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# Rural social enterprises as *embedded intermediaries*: The innovative power of connecting rural communities with supra-regional networks

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## ABSTRACT

The question of how social enterprises foster social innovation in rural regions remains largely unexplored. In this paper, I develop the assumption that the embeddedness of social enterprises in rural communities and their ability to connect rural communities with supra-regional networks and decision makers are crucial preconditions for generating and fostering social innovation in the countryside. By applying the social network approach and a cross-case analysis of social enterprises in rural regions of Austria and Poland, I show how rural social enterprises mobilise ideas, resources and support from external sources not primarily for their own benefit but for that of their rural region. As *embedded intermediaries*, they contribute to transformational change and wellbeing, albeit they are only one of many forces that drive rural development.

## 1. Introduction

Today many rural regions in Europe face similar challenges. Governments merge administrations and pool public services in bigger towns. Schools, bus routes, shops, pubs, and medical practices close in sparsely populated areas. Rural regions are in danger of becoming marginalised and peripheralised when public and private players withdraw from them (Fischer-Tahir and Naumann, 2013; Shucksmith and Brown, 2016). Marginalisation manifests in a lack of power, investments and innovation. In rural regions, novel ideas and developments often struggle to gain traction because of a shortage of facilitators for those ideas, insufficient involvement in new policies, or reservations about embracing change. The brain drain of young and well-qualified people is especially harmful for the innovation climate and the establishment of innovation.

Against this backdrop, rural social enterprises can play a key role in rural development. Social enterprises are said to be organisations filling the gaps left by the state and the market (Pless, 2012; Munoz et al., 2014). They are seen as actors who follow a social mission with entrepreneurial means and as drivers of social innovation (Dees, 2001 [1998]; Schöning, 2013). In rural regions, social enterprises deliver services, provide common goods, train and educate people, and offer jobs. In doing so, they count on the proximity, spirit of self-help, and mutual knowledge that characterises social life in many rural regions (Jack and Anderson, 2002; Atterton, 2007; Steinerowski and Steinerowska-Streb, 2012).

Social enterprises seem to be appropriate actors to promote the development of solutions to occurring problems and to foster social

innovation (Defourny and Nyssens, 2013). Innovation appears to be a novelty in a given setting based on the recombination of existing elements, the transfer of ideas or solutions to or from other contexts, or inventions (Schumpeter, 1983 [1911]). Social innovation, in turn, encompasses novel attitudes, practices, and rules in a societal environment that makes it possible to deal with social problems more effectively than was possible previously (Rammert, 2010).

While policy makers and scholars have high expectations of social enterprises, little is known about how they operate in rural regions and how they address occurring challenges in these regions. In particular, there is only limited knowledge of how rural social enterprises generate new ideas and foster social innovation. Accordingly, the current article is guided by the following research questions: How do rural social enterprises develop and facilitate innovative solutions to challenges occurring in rural regions? What role do rural regions play as specific socio-spatial contexts of social enterprises? By illuminating how rural social enterprises foster innovative solutions this study aims to contribute new knowledge at the intersection of rural studies, social enterprise, and social innovation research.

This article investigates the way in which social enterprises contribute to innovation in rural regions by way of two case studies. The studies result from long-term research conducted on site in rural regions of Upper Austria and North-East Poland. Empirically, the case studies are based on the ethnographic observation of rural social enterprises; on qualitative interviews with social entrepreneurs, stakeholders, decision makers and experts; and on document analysis. The evolution of innovation will be reconstructed by means of egocentric social network analysis. Given that innovation is largely based on the exchange of

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knowledge and ideas, examining social networks can foster a better understanding of innovation processes.

In the following sections, I will first recount the state of the research on social enterprises and innovation in rural regions. While social enterprises have attracted considerable attention in recent research, few works focus on *rural* social enterprises, their specific socio-spatial context, and how those enterprises contribute to innovation. This work adopts social network analysis because it is a promising method through which to reconstruct the evolution of social innovation. However, a review of the application of social network analysis in social enterprise research reveals that to date this approach has barely been used to investigate innovative practices among social entrepreneurs. The description of the research design, case selection, and the methods of data collection and analysis are topics of the fourth section. The following empirical section addresses how the social enterprises investigated have developed and implemented innovative solutions to social challenges, and how they are embedded in rural regions. I also demonstrate how they are integrated in supra-regional networks and how they systematically re-contextualise ideas and mobilise resources and support. The paper provides a cross-case analysis and develops a heuristic model to describe how rural social enterprises function as *embedded intermediaries*. In the conclusion, I point out some remaining research gaps and the open questions that can pave the way for future research.

## 2. Social enterprises and innovation in rural regions: the current state of research

In the emerging field of social enterprise and social innovation research, a comparably small number of articles deal with social entrepreneurship in rural regions. The existing works focus on the contextual factors affecting rural social enterprises (Farmer et al., 2008; Steinerowski and Steinerowska-Streb, 2012; Steiner and Atterton, 2015); on the establishment of community-led social enterprises (Pless and Appel, 2012; Munoz et al., 2014; Friedrichs and Lundström, 2017); on the provision of public services (O'Shaughnessy et al., 2011); and on the contribution of social enterprises to rural development (Eversole et al., 2014; Friedrichs and Wahlberg, 2016; Lang et al., 2016).

Studies on the abovementioned contextual factors explore the specific conditions in rural regions that enable or hinder the evolution of social enterprises. They apply structuration theory (Giddens, 1984) and (neo-) institutional approaches, and view rural regions as regulative, normative, and cognitive institutional contexts which shape entrepreneurial action and are shaped by it (Seelos et al., 2011; Fink et al., 2013; Bruin and Lewis, 2015). The research holds that many rural regions are characterised by a “sense of community and solidarity” (Farmer et al., 2008, p. 455), by dense local networks, and a “culture of self-help” (Steinerowski and Steinerowska-Streb, 2012, p. 173), which are beneficial conditions for rural social enterprises. However, the same studies also reveal barriers to the establishment of rural social enterprises, among them, the absence of a critical mass of clients, a moral compunction to avoid competition with existing businesses (even if they are performing poorly), long distances and high transport costs, the fear of change, and difficulties finding a skilled workforce. In addition, studies confirm that social and environmental responsibility are important values for many rural citizens and entrepreneurs which, in turn, makes rural regions a hotbed for social enterprises (Steiner and Atterton, 2015).

The questions of how rural contexts shape social enterprises and how social enterprises affect their rural environment have been discussed in several works. While scholars broadly agree on the shaping power of the rural environment on the activities and the behaviour of social entrepreneurs, there is less agreement on the impact social enterprises have on their environment. Steinerowski and Steinerowska-Streb, for example, find that social enterprises can enhance the capacity of rural communities to adapt to structural challenges while their

ability to change structures and to act as change agents is limited (Steinerowski and Steinerowska-Streb, 2012).

Other scholars investigate rural social entrepreneurship as a collaborative and community-led process rather than as the initiatives of individual entrepreneurs. In the light of the retrenchment of the welfare state and the ageing of the rural population, hopes rest on the co-production of public services like health and care by rural communities. However, the research suggests that the motivation behind and the acceptance of community-led social enterprises varies between countries. While community-led social enterprises in rural Sweden emerge from local initiatives and find broad acceptance (Friedrichs and Lundström, 2017), in the UK the search for community-led social initiatives seems to be more policy driven and meets resistance from rural citizens. There are fears that community-led service provision leads to poor services and a withdrawal of the state (Zografos, 2007; Farmer et al., 2008). Further findings suggest that community social enterprises struggle to survive without a clear governance structure and probably a leader who has both a deep understanding of local needs and expertise in public processes and discourses (Munoz et al., 2014).

The last mentioned issue draws attention to a gap in the rural social enterprise research, namely the disappearance of social entrepreneurs and social enterprises as actively engaged subjects. Rural social enterprises appear to be driven by their environment, or initiated and developed by groups of people or whole communities, but rarely as self-determining agents operating in a strategic manner. One consequence is a lack of knowledge about how social entrepreneurs develop and instigate innovative solutions in rural regions. By applying the social network approach, I seek to reveal how rural social enterprises generate and facilitate the innovative solutions that enable rural communities to address challenges in a different way than was possible before.

## 3. Social enterprises and the social network approach

According to Frédéric Dufays and Benjamin Huybrechts, social enterprise research applies the social network approach in four ways: to explore the social involvement of entrepreneurs; to explain the emergence of collective social entrepreneurship; to discuss the skills required in successful social entrepreneurship; and to describe the goals of social enterprises (Dufays and Huybrechts, 2014). However, the social network approach has apparently not been applied to the analysis of innovative practices of social entrepreneurs. This is surprising because there are at least three reasons suggesting this approach would offer a promising tool for the analysis of social entrepreneurial innovation. First, social networks are intangible infrastructures for the exchange of knowledge and ideas, which are preconditions for innovation. Second, local social networks are effects of and preconditions for the embeddedness of social enterprises and the opportunity to diffuse innovation in rural communities. Third, the social network approach can reveal how social contacts between otherwise less-connected rural communities and supra-regional networks and institutions can provide impetus for the development of innovative solutions.

Building and maintaining comprehensive social networks makes it more likely social enterprises will develop and implement innovative ideas because far-reaching networks provide access to people with knowledge and ideas that differ from the knowledge and ideas already available (Leadbeater, 1997; Hervieux and Turcotte, 2010). If innovation is the result of a recombination of existing elements, grasping new ideas and insights makes it possible to develop new combinations with the potential to solve problems innovatively. Moreover, extensive social networks can improve the access to critical resources like credibility, power, and financial means (Shaw and Carter, 2007), which are important for the implementation and diffusion of innovative ideas. Given that innovation often meets resistance, credibility accompanied by political and financial support make the diffusion of the innovation more likely.

Dense local networks of social enterprises indicate the social

embeddedness of the enterprise, which is important for identifying social needs and for fostering social innovation. The notion of “embeddedness” refers to Mark Granovetter (1985) who relates economic action to social relations and networks rather than to an idealised market. Accordingly, Steiner and Atterton (2015, p. 34) understand “local embeddedness” as “the overlap of social and economic relationships and networks in a specific geographical area”. The local embeddedness of entrepreneurial action is particularly important for rural social entrepreneurs who direct their efforts to addressing social challenges in rural communities. One can assume that personal involvement and enjoying the trust of local people are favourable conditions for the identification of social needs (Steiner and Atterton, 2015) and the development of innovative solutions (Dufays and Huybrechts, 2014). Furthermore, social enterprises are more likely to convince people to adopt an innovative idea if they enjoy recognition and trust. This is in line with the observation by Seelos et al. (2011) and Shaw and Carter (2007), who find that social enterprises are usually well embedded in local communities. However, local embeddedness is not necessarily an exclusively positive factor; it can also lead to problematic lock-in effects (Mair and Marti, 2006) if not accompanied by contacts extending beyond the local sphere.

Often innovative solutions arise from the transfer and adjustment of ideas from one place or context to another. This might be particularly true for rural regions, which, according to Javier Esparcia (2014), often have limited access to physical, human and financial resources. Rural social enterprises might contribute to solving social problems if they maintain contacts with groups and institutions in other places or on other spatial scales that provide access to knowledge and resources. Then social enterprises can operate as intermediaries between otherwise less-connected places and groups (Christmann, 2014).

In social network theories, the intermediary is a well-established theoretical figure, such as, for instance, in the conceptions of the information broker and the multiple insider. The information broker is relevant in settings where structural holes appear between cohesive network structures (Burt, 1992; 2004). While within cohesive groups an intensive exchange of information prevails, the information flow between these groups is weak. The information broker is in a unique position to connect the formerly disassociated groups. The broker benefits from having an edge in terms of information and controlling resources, which makes it possible to implement new ideas in one group or another. While the information broker somewhat resembles the homo oeconomicus who takes personal advantage of a prominent position, the multiple insider instead accords with the homo sociologicus who feels obliged to using his/her privileged position to the benefit of the social environment. Vedres and Stark (2010) characterise the position of the multiple insider as a structural fold at the interface between cohesive groups. The multiple insider is familiar with both groups and shares ideas and knowledge.

Over all, the social network approach provides a heuristic for understanding the generation and diffusion of social innovation, and it makes visible the use of network contacts for the exchange of knowledge and the acquisition of resources, for the embeddedness in rural communities and for the interrelation between rural communities and supra-regional networks. Dufays and Huybrechts (2014) note a lack of research on the diffusion of ideas and on bridging the gap between different groups in social entrepreneurial networks. Applying the social network approach to innovative practices in rural social enterprises can contribute to closing that research gap.

#### 4. Methodologies

A research design and methodology is required that can facilitate exploring the social network contacts and innovative practices of rural social entrepreneurs. For this purpose, a comparative qualitative case study was implemented. This research design makes it possible to find answers to *how* questions that call for a methodological controlled

understanding of the other (Przyborski and Wohlrab-Sahr, 2008) and for open, process-oriented research. Ethnographic observations of the selected cases provide an understanding of the specific preconditions for the development of innovative ideas and those that encourage a rural community to embrace novelty. Investigating more than one case in turn improves the empirical knowledge base and prevents rash generalisations. Conducting an in-depth analysis of two cases, I expect to be able to outline initial assumptions about patterns of innovative action. The cases share a focus on social entrepreneurial action in rural environments. Keeping these characteristics the same makes it possible to adopt a comparative perspective and to explore differences in other aspects of the selected cases (Tilly, 1984).

Each case comprises a social enterprise and the respective rural region and each was selected according to three criteria: First, the selected social enterprises should be situated and operate in rural regions. We identified social enterprises according to the definitions of Dees (2001 [1998]) and the EMES network<sup>1</sup> whereby social enterprises combine independent entrepreneurial action with strong social goals and a participatory governance model (European Commission, 2016b). For the selection of rural regions, we applied the regional typology of the European Union, according to which a predominantly rural area is characterised by a low population density and the absence of an urban centre (EU, 2013). Second, the rural regions should show structural deficits (e.g. above-average unemployment and poverty rates, a low level of educational degrees and qualifications, high out-migration and low in-migration) and should be located in different countries across Europe. Third, the social enterprises should be attempting to reduce structural deficits or related social problems. Four rural social enterprises across Europe met the criteria and agreed to participate in the study. However, owing to the limited space, I decided to analyse two cases in-depth in this article instead of dealing with each of the four cases somewhat superficially. The selected cases are located in North-East Poland and Upper Austria. The Polish enterprise operates in the field of regional development and the focus of the Austrian enterprise is on technology education. The empirical data were collected during long-term field research between March 2016 and April 2017.

The methodology applied encompasses participatory observations, semi-structured qualitative interviews, and document analyses. Participatory observations and writing field notes were part of the ethnographic approach aiming to reveal culturally-shaped practices. The long-term nature of the investigations enabled the researchers to participate in the everyday activities of the social entrepreneurs. The investigation process fostered mutual trust and openness and allowed for the observation of undisguised behaviour. Semi-structured qualitative interviews served to substantiate the observations and directing the attention beyond directly observable practices. The analysis of documents like strategy papers, reports, and statistical publications completed the picture and was of particular value when it came to factual knowledge. In total, we collected and analysed 27 semi-structured qualitative interviews, 62 pages of field notes, and 15 documents across both case studies (see Table 1).

When reconstructing the enterprise-related networks, we applied the egocentric network approach (Wolf, 2006; Schauwecker, 2008; Scott, 2013). The approach involved distinguishing analytically between ego and alteri. Ego is the investigated social enterprise, which takes centre stage, and around ego, a number of interaction partners are grouped (alteri). In our case, the alteri are limited to those interaction partners of ego, who are important in the development and implementation of novel ideas. The task of the network analyses is to reconstruct a part of the egocentric network, namely those relationships that benefit the social enterprise in its efforts to innovate. Relevant data were collected (1) by way of participatory observations (for example,

<sup>1</sup> EMES is a research network that is dedicated to the investigation of social enterprises. The acronym stands for the French term “Emergence des Entreprises Sociales en Europe”.

**Table 1**  
Overview of the two case studies and the empirical data collected.

Case study	Field of activity of the social enterprise	Rural region	No. of interviews conducted	Extent of participatory observation (pages of field notes)	No. of documents analysed
1	Technology education	Upper Austria	11	32	9
2	Regional development	North East Poland (Voivodship Warmian-Masurian)	16	30	6
Total:			27	62	15

we identified the first alteri by accompanying social entrepreneurs to meetings and events), (2) in semi-structured interviews with social entrepreneurs (ego) and (3) in semi-structured interviews with innovation partners of the social enterprise (alteri).

In each case study, we conducted the first interview with the most influential person(s) of the social enterprise (in one enterprise it was one person, in the other enterprise two persons). This initial interview with ego served to collect information about relevant innovation partners (e.g. other entrepreneurs, representatives of interest groups, people from universities and administration units) and also about the intensity, the direction, and the quality of the exchanges between ego and the alteri. Further topics were the factors enabling and hindering the establishment of the social enterprise, the process of product and service generation, and the characteristics of the respective rural region and the challenges facing it. Subsequent interviews were conducted with the alteri, again collecting information about the intensity, the direction, and the quality of the exchange. The accumulated information was used to compare perceptions and to verify the data. The interviewer could in each interview call upon a structured guideline to ensure the relevant questions were asked; however, the guideline was not a rigorous questionnaire but left room for alternative themes raised by the interview partners. Prior to each interview, we informed the interviewees of the purpose of the research and about how we would process and store the interview data (including anonymisation). We obtained their written consent to the process and to aspects of the information they supplied potentially being published.

The analysis presupposed the triangulation of data. Information about the relevant innovation partners and about the intensity, direction, and quality of contacts were systematically compiled with recourse to the three empirical sources: field notes, documents, and transcribed qualitative interviews. We presented the information in egocentric network diagrams and discussed the results with the respective social entrepreneurs in order to avoid misinterpretations and to fill remaining gaps. The feedback revealed a few gaps (for example, a contact with an international social enterprise support organisation was missing) that were subsequently addressed.

## 5. Results

The outcome of both case studies will be presented in three stages. Initially, I will describe the generation and implementation of a central innovation project executed by each social enterprise. This will be followed by the description of the social network the social enterprise has established and maintains with public and private actors. Finally, I show how the innovative activity is linked to network contacts at the local, regional, and the supra-regional levels.

### 5.1. Facilitating brain gain rather than preventing brain drain: The Austrian case

The social enterprise in Upper Austria establishes open technology labs in villages and small towns and pursues further activities in the field of technology education and regional development. At the beginning of its activities there was the observation that rural regions in Austria increasingly lack well-skilled people. Although the economy is

comparably strong, employers in rural Austria face increasing difficulties in their search for qualified personnel. Like in many other rural regions across Europe, young and well-skilled people leave the countryside to go to big cities. Moreover, the social enterprise observes that young people lose their personal ties to their rural communities, since many leave their villages and towns at an early stage of their school careers due to expected better education prospects in the cities. However, while other players strive to combat the brain drain, the social enterprise under investigation follows another strategy. By establishing open technology labs, it intends to create spaces for experimenting, meeting, and testing ideas that attract talented people, thus forming a hotbed for new initiatives. Rather than preventing brain drain from rural regions, the social enterprise aims to foster brain gain. In the past seven years, the social enterprise has paved the way for the establishment of 24 open technology labs, located mostly in rural regions in Austria, Germany, Spain, and Italy.

When the two founders of the social enterprise developed the idea of rural open technology labs, the biggest challenge was to organise financial and ideational support. The initial intention to use regional government subsidies to establish the labs was thwarted when the funding application was rejected. Rather than abandoning their plans, the founders continued to promote their vision through the network contacts they had acquired in their positions as regional development officers and in time attracted interest from two rural municipalities. With the basic support of the municipalities, and with the help of a group of local people, the first two rural technology labs opened in 2010. Since then the support of both the local ambassadors (the social entrepreneurs call them “the magic five”, referring to a minimum of five local supporters) and the municipality (the municipal council must approve the provision of free infrastructure for the lab) became pre-conditions for the further spread of the open labs. Instead of establishing the labs in a top down process, the social enterprise promotes the idea as open source and transfers the responsibility for the maintenance of the labs to ambassadors who ensure local embeddedness and take responsibility for attracting interest among local users.

As the idea of the rural open labs attracted ever more communities, the founders resigned from their jobs and institutionalised the innovation project together with other activists in the form of a social cooperative and social enterprise, respectively. Today the social enterprise continues to promote the approach, provides support for the independent network of open technology labs, and develops further services in the field of rural technology education, like technology training for youngsters. The success of the intended brain gain can be observed, even if it is difficult to quantify it. By establishing labs in remote places that previously suffered from a lack of public spaces, the labs keep people engaged in their communities, strengthen social capital, knowledge, and skills and inspire the development of new ideas without exploitative pressure. For example, in one of the labs a group of young people established a so-called community maintenance node, intended to maintain contacts when they were away studying to ease their possible return to the rural community.

Today the Austrian social cooperative has 14 members, and each member maintains numerous network contacts. However, for the reconstruction of the social network it is meaningful to focus on one of the members. The selected person – henceforth referred to as ego – is the

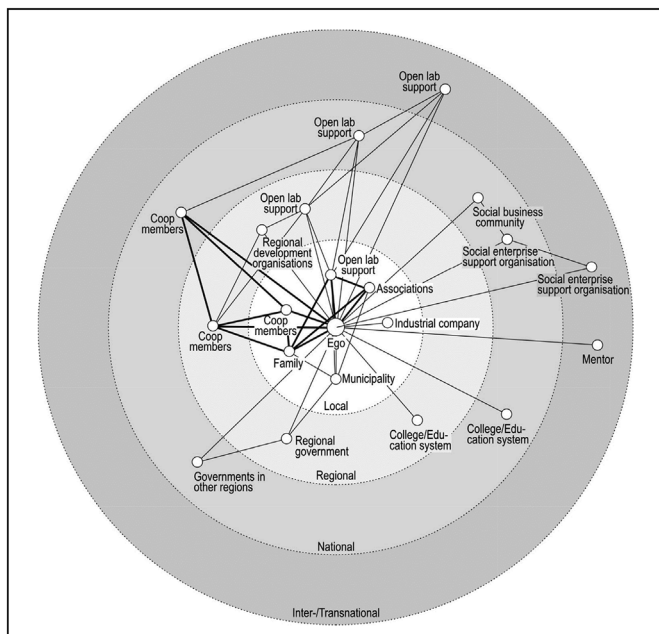


Fig. 1. Egocentric social network of the social entrepreneur in Austria (line width: intensity of contacts).

mastermind of the open technology labs, and until today the most influential player when it comes to the diffusion of the labs. On the local level, ego is comprehensively embedded and maintains many contacts (see Fig. 1). Among the most important are family contacts (having lived in other places for some years, ego returned to his home village), contacts with the local open lab support group, and with local decision makers in the municipality, in associations, and in companies. On the regional level, ego maintains a multitude of network contacts as well. The most important contacts are those with other members of the social cooperative, with other open lab support groups, with regional development experts around the LEADER and Agenda 21 programmes, and with a college where he teaches part-time. Weaker contacts exist with the regional government since, following the recent elections, contact partners have been replaced. According to ego, the geographical distance between his village and the regional capital is another reason for his relationships with regional policy makers not being particularly close. However, the contacts with policy makers in Vienna and other Austrian regions are sometimes closer. Intensive contacts on the national level exist with open lab support groups in all parts of the country, with members of the cooperative in Vienna, with the social business community and a social enterprise support organisation as well as with the Art School of Vienna and other educational institutions. International contacts have been established primarily with three open lab support groups in Germany, Spain, and Italy, with a mentor and visionary of the new work movement, and with foreign branches of the social enterprise support organisation. Over a ten-day period in which the author accompanied ego as a participatory observer, ego carried out six activities on the local level, three activities on the regional level, five activities on the national level, and no international activity.

The dense social network and the intensity of local contacts suggest that ego is fully embedded in the local community. Many contacts in the village are amicable and trustful, not least because ego grew up in the place, has family ties there, and has known many people for years. However, the local relations of ego are not exclusive. On the local level there are a number of contacts among the alteri that are independent of ego (see Fig. 1). The picture changes with growing geographical distance. Ego maintains exclusive social contacts on the regional level and even more on the national and international levels. With regard to the social network, he is in a privileged position to maintain relations with

people serving in public bodies and the business community, which eases the progress of contracts and agreements. Direct contacts with policy makers on the national level allow ego to bypass political hierarchies and provide faster access to information about new political initiatives and funding opportunities. Relations with people in the educational system, with a social enterprise support organisation, and the mentor enable him to acquire exclusive knowledge, detect trends, and to grasp new ideas. One example of how ego identifies and adopts trends are the repair cafés that appeared in the Netherlands in 2009 ([The New York Times, 08.05.2012](#)). Ego was among the first to bring the idea to Austria and adopted it for the open labs. Another example are the open technology labs themselves. Before ego brought them to villages and towns, they only existed in bigger cities.

The most obvious lesson to be learned from the Austrian case is that the activities of the social entrepreneur are all about social networking. Ego is always on the move, meeting people or presenting his approach to audiences, collecting and exchanging ideas, selling technology education services, applying for contracts, and discussing ideas for collaboration and projects. His regular radius of activities is the whole country, and not only his home village benefits from his activities, but also other rural places and even cities. Asked about his most striking skill, the social entrepreneur answers: “Probably it's re-contextualisation”.<sup>2</sup> Detecting new ideas and adopting them to other contexts is an important driving force for his work. He benefits from differences in knowledge and the occurrence of trends between less-connected places, sectors, and fields.

### 5.2. Overcoming passivity and indifference: The Polish case

The social enterprise in Poland built up one of Poland's first theme villages – a traditional settlement that exhibits historical buildings, workshops, a tavern, a cinema, an amphitheatre, and a theme garden. By bringing to life traditional local handicraft and organising markets and festivals, the theme village imparts knowledge of traditional rural life and offers a new gathering place for the community. It provides jobs, particularly for disabled people and people with poor job prospects, and has established a tourist attraction in a region economically dominated by agriculture. The theme village is probably the most popular project of the social enterprise, which has been working on the improvement of the living and working conditions in remote North-East Poland since 1994. In the early 1990s, the founder of the social enterprise was the first post-socialist mayor of the provincial town where the social enterprise is still operating today. After he had left this position, he founded the social enterprise and developed a regional development strategy on behalf of the regional government. In parallel with the establishment of the enterprise, he served on an expert team of the national parliament developing structures for the implementation of guarantee funds across Poland. Even today, the social entrepreneur benefits from the far-reaching contacts and the knowledge acquired during his work with that guarantee fund expert team.

When the social entrepreneur first presented the theme village approach to regional decision makers, he was met with scepticism. However, with a mixture of persuasive power, international expertise, the promise of jobs, and the knowledge of appropriate funding schemes the social entrepreneur convinced them of his approach. He formed a working group of public and private decision makers that developed the concept further. In a competition among villages, a community with a high proportion of less qualified people but a strong interest in the project, good accessibility, and suitable land was selected as a location. When the funding commitment from the EU, from national programmes, and the regional government was received in 2007, the construction of the village started and was completed in the following

<sup>2</sup> Austrian social entrepreneur, statement documented in a field note at March 15, 2016.

years.

The theme village project as well as other regional development activities of the social enterprise must be seen against the backdrop of serious social and economic problems in North-East Poland. They result from a one-sided, agriculture oriented economy and the privatisation of state farms in the post-socialist time. This was accompanied by high unemployment rates and a mindset that could be described as indifferent and rather passive. The theme village was conceived to address these challenges, and has both direct and indirect effects. The project provides jobs for less qualified people (particularly in catering and gardening), generates income from tourism, and strengthens the third sector. In addition, the theme village has become a role model for further theme villages across Poland, and moreover, has popularised social entrepreneurship and non-governmental initiatives. Today the non-profit sector is an important economic actor and employer in the observed region. It is also worth mentioning that the theme village generates a significant proportion of its income from sales of goods and services (ticket sales, catering revenues, selling handicraft products, course fees etc.) and does not depend on subsidies.

The Polish social enterprise has the legal status of a foundation, comprising an advisory board, a chief executive officer (in Poland called “the president”), two other executive board members, and about 14 employees. However, the building and maintenance of network contacts and also the decision making is clearly linked to the president and founder of the social enterprise. Hence, the president stands as a representative for the social enterprise, and has a pivotal role in the reconstructed social network (see Fig. 2).

On the local level the social entrepreneur – henceforth referred to as ego – maintains a wealth of contacts with actors from the public and private sectors, as well as from civil society. Among the strongest are contacts with a local funding organisation providing grants for talented and underprivileged pupils and the LEADER Local Action Group. Ego was involved in the foundation of both organisations and still initiates and implements many projects with them today. Further contacts are maintained with the municipality, the local government, a credit union, the local business club, and the local employment agency. With the exception of the last, these alteri are represented on the advisory board of the social enterprise, and all contributed to the establishment of the theme village and collaborate with the social enterprise on other

initiatives. Apart from formal contacts, local contact partners repeatedly express their personal ties with ego (“We like each other very much. Even if we do not always agree.”<sup>3</sup>). There is no doubt that ego is well embedded in the local community.

On the regional level, contacts with a regional development organisation, another Local Action Group, the regional government, and a number of social enterprise support centres are the most relevant connections. The national sphere comprises contacts with several interest groups (a rural development foundation, a national agency for entrepreneurial development, and a social enterprise support organisation), the national government, and a large foundation that supports civil society projects. Contacts with decision makers in rural Poland are maintained in annual meetings hosted by the social enterprise. Looking beyond Poland, ego has contacts with organisations in Armenia and Kazakhstan, implementing a transfer of experience programme as well as contacts with theme villages in different European countries.

Figure two shows that while ego is well connected in the rural community he has no exclusive position. Most contacts among the local players exist independently of ego. More crucial for the position of ego are contacts with national and international organisations. These contacts provide access to information and power (members of national government and parliament), to financial resources (the civil society foundation), to trends and ideas in the social business (the social enterprise support organisation) and to discourses, trends, and funding opportunities in the rural development sector (the rural development agency and rural decision makers). Interviewees like the representative of a regional partner organisation underline the far-reaching contacts of the social entrepreneur (“Compared with our organisation, they act less locally and have a bigger network. [Ego] is known all over Poland”<sup>4</sup>).

The example of the theme village demonstrates how the generation of an innovation project benefits of international contacts and insights. Owing to his contacts, ego has visited existing theme villages in Austria, France and Germany. While he copied some characteristics directly to the Polish project (its establishment as a tourist attraction and for educational purposes), other elements were adjusted to the Polish context. Given that labour market integration is a major goal of the Polish social economy policy (EC, 2016a) and is intensively supported by public funds, it was reasonable to also establish the village as a provider of employment and facilitator of the inclusion of people with weak job prospects. Not least, the adjustment of the theme village approach is visible in the topic of the village, which refers to a kind of artisanship traditionally exercised in rural Poland. According to the interview partners, the theme village is among a number of innovations ego has introduced into North-East Poland: He established the first social enterprise in the region, initiated the foundation of local action groups, and convinced the local government to co-finance the local funding organisation at a time when social foundations were brand new in rural Poland.

## 6. Discussion

By comparing the two case studies in Austria and Poland, I strive to elicit some initial ideas on what and how rural social enterprises innovate in rural regions. Following from this, I develop by means of the social network approach a conception of rural social enterprises as *embedded intermediaries*.

### 6.1. Which innovative solutions do rural social enterprises develop?

The rural social ventures under investigation develop different

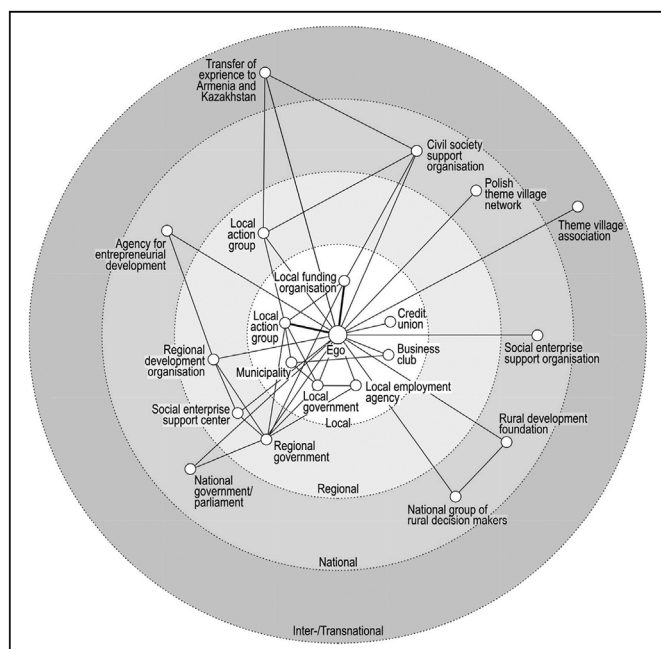


Fig. 2. Egocentric social network of the social entrepreneur in Poland (line width: intensity of contacts).

<sup>3</sup> Representative of a local partner organisation, interviewed by the author, February 15, 2017.

<sup>4</sup> Representative of a regional partner organisation, interviewed by the author, February 1, 2017.

products and services, which seemingly have little in common. While the Austrian social enterprise establishes open technology labs, the Polish venture operates a theme village. However, on a more general level the cases have three notable aspects in common. Both social enterprises respond to social problems occurring in rural regions, both offered solutions different from those available at the time, and both enterprises invest in education in one form or another.

The investigated social enterprises address social and economic challenges in rural regions in order to improve the situation of rural communities. The purpose of their activities is social, not primarily economic. The enterprises respond to a lack of young and qualified people (Upper Austria) and to a one-sided agricultural oriented economy and to passivity and indifference (North-East Poland).

The solutions developed are innovative in the sense that they are new and differ from solutions previously attempted in the region. Decision makers and residents of rural areas often do not embrace innovative solutions at the beginning, and might even fight them. In Upper Austria, the regional government was not initially convinced of the rural open technology labs and refused the first funding application. In North-East Poland, scepticism prevailed when the social entrepreneur came up with the idea to establish a theme village. Rural social enterprises are able to establish innovative solutions even in the face of initial resistance. This also becomes apparent in other investigated social enterprises in rural Ireland and Greece (Fink et al., 2017). The innovative power of rural social enterprises contrasts with many conventional rural businesses, which according to Robert Smith are rather “static and inward looking” (Smith, 2008, p. 385).

Both social enterprises have made efforts in the field of education to improve the employability of people, to foster social inclusion, and to increase the resilience of their rural regions. The Austrian enterprise provides technology education for children and spaces for self-education in its labs, and the social enterprise in Poland offers cultural education in its theme village and trains and employs people with poor job prospects.

### 6.2. How do rural social enterprises contribute to (social) innovation?

In both case studies, the rural social enterprises innovate through the re-contextualisation of ideas. The term reflects that innovative solutions and opportunities already existed in other contexts (open labs in cities and theme villages in different Western European countries). Thanks to their contacts, the social entrepreneurs became aware of the innovative potential, recognised the needs in their own region, and adopted the idea. Solutions were not simply copied but adjusted according to the preconditions in the new context in order to meet specific needs, spur acceptance, safeguard the resources necessary for the implementation, and optimise the outcome. In general, innovation by re-contextualisation is more likely if the rural social entrepreneurs are socially embedded in their rural region and if they maintain exclusive contacts with people or organisations in other contexts.

Embeddedness makes the re-contextualisation of new ideas more likely because social proximity enables entrepreneurs to identify social problems and needs, and increases the chances of attracting support from local decision makers (e.g. participation in theme village working groups and provision of co-financing by local government). Moreover, recognised and trusted social entrepreneurs are more likely to attract interest for new solutions in rural communities. It is the collective adaptation of an innovative solution in the form of changed attitudes and practices that characterises a social innovation. In our cases, rural social entrepreneurs are socially embedded because they live and/or maintain many social contacts in the rural region where they operate. Where the living place and the location of entrepreneurial activities differ, as with some of the technology labs, the entrepreneurs win over local ambassadors who care about the implementation in the local area.

Innovation by re-contextualisation also succeeds owing to contacts in other contexts, and the capability to recognise and deduce

opportunities (Richter, 2016). Those contexts can be other places, other professional fields, or institutions on other scales. While in the Austrian case, exclusive contacts persist with people in other professional fields (particularly in the education system), the social entrepreneur in Poland maintains more exclusive contacts with people and organisations in other places and on higher scales (nationwide operating foundations and people in the national parliament). Another interesting observation results from the comparison between social entrepreneurial and local political action. The influence of rural policymakers is limited because they usually operate at the lowest level of the political hierarchy. Local policy makers have little power, limited financial resources, and often no direct access to the knowledge and news discussed in national and international networks. Compared with local politicians, rural social enterprises have more freedom of action. By using less hierarchical network contacts, they are able to grasp information, trends, opportunities, and resources directly and far faster, thus bypassing the political hierarchy.

### 6.3. How can we conceptualise the innovative action of rural social enterprises? towards a model of the embedded intermediary

The empirical findings will be consolidated by developing a heuristic model of rural social enterprises. The model assumes that rural social enterprises are more capable of fostering social innovation in rural regions if they are socially embedded in the region, and if they systematically connect remote rural communities with groups, organisations, and networks in other places, fields, and spatial scales.

To understand rural social enterprises as a distinct type of organisation, it is necessary to illustrate their differences from other rural enterprises and from social enterprises operating in other spatial contexts. Regarding the first, I highlight the general understanding of social enterprises as ventures which prioritise the social mission over the commercial mission. Compared with social enterprises in other spatial contexts, rural social enterprises operate for the benefit of communities, which provide a comparably high level of engagement and cooperativeness. However, due to their geographical distance, rural communities are often less involved in social networks and new societal developments. This lack of involvement is accompanied by limited access to specific knowledge, trends, financial resources and power. It follows that the envisaged heuristic model not only has a network dimension but also a spatial dimension. From a spatial point of view, rural communities are spaces of social contacts and relations between a limited number of people who live and/or work in territorial proximity in an otherwise sparsely populated area. Rural communities are characterised by cohesive social groups, which are simultaneously less well-connected with other groups. As intermediaries, rural social entrepreneurs systematically bridge the social and spatial gap between rural in-groups and otherwise less well-connected out-groups (Gailing and Ibert, 2016).

Intermediaries not only bridge social and spatial but also cultural gaps. They represent the capability to link different worlds, whereas most of the other players are either involved in one or another of these environments. In the case of rural social enterprises, the ability to connect rural regions with other spaces can also be linked to personal background: The social entrepreneurs investigated are either outsiders (as in the Polish case) or return migrants (like the Austrian social entrepreneur). The boundary crossing intermediaries remind us of Georg Simmel's conception of *the stranger* (Simmel, 1908) and Robert Park's *marginal man* (Park, 1928). Both characterise immigrants who bring the profound cultural knowledge of another place into a new social context. This is in line with the entrepreneurs investigated here, whose experience of migration confers an enhanced awareness of problems and needs (“As an outsider I have an undistorted view of problems.”<sup>5</sup>; “After

<sup>5</sup> Polish social entrepreneur, statement documented in a field note at April 1, 2016.

returning I asked myself: ‘What do people need in the countryside? What is lacking?’” (Presse, 2013)). Other scholars have also reported that many rural entrepreneurs have a migration background (Bosworth, 2008; Bosworth and Atterton, 2012; Munkejord, 2017).

Rural social enterprises not only link less-connected cohesive groups but recognise recurring differences between in- and out-groups, and use them in a strategic manner. Rural communities face issues like a lack of well-qualified people, poor public transport, or a weak health care system. They can call on engaged and cooperative people but often have to deal with limited financial resources, limited influence and limited ideas to address those challenges. The situation is further complicated because political institutions and professional networks on higher scales control the power, resources, and ideas but lack knowledge about the areas of action that would be most meaningful. By connecting both groups and networks, rural social enterprises provide rural regions with ideas, support and money, and supra-regional institutions and networks with useful areas of application. The work of social network researcher David Obstfeld (2005) would suggest that rural social enterprises succeed with finding solutions for the “idea problem” that arises in cohesive local groups as well as for the “action problem” that appears in supra-regional groups with limited knowledge about appropriate fields of implementation (Obstfeld, 2005, pp. 101–102).

Rural social enterprises share features with the model of the information broker (Burt, 1992; 2004). By linking less-connected groups, they occupy a structural hole and they use this unique position in a strategic way. However, unlike the information broker, rural social enterprises use their prominent position not primarily for their own advantage, but to benefit their social environment. They mobilise resources and support to realise innovative ideas in the interest of rural communities and share ideas rather than controlling resources and knowledge. They are socially embedded and feel responsible for the wellbeing of their own group. It is that personal involvement in the community that rural social enterprises have in common with the model of the multiple insider (Vedres and Stark, 2010). However, due to the socio-spatial distance between the rural community and out-groups, the social enterprise does not occupy a structural fold as the multiple insider does. Hence, rural social enterprises do not fully correspond with the information broker, or with the multiple insider. They form their own model, one that is here termed the *embedded intermediary* (see Fig. 3). The *embedded intermediary* combines the personal involvement in the in-group with the unique position to occupy a structural hole between the in-group and out-groups.

## 7. Conclusion

At the beginning of this study, I noted that relatively little is known about how rural social enterprises operate, which challenges they address, and how they develop innovative solutions to those challenges. The current study addresses this research gap by scrutinising two social enterprises operating in rural Europe. The social network approach offers a suitable theory and methodology to collect, process, and analyse the empirical data. It can be shown that the innovative power of rural social enterprises derives from their ability to strategically connect rural communities with supra-regional networks. Their involvement in groups and networks in other places and on higher spatial and hierarchical scales enables them to grasp new ideas, to re-contextualise the acquired knowledge and to mobilise resources. At the same time, rural social enterprises are widely embedded in rural regions, which offers them the opportunity to identify social needs, develop innovative solutions to those needs, and find local support for the implementation of an innovative solution. Local embeddedness and their prominent position between rural communities and supra-regional networks make rural social enterprises a role model for the concept of the *embedded intermediary*. For rural regions, social enterprises prove to be important change makers, because they develop new solutions to social challenges

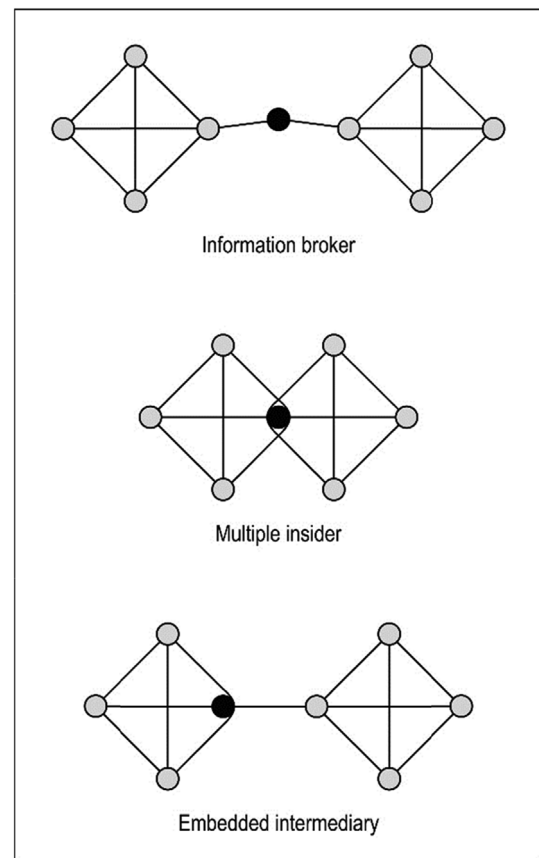


Fig. 3. The *embedded intermediary* in comparison with the models of the multiple insider and the information broker (drawing based on Vedres and Stark, 2010, p. 1157).

and mobilise resources and support in networks and institutions that were rarely accessible for rural communities before their appearance.

As with any research, the current study has its limitations. One challenge was to win the trust of the relevant network partners of the social enterprises prior to interviewing them. Not every partner agreed to participate, and they were particularly reticent if the interview would have to be conducted in another language and translated by an interpreter. The number of interviews is also limited because of restrictions of time and money. However, in both case studies, we convinced a considerable number of alteri to participate. Where information from network partners was lacking, the data rely on the information of other interviewees. By focusing on the innovation process at the interplay between rural social enterprises and local and supra-regional networks, the study pays less attention to the adoption of innovative solutions by rural communities. It would be informative for future studies to analyse in detail how rural social enterprises act to persuade people in rural communities to adopt innovative ideas and to adjust their attitudes and practices accordingly. The spatial dimension of the *embedded intermediary* model is another topic that is worthy of extension in future works. While the present paper mainly argues by means of the social network approach, the application of conceptions of space (e.g. Gailling and Ibert, 2016; Löw, 2016) could reveal further potential for interpretation and for a better understanding of rural social entrepreneurship between *the local* and *the global*. Another promising aspect for future consolidation is to explore how rural social enterprises coincide with rural development models (Lowe et al., 1998; Ray, 2001; Shucksmith, 2010; Bosworth and Atterton, 2012; Gkartziis and Scott, 2014). Given the double involvement in rural contexts and in exogenous networks, rural social enterprises can be key actors in a neo-exogenous rural development model (Bock, 2016).



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