnaire and its objectives. The dependent variables in the questionnaire relate to future business growth and, especially, to increase in the number of employees. Other variables used in the analysis were also included in the survey, such as business owner's demographic and socio-economic characteristics and the characteristics of the business and its environment.

For a more extensive understanding of the development characteristics of small businesses in rural areas today, in-depth interviews were conducted with 15 of the entrepreneurs in the remote areas. These entrepreneurs were randomly selected from among those who answered the quantitative questionnaire. About one-third were engaged in agricultural professions and agriculture-related occupations that represent the traditional business of the rural area, and two-thirds in professions and occupations defined as unrelated to agriculture or the traditional aspect of farming and rural life. Half the respondents were women.

## FINDINGS

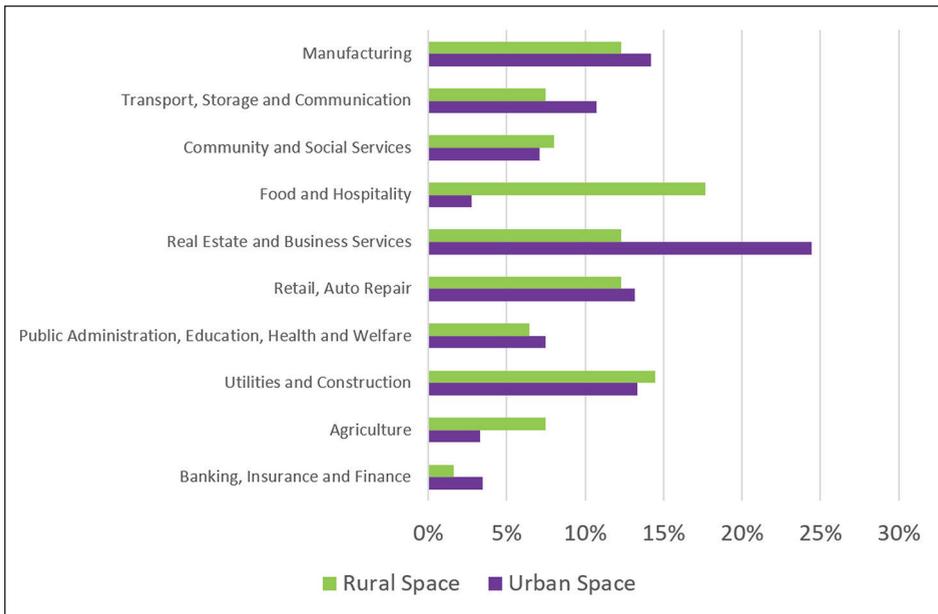
This section presents the research findings regarding the characteristics of small businesses by sectors as well as those of their business networking.

### *Findings of quantitative analysis - survey of small businesses*

An examination of the data in Figure 1 shows that the proportion of small businesses in traditional industries such as agriculture, hospitality and food and social services, is higher in rural than in urban areas and accounts for about 30% of all businesses in rural areas. Still, there are new types of businesses in the rural areas that can be labeled 'non-traditional' for these areas: industry, transportation, storage and communication, real estate and commerce. The majority of non-agricultural or farm-oriented business owners is low compared to business owners whose businesses are closely related to agriculture. The data shows that the gap as of type of business sector between urban and rural areas varies by sectors while food and hospitality is much more common in rural areas and real estate and business services are more common in the urban space. It should be noted that the distribution of business

types in the sample is very close to the general distribution of business types in the northern [rural] and central [urban] districts according to Israel's Central Bureau of Statistics data (CBS, 2014). Exceptions are the manufacturing industry and the auto sales and repair business in the northern and southern districts which are rural. The percentage of businesses in the manufacturing industry in the sample is 12%, while only 6% overall according to the CBS. In the auto sales and repair business the percentage in the sample is 12%, while the overall percentage of these businesses according to CBS data is 20%. The data shows that the growth rate of businesses in rural areas is 10% lower than in urban areas. Accordingly, the first hypothesis can be confirmed.

**Figure 1:** Distribution of sampled small businesses - rural versus urban space by business type of business (% type of business out of all businesses in the urban and rural areas)



Rural area businesses are generally younger (15 years) than urban businesses (17.8). Proximity to customers in rural area businesses is significantly greater than in urban area businesses (37.6% vs. 11.8%). This finding indicates that the businesses are focused on commerce vis-à-vis the local population. Relying on a target audience limited in scope affects the future growth potential of small businesses in rural areas. Thus, the second hypothesis, that the proportion of customers in geographical proximity to a business is greater in rural than in urban areas, can also be confirmed.

In rural areas, the decision to locate a small business in or near the home of the owner has no effect on the growth of the business, while in urban areas such a decision results in a lower growth rate (Table 2). Table 2 also shows that the proximity of customers to the business has a negative effect on its growth in urban areas, but not in rural areas (0.36 vs. 0.12, respectively). This finding suggests that the characteristics of the rural space - relative isolation, distance between the villages and between the consumers and the business, all affect number of customers who frequent the business, number of business transactions and business growth. Long-distance marketing and distribution activity have a positive effect on business growth. These data confirm the third hypothesis that the dependence of business growth on proximity to customers is higher in urban areas than in rural areas.

**Table 1:** Differences between sampled businesses in urban vs. rural areas

Variable	Total sample	Rural areas	Urban areas	t-statistic of difference between areas
Business age (years)	17.1 (13)	15.0 (12)	17.8 (13)	2.25-**
Proximity to customers - more than 60% close to the business	18.4% (39%)	37.6% (49%)	11.8% (32%)	8.37***
Annual growth rate of the business (%)	16.1% (51%)	9.9% (31%)	18.2% (56%)	1.87-**
Collaboration with other businesses when business was founded	31.2% (46%)	31.8% (47%)	30.9% (46%)	0.78
Collaboration with other businesses today	49.6% (50%)	56.7% (50%)	47.1% (50%)	2.04**
N	617	158	459	

Note: Standard deviations in parentheses. \*\*\* p <0.01, \*\* p <0.05, \* p <0.1

As for business networking, as measured by collaborations with other businesses, no difference was found between the rural and urban areas at the time the business was founded (31% on a national average). However, there was a significant difference in the rate of cooperation today in the rural area (56.7%) compared to businesses in the urban area (47.1%). The high level of partnership between rural business owners and other businesses indicates the performance of the business, as the increase in the number of business partnerships indicates the growth of business activity from the date of its establishment until now. As business production increases there is a greater need for partnerships with other businesses in terms of

suppliers and service providers, and support in the business's production, marketing, and operation processes.

The high rate of cooperation between small businesses in rural areas indicates the importance of interdependence that arises from the distance of these businesses from large population centers, which in turn reduces the availability of services required and the speed of deliveries.

In order to identify the effect of business networking on growth rate, as measured by the number of employees, a regression analysis was performed (Table 2) showing several significant differences between the rural and urban areas.

**Table 2:** Regression analysis of variables affecting business growth (Dependent variable: change in number of employees in the business)

Variable	(1) Full sample	(2) Rural sample	(3) Urban sample
Location of the business in or near home	-0.30*** (0.08)	-0.14 (0.14)	-0.31*** (0.10)
Dependence on proximity to customers: More than 60% of customers close to the business	-0.32*** (0.09)	-0.12 (0.14)	-0.36*** (0.14)
Local and external networking with other businesses (%)	0.23** (0.09)	0.33** (0.15)	0.19* (0.11)
Networking with local and external businesses: Spouse is in the business (%)	0.21** (0.09)	0.34** (0.15)	0.20* (0.11)
Constant	0.52*** (0.08)	0.03 (0.17)	0.63*** (0.10)
No. of observations	617	158	459
R2	0.06	0.14	0.06

Note: Standard deviations in parentheses. \*\*\* p < 0.01, \*\* p < 0.05, \* p < 0.1

The regression analysis shows that business networking with other businesses in the immediate area has a higher positive impact and a higher significance level in rural areas (0.33) than in the urban areas (0.19). Local and external networking with other businesses nurtures entrepreneurial connections and support in dealing with the difficulties and constraints of running a business far from urban centers. Rural entrepreneurs must deal with problems arising in the operational end of their business, with a shortage of available resources required and a shortage of experts, many of whom live in the urban centers. The relationships and support among the entrepreneurs themselves sometimes provide a solution to problems created by the distance from large cities. Accordingly, the fourth hypothesis has been corroborated, that the dependence of business growth on collaborations with other businesses is

higher in rural than in urban areas. Collaborations on the local level give each of the networking partners the confidence that, should they need help with similar products or services or with professional support, these will be available to them more quickly from local associates than from more distant ones.

As for the spouse's cooperation and involvement in the family business, our findings indicate that his/her contribution is higher and more pronounced in the rural areas (0.34) than in the urban areas (0.20). Hence, the survey findings have supported the fifth hypothesis as well. It should be noted that in all regions no significant relationship was found between the contribution of other family members and the growth potential of the business. The findings show that networking develops in the rural business after the founding of the business and continues through its establishment more so than in urban businesses. Still, our findings confirm the positive impact of business networking on business growth.

### *Findings of interviews*

In addition to the questionnaires, fifteen in-depth interviews were conducted with small business owners. Table 3 lists the businesses owned by the interviewees, their gender and age of their business. The interviews emphasized the variety of businesses we found, some of which were what is considered traditional rural area businesses, while others were examples of the newer brand of businesses, unrelated to the traditional rural identity of the area. The interviewees were diverse in age, gender and type of businesses, and together represent the characteristics of small business development in the rural area over the last three decades.

The purpose of the interviews was to obtain answers to the following questions:

- What are the characteristics of operating a business in rural areas today?
- How do small business owners in rural areas cope with dependence on nearby customers?
- What are the characteristics of the local network and what is the effect of the double-tier network?

The interview guide included questions about the characteristics of the business, motivation for starting a business, business collaborations with different types of partners and the areas of cooperation, location of the collaborators (in or outside the area), and impact of collaborations on business activity. In addition, the interviewees were asked about the growth of the business to date and how they perceive future growth.

Some of the interviewees run businesses that are characterized as rural - wine production, cheese production, providing technical services to cattle farmers etc. Other ones, a computer technician, a lawyer, a water engineer, a tour guide and various designers, represent new professions in the rural sector. Examination of the age of business revealed two groups: older businesses with a clear connection to the traditional occupation of agriculture, and younger businesses with a low correlation to the field of agriculture. Analysis of the interviews shows that some entrepreneurs

see growth as increasing revenue, while others define it as an increase in sales and the number of people interested in their services and products. Interviewees maintained that business networking serves as a means toward future business growth and contributes to the increase in the number of people interested in their services and products. Many also noted that activity in these networks contributes to the confidence of the business owner, who can find professional help when needed. The interviews also show that double-tier business networks is practiced, meaning that business owners maintain such networks in the traditional rural-local area and at the same time participate in networks outside the region and in nation-wide professional networks, where they expose their business products and services to another circle of customers. Thanks to this double-tier business networking, sales are growing, boosting the financial security of business owners as well as the potential for business development. In the analysis of the interviews, we identified several issues that describe the meaning and importance of the business network.

**Table 3:** Details of study interviewees

Inter- viewee #	Type of business	Gender	Business owner's age	# of years living in the community	Age of the business (yrs.)
1	Graphic Design	F	40	15	7
2	Winery	M	64	20	9
3	Jewelry design	F	34	7	4
4	Travel Guide	M	33	9	6
5	Water Engineering	M	56	30	11
6	Graphic design and art	F	36	6	5
7	Winery	M	62	28	7
8	Architecture	F	36	7	3
9	Software Solutions	M	42	6	9
10	Lawyer	M	35	7	4
11	Strategic consulting	F	45	12	2
12	Fashion design	F	37	5	5
13	Structural engi- neering	M	34	10	7
14	Organizational consulting	F	54	14	11
15	Landscape design	M	47	8	13

### *Definition of the business network and its advantages*

When asked with whom the business owner collaborates and what are the benefits of these collaborations, interviewee No. 6 answered: "... a personal connection, a personal commitment is formed ... and there is someone to contact. To ask for advice, to send a sketch or a plan, or if there's a problem with a computer program, to ask if someone has a solution. It's sharing knowledge, sharing in processes, in deliberating over decisions." Interviewee No. 1 had similar thoughts: "It's a personal connection ... it's connections at the level of picking up the phone and asking, to find out. It's clear to me that they will help me; it's part of our relationship." Interviewee No. 5 said: "I've put effort into this matter ... and hope that in the end it will also bear fruit and sometimes it will." Interviewee No. 3 said that "... They will always show me something new, new materials, they'll arouse my interest in the innovations in the field. But the emphasis is on business ..."

### *Double-tier business networking: Regional and national*

In analyzing responses to questions concerning characteristics of the business networking activity, we wished to understand who the participants are, where they are located and what is the nature of the networking activity taking place simultaneously on two levels: the local and the extra-regional or national. The local business networking seems to occur daily and is designed to assist small business owners in running the business daily. Interviewee No. 7 used the term "networking" and said that he has a "network" in his area where his needs in receiving materials, spare parts and tools if necessary, even if these are required immediately, can be addressed. He also stated that his wife is engaged in marketing his products outside the region at the national level. Interviewee No. 4, who runs a company that produces events and 'fun days' for business companies, noted: "There is an active network of instructors and suppliers here (where) orders are transferred from one to the other, and in addition I also market on the national level at travel agencies and event production firms." Interviewee No. 3 recounts: "We exhibit together in galleries. It is a collaboration that is connected through good friendship, a lot of collaborative work around marketing and transfer of knowledge in everything related to sales, taxation, invoices, and I recently opened an online store ... this is the activity at the national level. My partners compliment me on everything I present, and through them I reach a new audience that would not otherwise have reached me but is exposed to my work through these collaborations on the internet."

Respondent No. 2 said in this regard: "I also have distribution and marketing networks in the center [of the country]. My wife and I operate these networks, go to exhibitions, introduce ourselves ... Today you can find our wine in restaurants here in our area and also in reputable restaurants in Tel Aviv." Interviewee No. 12, who does fashion design, said: "My online store includes my friends, locals, but also oth-

ers - friends of friends, friends of those who have purchased from me, not from here but from farther away. I also build more on them in my marketing.”

In response to a question about the benefits of marketing activities in the center of the country and in population centers far from the business itself, interviewee No. 10 replied: “Here (in our community) everything is small. There is no growth possibility. Being connected to similar offices in big cities helps me a lot.” Interviewee No. 7 said: “My [online] activity improves the quality of my product. Every visit, every conversation, every consultation leads to another idea, enables progress ...”. In another part of the interview, he says: “Another advantage is the possibility of increasing public exposure to my product, and also the knowledge that I will not get stuck ... if something goes wrong, my friends are backing me. I know that if I turn to them, I will get help.” Interviewee # 11 said: “In these acquaintances and connections with other people it turns out that I put in less effort and it helps me get more offers ... more clients and people come to me.” In another part of the interview she emphasized the impact of business networking on growth potential by saying: “The network activity allows me to take part in big projects that I could not initiate on my own ... The collaboration allows me to deliver a better product, and that affects my future target audience.” Relating to future growth of the business, interviewee No. 5 said: “I did a project for one farmer ... and then he offered me as a planner. My acquaintance with him gave me work for two years. For me this is an example of how my relationships with people in the profession promote me.” An example of the advantage of the economic aspect of double-tier business networking was explained by interviewee No. 8: “... in the center [of the country] I charge them same prices others take in the center ... this is my opportunity to earn like professionals in my field who live in the urban center.” Interviewee No. 3 clarified the significance of economic growth by saying: “The big money comes from the center, that’s where the significant sales are. It was worth investing in ‘getting to the city’.”

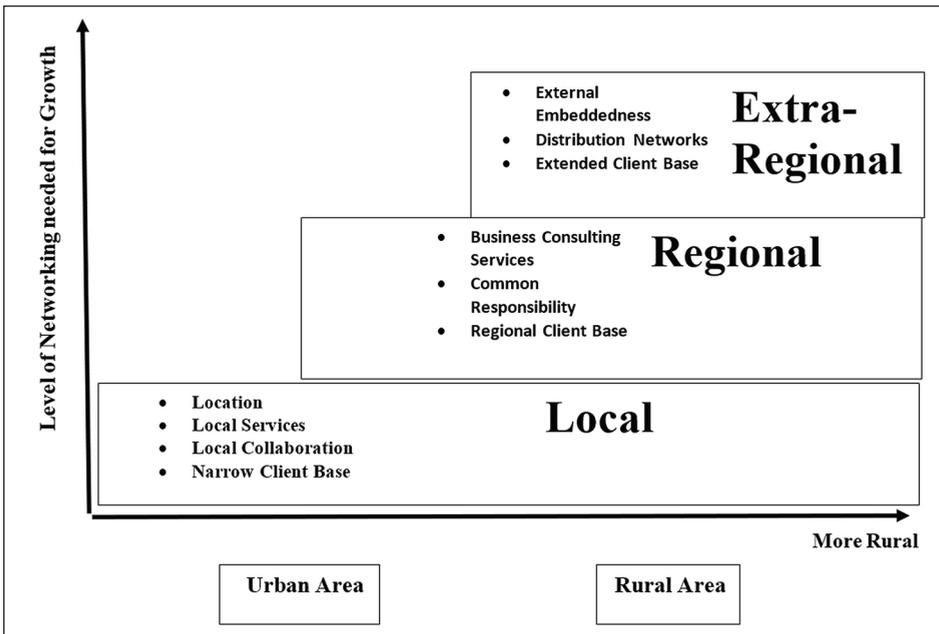
## DISCUSSION AND CONCLUSION

Sources of livelihood in the rural area are changing and today there is a variety of sources of employment and income, some of which have a distinctly urban character. This change is significant for the rural population for whom distance from core areas and large cities can create an arduous commute to work.

The distinction between urban and rural regions provides a control for population density in many countries. In Israel, the population density in urban areas is eight times higher than in rural areas and there are no “ruralpolises” as in South Asia (Qadeer, 2000). Therefore, the binary variable urban/rural in this study substantiates the finding that dependence of business growth on proximity to customers is higher in urban areas than in rural areas.

The growth of new small businesses affects the entire rural area by expanding the supply of existing markets and services in remote areas and increasing the earning capacity and standard of living in those areas, thus contributing to making them attractive to new populations. Rural small businesses contribute to employment and economic security for both the older population and the new population that chooses to live in rural areas while continuing to engage in occupations that are sometimes entirely urban but in a new space. According to Bosworth and Turner (2018), networking provides a mechanism for creating value linked to business activities that enable continuity within rural places. These findings are consistent with those of studies conducted by Sofer and Saada (2016), Sofer (2004), and Schnell et al. (2015), who characterized the rural space as multidimensional in terms of employment, where agriculture and new businesses coexist.

**Figure 2:** Business networking model in rural areas in Israel



The data on the establishment of these businesses show that their development is slower and occurs about two decades later than similar businesses in rural areas close to large cities. These new businesses operate double-tier business networks. Along with the traditional networks based on many years of familiarity with local-regional characteristics (O’Toole and MacGarvey, 2003; Shortall, 2002), entrepreneurs also operate in new business spaces that reach audiences far from the rural areas. The double-tier network promotes small businesses in remote areas and allows entre-

preneurs to deal with the challenges of rural areas: remoteness from markets, small number of customers in the immediate area and lack of local experts who can provide professional services. Our findings reinforce Gaddefors et al.'s (2020) findings that rural regional entrepreneurs benefit from appreciating the importance of expatriation. Our findings show how this can be accomplished in small rural businesses.

Theoretically, our research findings add another layer to the term 'business networking'. The theoretical definition of business networking emphasizes the number of active participants and the number of activities that take place in space and among those participants. Our findings contribute to distinguishing the multiplicity of dimensions in business networking. The physical location of the rural space and the decrease in the level of urbanization affect the transition from traditional regional activity networks to double-tier networks, which progress from the rural space outwards, as shown in Figure 2. This new dimension of business networking reduces the rurally-based entrepreneur's dependence on the area where the business is located and even changes the definition of the business from a 'rural business' to one that is 'located in a rural venue', but active in a variety of other spaces farther away. The connections with new active networks, and especially those located in the large cities and business centers, are challenging for rural entrepreneurs. If in the past, the local traditional networks were characterized by historical familiarity, shared interests, the 'rural fraternity' and the traditional desire of people in the countryside to help each other, the new, nation-wide activity networks whose main activity is in the big cities, challenge the rural entrepreneurs, as evidenced by the findings of the current study. They are required to deal with large and distant players in the business space, with new rules that reduce the importance of acquaintance and longstanding partnership in favor of business competition for marketing and sales. These are new and unfamiliar conditions for entrepreneurs who have grown up in rural areas. They need to adapt and internalize new business activity in order to succeed in the new spaces of activity. Our findings show that entering double tier networking does not occur for every business at the same time. Owners of small businesses have better adapted their activities to the general economic development. In addition, double-tier business networking is expected to contribute to the economic and demographic development of the rural area.

New small businesses in rural areas contribute to the region in several ways: first - by expanding and diversifying the local population's sources of income and contribution to their potential for economic growth; second - in demographic growth, as the establishment of a new business and increase in the variety of employment opportunities in rural areas attract a young, entrepreneurial population that appreciates the lifestyle and quality of life offered in the rural area (Corcoran et al., 2010; Swain & Garasky, 2007; Labrianidis, 2006; Ailey, 2018).

Based on the findings of our study, a policy can be recommended that would promote small businesses in rural areas in order to attract a new population that seeks a rural lifestyle but is not interested in engaging in agriculture. From our find-

ings it is possible to identify a policy for this purpose and training for small business owners in these areas; for example, increasing awareness of active networks, locating significant networks for new entrepreneurs, and training people on how to operate in these networks to promote business outside the region in order to increase chances for success.

Among the limitations of the study is the fact that it focused exclusively on businesses operating in rural communities. In Israel there are also many small cities (once known as development towns) that are distant from the center of the country and are characterized by economic inferiority compared to the small rural communities. There seems to be room for comparative research between the activity characteristics of urban entrepreneurs and their counterparts in those small, outlying cities. In addition, it seems that in order to obtain a complete picture of the realization of growth potential, a long-term study should be conducted that compares the data of a specific business at two time points. Comparison of employment data between the two-time point would reveal an accurate picture of business growth and its impact on the number of employees in small businesses in rural areas.

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