

Part time and full time rural entrepreneurship from strategic management perspective - evidence from Finnish equine enterprises

Leena Rantamäki-Lahtinen¹⁾, Minna Väre²⁾ and Markku Saastamoinen²⁾

¹⁾ University of Helsinki, Department of Economics and management, e-mail leena.rantamaki-lahtinen@helsinki.fi

²⁾ Natural resource institute Finland (Luke); e-mails; minna.vare@luke.fi; markku.saastamoinen@luke.fi

Abstract

Currently, little is known about how full or part time rural enterprises develop and are managed. In this study, the objective is to find out how the part time and full time equine enterprises could be managed from resource based view. The objectives addressed in this 1) to describe the differences and similarities of part time and full time equine enterprises 2) to analyse the subjective economic success of equine enterprises and to describe the different critical resources they might possess. The data used was collected via internet survey on spring 2017 from 432 equine enterprises. The data were analysed by principal component analysis, cluster analysis and the non-parametric tests.

Part and full time entrepreneurs had different business goals; full time entrepreneurs stressed more often economic objectives. As one could expect, part time enterprises has smaller turnover and had less personnel. Entrepreneurs in full time enterprises had been working longer within the industry and also occupancy in their stables was higher. This might indicate that there are also some qualitative differences between firms. However, there were variation within the groups. For example, there were some part time enterprises that had higher turnover than most of the full time enterprises. The majority of part-time enterprises had less critical resources. As majority of the respondents had selected differentiation strategy, it would very important to improve these resources in order to improve the profitability of equine enterprises. Both part time and full time entrepreneurship are important for the development of sector.

We would like to stress that both forms, part time and full time entrepreneurship are important for the development of sector. Enterprises are quite different and they operate on a little different lines of businesses, although many of them are diversified. Therefore they complement each other. Networking and co-operation will bring opportunities for both groups. However, the dynamics of the sector requires full time and smaller, but professionally run part time enterprises. Enhancing management skills is important also in small part time enterprises. For example pricing services too low by using other income as substitute is not sustainable for the sector.

Keywords: equine industries, part time entrepreneurship, rural entrepreneurship, strategic management

1. Introduction

Part-time entrepreneurship and business diversification is common in many rural industries (farming, forestry, rural tourism, equine industries etc.). Blending entrepreneurship with other occupations, paid or non-paid, has become common and is likely to increase with changing employment patterns (Block & Landgraf (2016), also in urban areas. However, surprisingly little research has focused on part time entrepreneurship. In earlier studies concerning rural part time entrepreneurship three one can see three different main approaches; part time entrepreneurship has been as the a way 1) to exit from industry, 2) stabilise family income or 3) entry to industry and step toward full time entrepreneurship. Traditionally in rural part time entrepreneurship, especially in farming sector, has been seen as step out of agriculture or way to stabilise family income. For example, off-farm activities have been found both to stabilize the farm household (Kimhi and Bollman 1999), in cases of income variability and policy changes (Mishra and Goodwin 1997) and to accelerate farm exits (Goetz and Debertin 2001). Especially, part-time farming has been argued to decrease the probability of farm succession (Stiglbauer and Weiss 2000). However, part-time farming can also be seen also as a stable long-run combination with farming rather than a step in a direction away from farming (Pfeffer 1989). Block and Landgraf (2016) have found out that not the financial incentives but the motivation to achieve independence or self-realization may be the driving forces for transition from part-time entrepreneurship to full-time entrepreneurship. On the other hand, in their study, those entrepreneurs who wanted to supplement their wage incomes or considered their enterprise as hobby, were less likely turn into full time entrepreneurship. Similarly Folta et al. (2010) have classified part-time entrepreneurs into three groups (1) part-time entrepreneurs who start their venture to supplement their wage income, 2) part-time entrepreneurs who start their venture to gain nonmonetary benefits, and 3) part-time entrepreneurs who regard their part-time venture as a step towards full-time entrepreneurship. This kind of classification explains motives behind part time entrepreneurship. Petrova (2012) found that part time entrepreneurs do not appear to be affected by financial constraints nor does the initial wealth not have significant effect whether person starts an enterprise. She proposed that other factors such as industrial barriers, risk aversion or learning by doing might be possible explanations for starting the enterprise.

Good example of this are the Finnish equine (horse related) enterprises. The sector has been growing, many activities do happen on the farms, but on the other hand, many equine enterprises are located in the city centres with no connection to farming. Many entrepreneurs have had horses as their hobby before starting their enterprise. With no doubt, situation whether the entrepreneur work part or full time on her/his enterprise, does have an effect on the firm-level decision making, future of the equine sector and livelihood of countryside. Part time enterprises are often smaller than full time enterprises, and face different challenges. Part time entrepreneur might face more constraints to use his or her possibility use time to develop the enterprise. This is why it is important to find out how part time enterprises are different from full time ones, do they have different resources or are the incentives different compared to fulltime entrepreneurs.

Objectives

Currently, little is known about how full or part time farms and other rural enterprises develop and are managed, as much of the scientific discussion has focused on entry and exit logic. In this paper we are going to elaborate the strategic management issues further. The economic success and management of equine enterprises, especially from resource based theory point of view has not been studied much, either. In this study, the objective is to find out how the part time and full time equine enterprises could be managed from resource based view. The key questions addressed are:

- To describe the differences and similarities of part time and full time equine enterprises from management perspective
- To analyse the subjective economic success of equine enterprises and describe the different critical resources they might possess.

2. Equine industries – unique combination of agricultural and service sectors

The man and the horse and the other equidae (donkeys, mules etc.) share a long history together. There is evidence of domesticated horses already approximately 3 500 b. C from current Kazakhstan area (Outram et al., 2009). The role of horses has changed during the centuries and development of society. In addition to agricultural and forestry work, horses were used e.g. transportation, in armed forces, in mines and in powering of mills etc. (e.g. EU Equus 2001; Cressent and Jez 2013). Equine sector has changed a lot during recent decades. Recent changes in society's use of horses and its valuing of them has resulted in new uses of horses. The primary use of horses has been transferred from agriculture to competition use and service sector (Maijala 1999; Saastamoinen and Mäenpää 2005). The new uses and role of horses is called *new equine economy* (Evans 2015). Horse-related businesses, e.g. recreational and leisure riding, trekking and driving are today of great importance for the economies in many European countries (e.g. Cressent & Jez 2013; Vial & Evans 2015). Some coldblooded horses are employed in trotting sports (Nordic coldblooded breeds), and traction in small-scale and organic farms, and in forestry (Vial & Evans 2015). Horses would become economic drivers and as grazing animals, especially local breeds have specific and increasingly important role in preserving landscapes and grasslands, and thus maintain biodiversity (e.g. Saastamoinen et al. 2017). Hence, in the income generation logic follows the logic of service sectors and many of the *outputs* are defined by this logic. Turnover consists of sales from services. However, large part of *inputs* of horse industries is often very much related to regular farm management, in particular animal husbandry practices and agricultural technologies available. In this aspects, equine industry is equal to any kind other animal farms, especially with those with grazing animals.

Therefore, even with this strong shift towards service sector, equine sector has strong ties to agriculture. In figure 1 the horse sector is divided into core sector and supporting sector, the model is modified from earlier description of Korpa et al (2013). Horse breeding, productive horse keeping, use in agricultural work and preservation of biodiversity are regarded in this model as agricultural activities and use in sports and leisure, tourism and recreation and rehabilitation are classified as services.

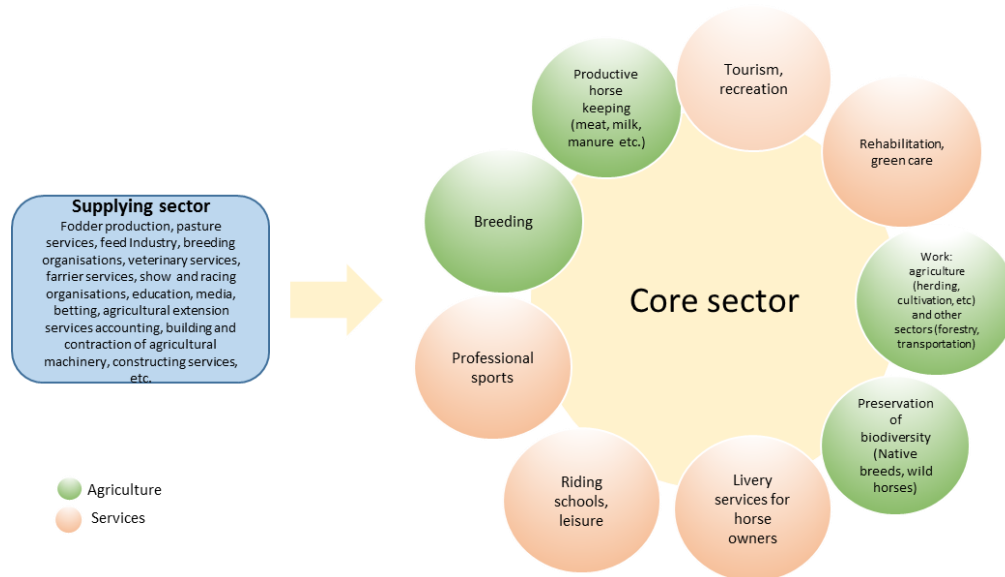


Figure 1. Definition of equine sector (applied and modified from Korpa et al 2013, p. 7).

The future of the sector will partly depend on the strategies and product innovations put in place to meet customer needs, e.g. providing tailored services to customers. Scenarios that are based on large (social) groups of people interested in horses, and where environmental values (e.g. biodiversity of nature and horse breeds) are considered, and tailored services based on new innovations are provided, lead to increasing

number of horses and jobs. The other alternative is that horse industry is based on elite sports and breeding of competitive horses and betting, and on the other hand, where horses are treated as companion animals, leads to decreased numbers of horses and employees (Jez et al. 2013).

Equine industries in Finland

Currently there are approximately 75 000 horses in Finland, the number has been increasing since 1980's. In addition there is a small population of donkeys and mules. There total of 16 000 stables and 35 000 horse owners. There are approximately 3000 equine enterprises, who employ 7000 man years (full time equivalents), approximately 75% of the enterprises are located on the farms. Trotting is one of Finland's most popular sports. Some 730,000 spectators visit trot races annually. Almost 900,000 view races in remote betting locations outside the tracks. Approximately 600 meetings are held every year, with almost 8,000 horses and more than 2,000 drivers participating. Turnover of the betting is 234 million euros. Approximately 170.000 Finns have riding as their hobby. The equestrian (riding) sport is among the ten biggest sports in Finland. Riding is the second biggest female sport in the country. The very diverse set of disciplines among equine industry: livery stables, riding schools, trotting stables, breeding, physiotherapy, horses used in forestry, tourism etc. (Hippolis 2018).

3. Theoretical approach in this study

As far as we know, part time and full enterprises, especially in equine industries, not been studied much from strategic management view. Even though part time enterprises do have different constraints and opportunities than full time enterprises, they are still entrepreneurial units that should be management effectively and generate profit. As stated, this study's theoretical background utilizes resource-based theory- 'Resource-based theory' (RBT) combines two different approaches: a management perspective and an economics perspective. It can provide resource-level and firm level explanations for sustained performance differences among firms. (Peteraf and Barney 2003). In RBT the firm is defined as a collection of resources (Penrose 1995). These resources and the products of the firm are 'two sides of the same coin,' most products require several resources (Wernerfelt 1984). On the other hand, most resources can be used in different ways, and a firm can seek new competitive advantages by using these resources in new ways, and turning them into new products or services (Coates and McDermott 2002). The 'products' of the firm can be understood either as substantive physical products or services or combinations of both of these.

There is a common understanding among researchers that the focus should be on valuable, or critical, resources and capabilities that have a significant positive effect on costs or perceived benefits (Peteraf and Barney 2003). Hence, they should be able to enhance a firm's performance. Some researchers define those resources and capabilities that are inelastic in supply as valuable (Ray et al. 2003). On the other hand, Barney (2001) defines as being valuable those resources and capabilities that enable a firm to develop and implements strategies that are able to lower its net cost and increase revenues beyond the stage, where these resources were no longer available. The resource's value could also be defined by its ability to enable the firm to envisage and implement suitable strategies for the markets. An important notion is that possessing valuable resources does not necessarily ensure that a firm's performance is Bowman and Ambrosini (2007) summarize a range definitions of valuable resources pragmatically as being those that permit premium pricing or enables lower cost structure compared to a firm's competitors. In short, one can define valuable resources as being scarce, non-substitutable and inelastic in supply. In addition a valuable resource can affect a firm's performance in two ways, either by increasing the value of a product to the customer and allow higher pricing, or by reducing costs and hence leading to larger profits.

In this study, resources are quite broadly understood as tangible or intangible assets (Barney and Arikan 2005, Ray et al. 2003) that are tied semi-permanently to the firm (Wernerfelt 1984). In equine enterprises these types of valuable tangible resources can be entities such as horses or premises. Valuable in-tangible resources can be items such as professional and managerial skills of the equine entrepreneurs.

4. Data and methods

The data was collected via internet survey on spring 2017 (Gallup Elintarviketiö 2017). The survey was sent to 2 479 equine entrepreneurs. 575 of them did response (response rate 23%). Data consists: 1) 240 full time equine entrepreneurs, for whom equine business is an important part of their livelihood, 2) 192 part-time equine entrepreneurs, for whom equine business provided some part of their livelihood and 3) 26 nascent entrepreneurs, who did have plans to start their own equine business during the next five years. The rest of the respondents had either quit their business (1 %) or considered themselves as having equines as more a hobby (n = 110) and therefore they were excluded from the analysis. The data were analysed by principal component analysis, k-means cluster analysis and the non-parametric Kruskal-Wallis test for several groups and Mann-Whitney U-test for pairwise comparison.

5. Results

Description of the equine enterprises in the data

According to the our data set, part time and full time equine enterprises are quite different in many respects. One thing was common; most of the enterprises were diversified. In other words, there were different lines of industries within the same enterprise, e.g. stable could provide riding lessons, livery for private horse owners and horse sales. Over a half (58%) of full time enterprises had simultaneously at least three different business lines. The majority of part time enterprises were such that they had only one or two lines of businesses.

Lines of businesses

Part time and full time enterprises did operate more or less on different sectors. Full time entrepreneurs did operate a lot of time and expertise demanding service sectors such as riding schools and providing training services for sport horses. On the other hand, horse breeding was main business line primary for part time entrepreneurs; 29% of part time enterprises had breeding as main lines of business compared for 4,5 % in full time enterprises. Only providing livery (half or full) on other people's horses was common activity for both types of enterprises (figure 2).

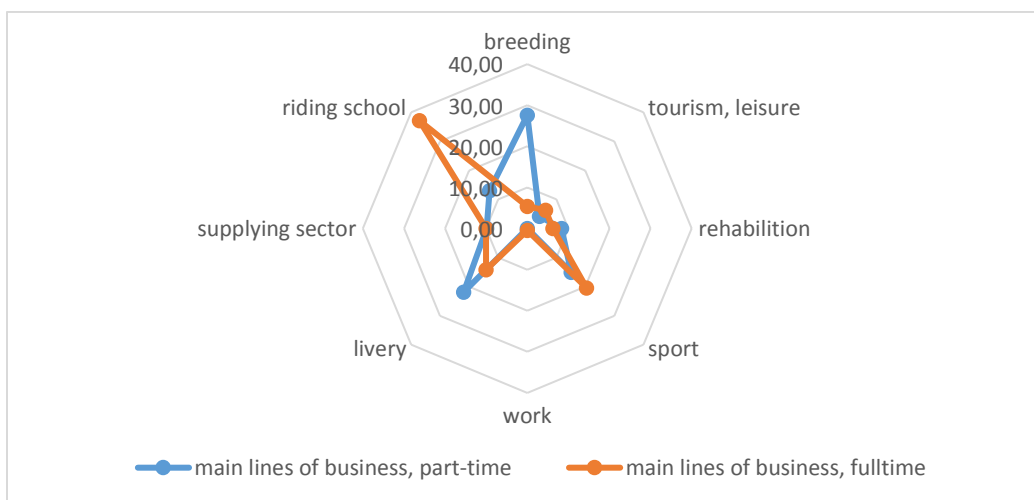


Figure 2. Main lines of industries (% of the respondents' enterprises).

In the near future same development will continue, as the full time entrepreneurs were interested in continue and start riding related services and livery. Part time entrepreneurs were interested in especially horse breeding and livery. Nascent entrepreneurs were interested in start their enterprise in breeding, livery, tourism activities or harness driving.

Size and other characteristics

As one could expect, part time enterprises were smaller in many respects when compared to full time enterprises. The annual turnover, personnel and stable size of part time enterprises were smaller on average (Table 1). In addition, entrepreneurs in full time enterprises had been working longer within the industry and also occupancy in their stables was higher. This might indicate that there are also some qualitative differences between firms. Still, there are a quite big variation within the groups. There were more enterprises with quite moderate turnover in the part time enterprises, but still there were also part time enterprises that were bigger than most of the full time enterprises in the terms of turnover.

Table 1. Characteristics of different enterprises in the dataset.

Variable	Part time enterprises	Full time enterprises	p-value
Turnover, mean	35 000 €	110 000 €	**
Personnel, mean, man months	6	15	**
Places for horses, mean	13	22	**
Occupancy, mean, %	80	84	**
How long equine business has provided for you at least some income, years, mean	10	15	**

** p << 0.00 (Mann-Whitney U-test)

Strategic thinking

Respondents were asked to define three of their most important principles or goals in their business activities. They could choose from the list of 9 items (table 2), or indicate something else. Many full time and part time entrepreneurs were aiming toward best possible profitability and saw planning important. In addition, many entrepreneurs wanted to acquire the best possible know-how in those things, where his or her skills were not as good, i.e. they tried to gain resources they didn't have in the first place by finding appropriate experts. There were also some signs of differences between these groups in this dataset: full time entrepreneurs stressed more often economic factors (the best possible profitability, followed the economic indicators of the business etc.). On the other hand, in the group of part time equine entrepreneurs more respondents indicated that they had some other objectives.

Table 2. Objectives in part and full time equine enterprises.

Variable	part time entrepreneurs	full time entrepreneurs
I strive to achieve the best possible profitability / financial performance in my operations.	34 %	54 %
I always try to acquire the best know-how in those things where my own skills are not at its best	43 %	47 %
I plan activities also for more than 5 years.	46 %	38 %
I follow actively the economic indicators of my business activity (at least monthly).	15 %	35 %
I am confident for in the future.	36 %	34 %
I often go to training courses or use counselling/extension services.	21 %	18 %
Success in sports and competing are my main goals	21 %	18 %
Equine enterprise is more business than lifestyle for me.	5 %	14 %
My business strategy is very growth oriented.	8 %	12 %
none of the above	9 %	2 %
I don't know	4 %	1 %

Competitive strategy formulation

Bowman and Ambrosini (2007) divide competitive advantage into three groups; 1) cost advantage, which means that a firm's unit costs are below the average for that industry, 2) premium pricing advantage, means that the perceived use value (for the customer) is higher than its competing products, and thus a firm can price higher and enhance profit flows. The final option: 3) is the case of superior sales volumes, which means that the perceived use value for the product is high, but a premium price strategy is not selected. As most of Finnish equine enterprises are micro or small service sector enterprises, the oblivious competitive strategy is specialization to certain niche of the market and, if possible, premium pricing. On the other hand, even if the premium price strategy is chosen, cost minimizing could be applied also with it.

In the survey two questions were asked relating basic competitive strategy. First question was 'we can produce our services more cost efficiently than the others' and the second question was 'we have different services than the others, we have specialized'. These variables were measured by Likert 5-scale (1 = totally agree, 5 = totally disagree). According to results, 66% all entrepreneurs replied that they totally or partly agreed with the specialization claim and 32% agreed totally or partly with cost efficiently claim. 71% of the full time entrepreneurs and 59% part time entrepreneurs had specialized their business. The difference is statistically significant ($p < 0.05$).

Resources

As stated, in this study resources are quite broadly understood as tangible or intangible resources. There were several questions related to critical resources that equine enterprise might possess. All of them were asked Likert 5-point scale (1 = excellent, 5 = poor). Some of the variables measured similar things, and therefore principal component analysis was used to reduce the number of variables into few factors. The first component has a maximum variance. According to the analysis (annex 1), three principal components were categorized, and they attributed 70 per cent of the total variance. Rotated solution of these components is presented in table. The first component was named 'location', it presents location as competitive advantage for enterprise. The second component is 'intangible quality', it consists variables that present quality of the service perceived by customers and the third one was named 'interaction' as it present co-operation and interaction with clients and other entrepreneurs, including the reputation. Also the latter one is quite intangible resource in its nature. Cronbach's Alpha (α), was used in order to determine the reliability of the individual indicators. α for component 1 was 0.8, for the second component it was 0.7 and to third one it was 0.6.

According to the results of principal component analysis three sum variables were created. In addition to sum variables, also some variables were used directly to measure the resources (table 5). On average, part time enterprises had less resources than full time entrepreneurs.

Table 3. The resource variables (scale 1= excellent 2 = good, 3 = neutral, 4 = poor, 5 = very poor).

Variable	Part time	Full time	p-value
Location, mean	2.59	2.38	**
Intangible quality, mean	1.53	1.40	**
Interaction, mean	3.12	2.94	**
Own knowhow, mean	1.89	1.73	*
Our staff has higher expertise than our competitors staff, mean	2.19	1.92	*

* $P < 0.05$, ** $p << 0.00$, Mann-Whitney U-test

Measuring economic success in this study

According to Barney and Arian (2005) many basic assumptions of the RBT are similar to those of other theories of persistent superior performance. For example, the proposition that the firm is a profit-maximising entity is assumed. Penrose (1995) claims that firms ultimate objective is to maximize its long run profits. In this study, success is understood as economic success. As the data is collected on survey, it was not possible to use objective financial data such as income statements and balance sheets. In the survey they were several subjective questions linked to the economic profit and profitability. Two questions were chosen to cluster analysis: ‘Profitability at the moment’ and ‘Liquidity of the enterprise: ability to pay invoices in time.’ Both variables were measure on Likert 5-scale (1= excellent, 5 = very poor). The 4-group solution provides the clearest analysis theoretically speaking. The final result was easy to interpret and the group sizes were still reasonable. The final outcome is presented in the table 4.

Table 4. The final solution of cluster analysis

name	G1: good profitability and liquidity	G2: intermediate profitability and liquidity	G4: poor profitability and liquidity	G3: poor profitability, good liquidity
N	136	76	93	106
Liquidity	2	3	4	2
Profitability at the moment	3	4	5	4

The groups were named after these characteristics simply as: G1: good profitability and liquidity G2) intermediate profitability and liquidity, G3) poor profitability, good liquidity and G4) poor profitability and liquidity. Created nomenclature is used later in this study. Economic success group depends on the certain degree on the lines of industry (Chi square, $p < 0.05$). However, there were successful and less successful firms in all lines of industries.

Part time enterprises vs full time enterprises

When part time and full time equine entrepreneurs are compared, there is clear dependency on between whether the enterprise is part time or full time on its economic success. The cross tabulation (table 5) shows that 42% of full time enterprises are classified to group 1 (good profitability and liquidity), whilst only 20% of part times enterprises are classified in to same group. On the other hand, many part time enterprises are classified to group 3) poor profitability, good liquidity. The latter might indicate that part time entrepreneurs might use their other income to pay the invoices of the enterprise. The relationship with the classes are statistically significant (Chi-Square – test, $p < 0.000$).

Table 5. Cross tabulation between success groups and part/fulltime groups.

group	part time	Full time	Total
1 good profitability and liquidity	35	101	136
2 intermediate profitability and liquidity	33	43	76
3 poor profitability, good liquidity	64	42	106
4 poor profitability and liquidity	40	53	93
Total	172	239	411

When *part time enterprises* were divided in to different success groups, there were some differences between groups (annex 2). Breeding and livery were common business lines among part time entrepreneurs, but also relatively speaking majority of breeding stables were placed on the groups 3 and 4. Interestingly, riding schools that were run on part time basis, had often problems with profitability. The results indicate that more successful equine enterprises might also possess better quality resources. Their economic viability was also better in all indicators. There were no significant differences between firm sizes within part- time

enterprises group. Most of full time enterprises were riding schools and sport professionals. Therefore there were not much differences between groups in the terms of lines of industries (table 10). 42 % of the riding schools were categorized into group 1 (good profitability and liquidity). Groups were different in location and own know-how, and also there were some signs that the quality of services and interaction were slightly better in better performing groups. The economic measures were all significantly different.

6. Conclusions

In this study, the objective was to find out how the part time and full time equine enterprises could be managed from resource based view. The key questions addressed were 1) to describe the differences and similarities of part time and full time equine enterprises from management perspective and 2) to analyse the subjective economic success of equine enterprises and describe the different critical resources they might possess.

According to our results, there part time and full time equine enterprises often operate on different lines of businesses. More full time entrepreneurs did operate a lot of time and expertise demanding service sectors such as riding schools and providing training services for sport horses. On the other hand, horse breeding was main business line primary for part time entrepreneurs. Only livery was commonly practiced among both groups. Part time enterprises were in general likely to be smaller in terms of turnover and the entrepreneurs had been entrepreneurs less time than full time entrepreneurs. However, there was quite a bit variation within groups. Hence, some of the part time enterprises had bigger turnover than some of the full time enterprises. This finding is similar than findings of Block and Landgraf (2016) who also find in their German data from different fields that part time entrepreneurs are very heterogeneous group.

There were also some signs of differences between objectives of the groups: full time entrepreneurs stressed more often economic factors (the best possible profitability, followed the economic indicators of the business etc.). On the other hand, in the group of part time equine entrepreneurs more respondents indicated that they had some other objectives. This finding is also in line of findings of Block and Landgraf (2016) and Petrova (2012).

As majority of part-time equine enterprises were smaller than full time enterprises, they also had less resources that could be seen as critical for the firm success (intangible quality perceived by customers, location and interaction with other stakeholders of sector, the know-how of entrepreneur and staff). As majority of the respondents had selected differentiation strategy, it would very important to improve these resources in order to increase the success of equine enterprises. Full time entrepreneurs were in general more successful in terms of economic success. The most successful part time enterprises had better resources in intangible quality and interaction. In addition they had better financial resources.

We would like to stress that both forms, part time and full time entrepreneurship are important for the development of sector. Enterprises are quite different and they operate on different lines of businesses. Therefore they complement each other. Networking and co-operation will bring opportunities for both groups. However, the dynamics of the sector requires full time and smaller, but professionally run part time enterprises. Enhancing management skills is important also in small part time enterprises. For example pricing services too low by using other income as substitute is not sustainable for the sector.

Limitations and further research

There are two limitations of this study. First, the response rate for survey was 23, which can introduce selection bias. The other limitation is, that we have not yet analysed the causality between part time and full time enterprises. In the literature both entry and exit could be done via part time entrepreneurship (Stiglbauer and Weiss (2000), Block and Landgraf (2016)). In the future studies it would important to study

topic from decision making analysis point of view, and analyse whether some of the part time equine enterprise will grow to full time enterprises, or is part time entrepreneurship sustainable way out from equine business.

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