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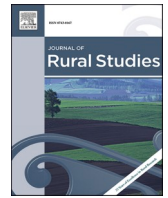
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How do municipal strategies work in rural development: A critical realist case study

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ABSTRACT

Municipal strategies are important for rural localities, as from a governance perspective they pool resources and bring actors together in cooperation. For Finnish municipalities, the strategy is statutory, making it a potential tool in rural governance. Based on a political ethnographic case study in Finland, we ask: How do municipal strategies act as a means of rural development and what are the main obstacles and incentives in this endeavour? Applying critical realism, the research examines the causality of three mechanisms in municipal strategy work: the conception of rural potential, leadership and the municipal economy. Our study indicates that municipalities' development measures treat rural areas selectively, and villages do not yet appear as key agents in municipal strategy work. Strategy processes rest mostly on local leaders and rural development is restricted by the scarcity of municipal financial resources. To strengthen the role of municipalities in rural governance, greater strategic importance should be given to rural areas and their communities, and the strategy work in a municipality should be generally stabilised.

1. Introduction

Rural areas are a major regional development challenge – not least in Finland, which is one of the most sparsely populated countries in Europe (Muilu, 2021). In Finnish rural development, attention is particularly focused on municipalities, which play a key role in promoting local vitality and have a strong position in the organization of Finnish society (Haveri, 2015; Makkonen and Kahila, 2020). A major tool for local development is the municipal strategy obliged by the current Local Government Act (2015). In this article, we focus on the contribution of Finnish municipalities to rural development. Specifically, we examine how the statutory municipal strategies act as a means for rural development. How well do the Finnish municipalities recognize their rural areas, and how willing are they to use the statutory strategy for rural development?

The analysis of municipal strategies is particularly topical because of a major national health and social services reform coming into force in 2023. The historical reform has transferred a number of the main tasks of municipalities – healthcare, social welfare and rescue services – to 21 well-being counties and decoupled their funding from the municipalities. The change is significant. The municipalities must reinvent their

role, find their new essence and concentrate specifically on developing the wellbeing of their residents (Vakkala et al., 2021a). They may, for example, focus on strengthening identity and reputation, community development, or economic growth. The statutory strategy can contribute to all these themes.

In the new institutional environment, municipal strategy work is expected to follow the idea of governance, which emphasises the role of networks and cooperation expanding both inside and outside the organisation (Bevir 2010; Torfing et al., 2012). Through governance, municipalities can pool resources, bring actors together in cooperation and build a common vision to drive change at the local level (Einola et al., 2019; Van Assche et al., 2021; Vasstrøm and Normann, 2019). In rural contexts, where the voluntary and community sector is often weak (Osborne et al., 2004), municipalities are in a key position to engage other actors in strategic development, highlighting their potential role in rural governance.

From a governance perspective, however, municipal strategies are always contextual (Vasstrøm and Normann, 2019). Local governance capabilities, for example, determine what kind of status the strategies receive in the development processes and how effective they can be (Termeer et al., 2015). Drawing from the existing local government and

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rural research, we analyse three specific phenomena that influence the municipal strategy work: the conception of rural potential, leadership, and the municipal economy. The empirical analysis is based on three case municipalities.

Utilizing the analysis of the aforementioned dimensions of strategy work, we adopt the view of critical realism (CR) as the methodological starting point for our study (Bhaskar, 2008, 2009). In doing so, we follow Isaksen (2016), who advocates the use of existing substance theories in CR empirical research. Our analysis is based on the concept of ‘mechanism’ (Buch-Hansen and Nielsen, 2020, 32) by means of which we examine how the conception of rural potential, leadership and the municipal economy explain the current manifestation of rural strategic development at the municipal level. Furthermore, we explore in particular to what extent the municipal strategies reflect rural governance. The research questions are:

- (1) What is the role of rural areas in municipal strategies?
- (2) How do the identified mechanisms facilitate the inclusion of rural areas in municipal strategic development?
- (3) What are the main obstacles and incentives for rural development in the municipal strategy work?

The next section presents the conceptual framework, starting from CR as the ontological and methodological premise of the study and presenting the mechanism as a core concept of the analysis. This is followed by the elaboration of governance in the municipal strategy work in rural areas. The three phenomena of rural governance – the conception of rural potential, leadership and the municipal economy – are introduced as mechanisms, including their potential causalities in the municipal strategic development. Section three describes the research method, political ethnography, as well as the data, and presents the empirical cases. The analysis section focuses on the causal effects of the mechanisms in the data, with a summary of the main results. The final section concludes with a discussion on the broader relevance of the research results.

2. The conceptual framework

This section first presents the ontological and methodological starting points of the study, focusing particularly on the analytical core concept, the causal generative mechanism. Then, governance is elaborated on to analyse municipal strategy work in the rural context. CR allows us to approach the three key phenomena of rural governance, the conception of rural potential, leadership and the municipal economy, as generative mechanisms, which are finally presented.

2.1. Critical realism (CR)

According to the ontology of CR, reality is stratified and divided into three distinct layers: the empirical, actual and real levels of reality (Fig. 1). The empirical level comprises experiences and observable events, being the narrowest part of reality. At the actual level, events and experiences occur as well, but they are not necessarily observed: empirical observation is not a prerequisite for their existence. The events and experiences are generated by structures and mechanisms that exist at the deepest, real level of reality, and they cannot be reached directly (Buch-Hansen and Nielsen, 2020). Thus, to understand reality as a whole, identifying the mechanisms becomes essential (Fletcher, 2017; Melia, 2020).

The inherent feature of the deepest, real-level mechanisms is causality: they possess generative powers that trigger events to occur (Buch-Hansen and Nielsen, 2020, 32). However, in open systems (Bhaskar, 2008, 118–119), which is essentially what municipal strategy work is, the effects of the mechanisms are always contingent. As Danermark et al. (2019, 47) note, events occur as a result of ‘a complex compound effect of influences drawn from different mechanisms, where some mechanisms reinforce one another, and others frustrate the manifestations of one another’ (emphasis in the original). The mechanisms therefore have a tendency to produce events but they exist even if they do not have any causal effects.

While we focus on exploring three theory-driven mechanisms, we are aware that there are probably other mechanisms affecting the municipal strategy work as well. These could, for example, be related to the wider history of the region (Jakola, 2019) or to local power structures (Derksen et al., 2008). Indeed, by recognizing the plurality of potential mechanisms, we commit to the second premise of CR, epistemological relativism (Buch-Hansen and Nielsen, 2020, 40). This means that the explanatory power of the identified mechanisms is inherently limited and can be challenged by competing theories (Danermark et al., 2019, 136–137). However, as the mechanisms we examine are based on existing local governance and rural research, they are likely to improve the understanding of rural strategic development at the municipal level and highlight timely issues in this area.

2.2. Municipal strategy work in governance

From a governance perspective, the municipal strategy work is built on dialogue and interaction with other local stakeholders. It follows the core idea of governance according to which the public sector cannot govern society alone; to succeed, it must work with private and third sector actors, as well as with local residents (Torfing and Triantafyllou, 2013). Also, governance highlights the municipal strategy as a process that extends from preparation to implementation (Bryant, 2018; Gibson,

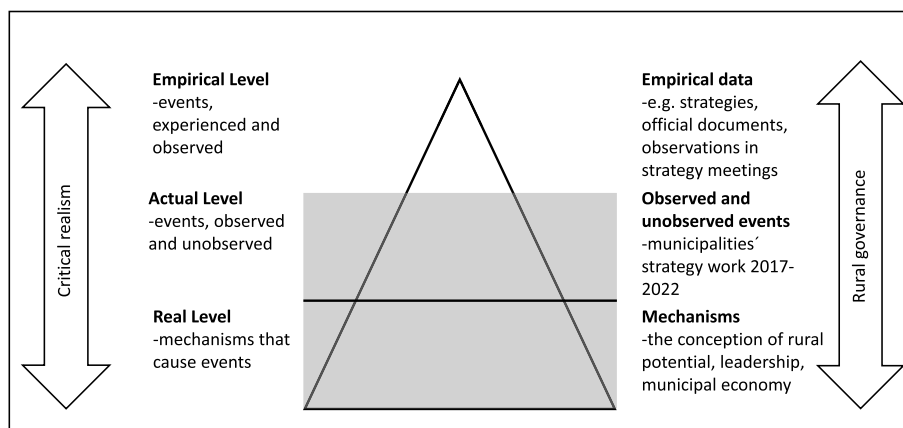


Fig. 1. The conceptual framework (adapted from Fletcher, 2017).

2019). In this study, the term ‘municipal strategy work’ encompasses the process as a whole.

According to Van Assche et al. (2021, 4), ‘strategy in governance takes place within always evolving configurations’. From a CR perspective, these configurations are exposed to and shaped by forces that may not be immediately apparent. To shed light on this aspect of the reality of the strategy work in rural municipalities, we first look at the conception of rural potential, because rural development is fundamentally based on the cultural conceptualizations of these areas (Halfacree et al., 2002). Second, we assess the character of municipal leadership, drawing from the notion of Normann and Vasström (2012) who highlight the role of leaders in addressing and framing local development challenges. Thirdly, we observe the state of the municipal economy. It lays the foundation for municipal strategic development, but not unambiguously: although the scarcity of financial resources is a challenge for governance (Gibson, 2019), municipalities can still exercise local strategic development in different ways (Bjørnå and Aarsæther, 2010).

However, the above brief introduction to these three dimensions of municipal strategy work does yet not provide much insight into the specific causal forces they may involve. In the following, we will look at them in more detail and examine their primary causal potential in municipal strategy work based on governance.

2.3. Mechanisms

2.3.1. The conception of rural potential

According to Woods (2010), ‘rural’ can be conceptualised in a number of ways, for example as an object of exploitation and consumption, or as a lived experience. From a development perspective, however, the causal power of rural potential as a mechanism can be linked to two different things in particular: rural areas as a space for economic activity, or local communities as agents of development. From a governance perspective, the first approach refers mainly to cooperation with rural enterprises and related development actors, and the second to cooperation between the municipality and the villages.

In rural areas, there are different sectors of local livelihoods on which municipal strategic work can focus. The most typical are resource-based industries, ranging from primary production to food, machinery, forestry and tourism (Sotara et al., 2023). In northern contexts, where the contribution of agriculture to rural development has declined (Aarsæther and Nyseth, 2007), development activities may relate to the diversification of agricultural enterprises (Mustakangas, 2010). New business opportunities have also emerged, for example in arts and culture-related activities (Mahon and Hyryläinen, 2019). Focusing on some of these rural business lines can therefore be a way for a municipality to exploit the potential of rural areas in its economic development, triggering the causal effect of this mechanism in events.

Alternatively, as noted above, the causal effect of this mechanism in municipal strategic development may be related to the role of local communities (see e.g. Hämäläinen and Németh, 2022). By attributing rural potential to competent local actors, the approach is in line with Finnish rural policy, which emphasises villages as key actors in rural development, supported in practice by the implementation of the LEADER programme (Granberg et al., 2015). Successful examples of village communities in organising rural services contribute to this way of thinking, as active villages today can be very goal-oriented and contribute significantly to local service production (Rantamäki and Kattilakoski, 2018). Thus, given these potential causalities, this mechanism can – if the causal dynamics in a deep domain of municipal development generally allow it – promote the inclusion of rural areas in municipal strategy work.

2.3.2. Municipal leadership

As Normann and Vasström (2012, 945) aptly put it, ‘municipal leaders are often the central development architects in rural

communities’. From a governance perspective, however, their work is essentially embedded in local development constellations. For example, Bjørnå and Aarsæther (2009) found that local leaders were experts in networking, which enabled them to adapt global development ideas to the local environment. Similarly, Lopes and Mota (2021) report that municipal leaders mix exogenous and endogenous opportunities and promote innovation systems through networking.

Recent research also highlights the changing context of municipal leadership and the complexity it entails (Paananen, 2022). Ultimately, the changes in the working conditions of local leaders in Finland stem from four different trends: the dissolution of municipal boundaries, the cooling of state-municipal relations, the fragmentation of local politics, and the changing role of local residents (Haveri et al., 2018). As a result, as Haveri et al. (2015, 126) note, municipalities have become a ‘hectic, dynamic and multidimensional context of leadership’ that requires new communications skills and more situational awareness from their leaders. Informal interaction and influence play an important role in the daily work of the leaders, also partly replacing the use of formal power (Haveri et al., 2015).

In the new governance environment, the roles of a managerial leader (CEO) and political leaders have also blurred, renewing the dual leadership of Finnish municipalities (Haveri et al., 2015). Both the CEO and the political leaders together contribute to what kind of governance networks the municipality operates in (Parkkinen et al., 2022): are they related to rural development, to what extent and in what way? Formally, the municipal CEO works under the municipal board and coordinates the implementation of its decisions, and only a few Finnish municipalities have elected mayors (Vakkala et al., 2021b, 186). As governance networks require constant maintenance (Klijn, 2008), it is likely that both leaders should invest time and energy in the strategic development of the municipality to ensure its success. The municipal leadership mechanism is thus subject to different dynamics that influence how this mechanism manifests itself in the development of rural areas.

2.3.3. Municipal economy

Unsurprisingly, the causal effect of the municipal economy mechanism is central to rural development: it is difficult to see how it could succeed without financial resources (Van Assche et al., 2015, 40). This is illustrated by the past performance of Finnish municipalities, whose role in rural development has long been weakened by austerity pressures. Prior to the recent national reform of health and social services, municipalities focused mainly on service provision and had few opportunities to take on broader community and development roles (Haveri, 2015). Furthermore, an important causal effect of the municipal economy mechanism has been in relation to rural schools, which are usually the last major public service in rural areas. Rural school closures have mostly been carried out for purely economic reasons as a result of local savings policies (Tantarimäki and Törrönen, 2020).

However, from a governance perspective, the causal effect of the municipal economy mechanism in rural development may be more diverse, as governance is about pooling resources for the prosperity of a common goal. Moreover, governance may imply the emergence of different actor/institution configurations that shape policy and knowledge on local issues (Van Assche et al., 2015, 126–133). For example, in an economically poor municipality, this may lead to increased cooperation with the private sector (Bjørnå and Aarsæther, 2010). It is also possible that rural schools will then be recognised as places with multiple meanings, not just as places to educate children. As local meeting places, rural schools can also contribute to the broader social life of villages (Autti and Hyry-Belhammer, 2014), potentially empowering local communities in governance.

In municipal strategy work, the causal effect of this mechanism also extends to projects, which are the main instruments for governing rural development (Tietjen and Jørgensen, 2016). Municipalities can approach projects in different ways. While they are an expense in the municipal budget, they can also be seen as an investment that bring

resources to the development of the municipality. In Finland, the exceptions to this are LEADER projects, whose funding is decided by LAGs, co-financed by the municipalities, the European Union and the government ([Laki maaseudun kehittämisen tukemisesta, 2022](#)). Thus, what is the ultimate causal effect of the municipal economy mechanism on rural strategic development depends on local decision-making, which in this study focuses the analytical lens on rural school decisions and project-based development.

3. Method, data generation and empirical cases

The next section first describes political ethnography, the research method used in this study. We then present the data and the analysis process. At the end of the section, we focus on three case municipalities, their strategies and their economy.

3.1. Political ethnography

Political ethnography, our methodology, is a way of microscopically looking at political processes and, in this way, unfolding the ‘meaningful’ layer of reality ([Kubik, 2009, 26](#)). Our ethnographic analysis is based on the use of case study methodology. A case is ‘a specific, a complex, functioning thing’ that can be seen as an integrated system having a boundary and purpose ([Stake, 2000](#)). Simultaneously, a case study is a learning process on the research object and the product of learning. In a case study, the researcher has an interpretative role: s/he examines the cases with the chosen concepts and analytical tools in order to illustrate selected issues in the multifaceted reality of a certain phenomenon. Our case study is restricted to shedding light on the role of rural areas in municipal strategies by analysing three underlying mechanisms (conception of the rural potential, leadership and economy) potentially explaining this role.

In political ethnography, the underlying notion is that ‘elections and states are no longer the privileged site of political life, rather people are’ ([Wolford, 2007, 19](#)). Ethnographic approaches are valued in political science for their capacity to illuminate features of politics that other approaches cannot, especially in revealing who is using the power in practice. Political ethnography is used to contextualize political behaviours and beliefs, as well as to analyse the processes through which they are shaped and expressed in real-life, local political settings ([Schatz, 2009; Wolford, 2007](#)). Regarding the case municipalities, the analytical focus is on who set the agenda, who dominated the strategy processes, and how the process was shaped and articulated. Although the observation was limited due to the individual timing of the municipalities’ strategy preparations, it was optimal for examining the leadership mechanism and argumentation used in the strategy work.

3.2. Data and analysis

The study relies on observations of the strategy process events, 31 semi-structured interviews, and textual interpretation of official documents and local media reporting in the three rural municipalities. In Sotkamo, the observation comprised of four meetings of the municipal organization and six local public events; in Sodankylä, two council seminars, a meeting of a municipal village board and a council meeting; and in Kauhajoki, a strategy kick-off seminar. Some of the events were observed online due to the COVID-19 pandemic. The notes on the observed events were taken manually. Attention was paid to agenda-setting and the roles and argumentation of attendees.

Interviews were conducted to complement the event observations. The key informants ([Table 1](#)) were identified using a purposeful sampling strategy ([Patton 2015](#)). The interviews took place face-to-face (19) or online (12). One interview in Sodankylä (LAG representatives) included two persons for their own request.

The interview themes were the same for all. First, the interviewee was asked to describe the municipality in general and to assess its rural

Table 1

The number of interviews.

| | Elected representatives | Civil servants | Village residents | LAG representatives |
|-----------|-------------------------|----------------|-------------------|---------------------|
| Kauhajoki | 3 | 4 | 2 | 1 |
| Sodankylä | 4 | 3 | 3 | 2 |
| Sotkamo | 4 | 2 | 3 | 1 |

potential. Second, we inquired about the role of villages, collaboration between them and the municipality, and how the collaboration could be developed. The third theme was the municipality developing rural areas. Fourth, the municipal strategy was discussed, in particular as a tool in rural development. The fifth theme was rural development projects. To facilitate the discussion on this topic, a list of the projects in the municipality in case was presented as a background.

The examination of the municipal economy started by analysing the municipalities’ budget books, statistics and local newspaper articles. During the event observations, attention was paid to how municipal finances affected the strategic discussions and what kind of argumentation was used. Municipal strategy documents were analysed thematically, as were the arguments used concerning rural areas: whether they were mentioned in the strategies and if so, in what way. All the data were gathered in the autumn of 2021 and spring of 2022.

The text corpus of the study comprised our own observation notes from the strategy events, the interviews and municipal strategy documents. Taped interviews were transcribed. With the text corpus, we conducted a content analysis ([Thomas, 2006](#)) with the help of ATLAS.ti, a data analysis software, which supports the exploration, categorization and interpretation of the data in text form ([Flick, 2009](#)). The analysis consisted of two phases: the discussed themes were coded according to each municipality and three separate code groups were established for each mechanism, including codes from all municipalities. In the code groups, each code comprised phrases that were meaningful in terms of revealing evidence of causality regarding the mechanism in question. The theory-driven properties (i.e. the initial codes) related e.g. to the spatial characteristics of the municipalities, local decision-making and its key actors, villages, projects, and rural schools. By analysing how these were emphasised, we gained a more detailed view of causality of the mechanisms involved in the rural strategic development of the case municipalities. In the analysis section, we refer to the interviews with the numbers in brackets. Additionally, the findings based on observations are marked.

3.3. Case description

The case municipalities were chosen from different parts of Finland: Kauhajoki is located in the west, Sotkamo in the east and Sodankylä in the north. Within these municipalities, the rural area types vary from local population centres to rural heartlands and sparsely populated rural areas ([Helminen et al., 2020](#)). Kauhajoki has a rural heartland area and some sparsely populated rural areas. Sotkamo has two population centres surrounded by a rural heartland area but is mostly a sparsely populated rural area, while Sodankylä is a sparsely populated rural area in its entirety.

Table 2

Economic key figures and national average 2021.

| Municipality (population 2021) | Municipal income tax rate (%) | Loan per capita € | Over/deficit on the balance sheet per capita € |
|--------------------------------|-------------------------------|-------------------|--|
| Kauhajoki (12 890) | 22 | 5184 | –395 |
| Sodankylä (8178) | 21 | 2932 | 897 |
| Sotkamo (10 348) | 19,75 | 2280 | 5065 |
| Average in Finland | 20,02 | 3444 | 2502 |

Source: [Association of Finnish municipalities \(2022\)](#)

The scarcity of financial resources particularly concern Sodankylä and Kauhajoki (Table 2). Sodankylä's economic predicament dates back to 2019 when the municipality experienced severe financial problems. Based on local media, they came as a shock, and the municipality has since sought to repair its economy. Kauhajoki's problems were more acute. In 2021, the municipality had a significant financial deficit, and there was a threat that the municipality would experience a financial crisis. Since both municipalities already have high income-tax rates, their potential to increase revenue by raising taxes is limited.

Sotkamo is in a different position. At the beginning of the 2010s, the municipality became seriously indebted, but since 2016 its financial position has improved. In addition to systematic austerity measures, the municipality sold a major share of its stocks in a regional energy company in 2019, making a significant profit. The following year, the council reduced municipal income tax by 1.5 percentage points.

Finnish municipalities have a self-governing status based on law. The supreme decision-making power is exercised by the local council, which is elected every four years. As the municipalities have the right to levy taxes, the council determines the municipal tax rates. It also decides the municipal strategy, which must be reviewed at least once during the council term. The strategy defines the long-term objectives of the municipality (Local Government Act, 2015). The practices to update the strategy are not defined, but municipalities are expected to broaden the strategy preparation outside their organization and to involve residents (Association of Finnish municipalities, 2023).

The examination of the case municipalities' strategies extended to two council terms, starting with the previous council term of 2017–2021 and ending in spring 2022. For Kauhajoki and Sodankylä, only one strategy came under review, as only Sotkamo had time to prepare a new strategy at the beginning of the 2021–2025 council term. Kauhajoki's strategy is for the 2018–2025 period. It chiefly aims at developing the organizational culture without paying any particular attention to rural areas. Sodankylä's strategy is for the 2019–2025 period. In parallel with developing the mining industry, it stresses bioeconomy and regionally equal development within the municipality. Sotkamo's strategies have been prepared for the council periods 2017–2021 and 2021–2025. 'The top 5' local industries – tourism, mining, forestry, agriculture and the berry industry – are included in both strategies. Sotkamo aims to promote villages as places of residence on an equal footing with the two municipal population centres.

All case municipalities integrated rural participation in their strategy processes. Kauhajoki and Sodankylä conducted broad village tours, while Sotkamo focused on two villages in both strategy rounds. Sodankylä also launched a completely new measure, a council programme, to support the municipal strategic development for the 2021–2025 council term.

4. Results

This section focuses on three mechanisms – the conception of rural potential, leadership, and the municipal economy – in the rural strategic development of three case municipalities. The examination of these mechanisms reveals different types of causal effects on municipal rural development. The section concludes with a summary of the main findings.

4.1. Mechanism 1: the conception of rural potential

In the data, the causal effect of this mechanism on rural development was ultimately based on the general development conditions of the municipalities. They were presented in a rather similar way in each municipality, emphasizing a positive perspective. Kauhajoki was described as the commercial centre of Southern Ostrobothnia region with a strong agricultural and food industry (21, 23, 26). Sodankylä was described as the centre of Central Lapland with rich natural resources (10, 16, 17) and Sotkamo as a vital municipality with growing branches

of local industry (2, 3, 4, 6). However, when the focus turned to rural areas, the development prospects became much more cautious, based on the negative consequences of rural industrial change. Concerns were expressed about the enlargement of farm units and the disappearance of agriculture in some rural areas (24, 25, 18), the ageing of the population, and the outward migration of young people (12, 14, 22). This dichotomy acted as a basis for how the potential of rural areas was approached and used for strategic development, making this mechanism to manifest in events.

In practice, the causal effect in rural areas has meant their development in terms of the municipalities' overall development potential. As a municipality with strong agriculture and food industry, Kauhajoki focused on developing new rural industries, such as bioenergy (21, 23). Sodankylä had strategic expectations of the global mining industry, based on its previous good experience in the sector (10, 13). In Sotkamo, the municipality's aforementioned five strategic branches of business were generally seen as contributing to rural development (2, 6, 8). The strategic development of rural areas thus appeared to be strongly linked to the wider development vision of the municipality, or even subordinated to the general operating environment, which may not necessarily leave much room for local initiative in the governance of rural development.

From the perspective of local community development, the causal effect of this mechanism was rather sporadic. Although each municipality had involved the villages in the preparation of its strategy, the data revealed quite different views on the need for strategic cooperation between the villages and the municipality. The most striking example was Kauhajoki, where rural development was primarily seen as the responsibility of the LAG, which partly excluded the municipality from rural development (26, 27). The lack of ambition to seek shared responsibility calls into question the core idea of rural governance, where local communities should play an essential role throughout the strategy process (Douglas, 2018).

The causal effect was somewhat stronger in Sodankylä, which had initiated strategic village cooperation related to green economy development in the mid-2010s (Kitti et al., 2014). By approaching villages as places of sustainable livelihood and residence, Sodankylä aimed to direct public consumption towards local products and services, thus strengthening both the local economy and autonomy. It paved the way for a similar approach in municipal strategy work, which, however, was never realised due to lack of political support (1, 10, 12). As a result, there has been a decline in strategic cooperation with the villages at the beginning of the 2021–2025 council term. The data reflect a profound lack of belief in the villages as strategic partners, undermining the opportunities for rural governance in the Sodankylä case.

In Sotkamo, the causal effect of this mechanism was particularly triggered by the winter of 2018, when the municipality suffered from severe power outages due to a heavy snow burden on trees. During the crisis, the collaboration with the villages helped the municipality to ensure the well-being of rural residents, which, from the municipal point of view, highlighted the importance of local networks in a crisis (3, 8). These unexpected events demonstrated that the villages could have a wider strategic importance, outlining a potential trend of rural governance for the future.

However, in each municipality, the most concrete effects of this mechanism – land purchases and planning, improvements in public services, and continued project-based development – concentrated on certain rural areas only. Sotkamo focused on the village of Kontinjoki located next to Kajaani, the main urban centre of the province (4, 6, 11); Sodankylä on the village of Luosto, one of Lapland's winter tourist centres (10, 14, 16, 22); and Kauhajoki on the Lauhanvuori – Hämeenkanas national parks, which were granted the status of UNESCO Global Geopark in 2019 (21, 23, 26). Common to all these areas was that they had special strengths over other rural areas, making them strategically interesting. Thus, based on the conception of rural potential, the development of rural areas seemed rather selective in

nature, with only tentative signs of a more comprehensive, strategic cooperation with villages. Similar findings are reported by Carson et al. (2022), who observed that in Swedish municipalities, village development was a result of several political factors, directing the municipalities' strategy work to the most visible and 'exotic' rural areas. It is probable that the perspective of the villages will remain vague unless they are more widely considered as partners in the municipal strategic development.

4.2. Mechanism 2: the municipal leadership

The identified causal effects of the leadership mechanism on rural strategic development were based on two different things: the leadership itself and the legitimacy of the municipal strategy. These findings were possible because the case municipalities differed significantly in terms of both their leadership and their strategy processes.

The leadership of Kauhajoki and Sodankylä had recently changed, as both municipalities had hired a new municipal CEO. Moreover, in Sodankylä, the majority of the elected officials changed as a result of the municipal elections in 2021. Conversely, Sotkamo's leadership was stable, as mostly the same political leaders and the CEO continued in their positions from the council period 2017–2021 to the present.

The former leaders of Kauhajoki and Sodankylä had both contributed to including the views of rural communities in the municipal strategic development. As stated in section 3.3, Kauhajoki and Sodankylä conducted broad village tours in the council term 2017–2021. In both cases, the tours produced a wide range of material on rural issues for the municipal strategy preparation (12, 18, 30, 31). The tours were welcomed at village level and villagers actively participated in the events (12, 31).

However, in both municipalities the strategy work changed significantly in the new council term and after the change of municipal CEOs. According to the data, the leadership mechanism triggered by these changes worked against the inclusion of the rural perspective in new strategy preparations (1, 12, 31). For example, in Kauhajoki, the materials from the earlier village tour were still considered valid information for a new municipal strategy (30, 31), and their potential use was discussed in the ongoing strategy preparation, but without any indication that they would be used (observation). The data also suggested that rural areas would not be significantly involved in the new Kauhajoki strategy process (21, 26, 30).

In Sodankylä, the perspective of the rural areas was partly ignored by introducing a completely new strategy tool, a council programme, which was prepared exclusively within the municipal organisation. The new CEO played a central role in initiating the programme, while the political leaders were rather invisible in the process (observation). It seemed that a new council was not yet able to form a coherent vision for rural development, as the new political groupings were still in its early stages of working together (observation, 1, 12, 13). As a result, the leadership mechanism pushed Sodankylä's strategy work in a completely new direction, largely ignoring the views of rural areas.

Another issue that undermined rural development in Sodankylä was based on the implementation of the existing strategy. The general view among the interviewees was that, despite the broad involvement of rural areas, the strategy did not provide any practical support (1, 10, 13, 18). Thus, the lack of legitimacy of the strategy allowed the leaders – especially the CEO – to have more power over the initiated strategy work, highlighting the contingency of the leadership mechanism in rural development.

The Sotkamo case was different from the previous two. It followed a similar procedure in two successive municipal strategy processes, both of which extended to rural areas and included villages in the strategy documents. The processes were based on equal dual leadership: the chair of the municipal council and the CEO coordinated the strategy work in cooperation (observation). In Sotkamo, the strategy had also gained legitimacy within the municipal organisation (6, 8, 9, 11), which

was believed to enable the strategy to be used as a rural development tool (3, 4).

Overall, the analysis shows the causal effect of the leadership mechanism on both the process and the content of the municipal strategy. The findings are also consistent with that of Kyösti et al. (2022), who state that in leadership crises time and energy often run out, leaving the actual work undone. The data suggest that it is the rural perspective that is the first to suffer in such cases. Moreover, as long distances in rural areas can make it difficult for rural residents to participate (Lund et al., 2022), there is no guarantee that local strategies will ultimately be highly democratic and participatory, even if they are based on the governance approach (Hall et al., 2009). The analysis of the leadership mechanism reveals the vulnerability of the municipal strategy work in relation to rural development.

4.3. Mechanism 3: the municipal economy

With regard to the village schools in all case municipalities, the causal effect of this mechanism was rather obvious: in a poor financial situation, austerity pressures focus on the rural school network. In Kauhajoki, a reassessment of services was underway, with a potential impact on the rural schools in general (21, 26). In Sodankylä, the threat of closure focused on the school in the Vaalajärvi village, even though it was potentially a future commuting area, being located about 30 km from a potential new mine (10, 12, 20).

In Sodankylä, the municipal economy mechanism also manifested itself in a reluctance to invest in a new school building in rural areas. In the village of Vuotso, a new school was needed, but instead of building a new one, the municipality decided to repair the old building and add new mobile blocks. The villagers found this decision offensive (12, 13). The official municipal strategy, which emphasised the equal development of villages, provided an opportunity to argue in favour of new building, but this remained in the minority in municipal decision-making (12).

In Sotkamo, the three remaining village schools were all considered important (3, 4, 11). However, when the municipality faced significant financial challenges in 2016, one village school was closed as an austerity measure. The effect of the municipal economy mechanism was therefore similar in Sotkamo. Today, when the need to save money was less pressing, the importance of the existing network of village schools was easier to recognize.

The data suggest that in municipalities, financial pressures are driving project-based development, but ultimately the approach to projects is a political choice. In this respect, Kauhajoki and Sodankylä differed considerably. While in Kauhajoki, cutting project financing was described as 'shooting oneself in the foot' (24), in Sodankylä projects were significantly reduced. Previously, Sodankylä was actively involved in projects, but after a heavily loss-making result in 2019, the political climate changed and turned against them (1). Only those that would bring a direct economic benefit and/or new jobs were financed (10, 13, 22). In Kauhajoki, as stated, the motivation for project-based development emanated from a strong entrepreneurial spirit, as many of the local politicians were entrepreneurs as well (21). In rural development, Kauhajoki was particularly interested in projects focusing on so-called low-tech industries (23). The data therefore suggest that a tight municipal budget does not necessarily mean that a municipality will withdraw from rural development. However, this requires the municipality to see projects as an investment and to be able to prioritise their potential long-term impact over their current costs.

Based on the data, Sotkamo's current economic position has favoured its strategic development. As one interviewee (3) explained, development work became much easier when the municipality generated funds from selling stocks. However, it was striking in Sotkamo that most of the municipal development projects focused on two specific branches, sports and tourism, activities that are mainly located in the municipality's two population centres. Thus, from a rural perspective,

the potential of the Sotkamo strategy was not yet fully exploited, and the ultimate reason for this remains open. As noted in section 2.1, municipal strategic development is an open system influenced by a number of different mechanisms and their interactions, only three of which are addressed in this study.

Overall, the findings demonstrate that the strategic development of rural areas becomes more difficult when the municipality lacks financial resources. However, the cultural and political aspects of local development should not be underestimated, even in financially challenging circumstances. Nevertheless, a healthy municipal economy makes governance practices more effective (Gibson, 2019), highlighting the resourcing of municipal strategic development.

4.4. Summary of the main findings

In this study, we focused on the municipal strategy work from the perspective of rural development and governance. Based on the existing theories of local government and rural research, we identified three phenomena – the conception of rural potential, leadership, and the municipal economy – to examine the current manifestation of rural strategic development at the municipal level. We approached these phenomena from a CR perspective as generative mechanisms and analysed their causality to find out what kind of obstacles and incentives can be identified in rural strategic development based on governance. Additionally, we examined the role of rural areas in municipal strategy work.

In response to the first research question on the role of rural areas in municipal strategies, the key finding is that the case municipalities do not seem to value rural areas very highly. The development of the rural areas is subordinated to the overall development policy of the municipality, and as they are mainly seen as places of declining (natural resource-dependent) production, their prospects are clearly gloomier than those of the municipalities in general. As a result, the impact of the municipal strategy on rural development can be rather random. It is also selective in the sense that municipalities are motivated to focus on the villages that are most likely to succeed. At the same time, there are only tentative signs of more strategic cooperation with villages, although their potential can be recognised. Thus, on the basis of this study, villages do not yet appear as key actors in the strategic development of municipalities. These results also contribute to answering the second research question on how the mechanisms facilitate the inclusion of rural areas in municipal strategic development: the causal effect of the rural potential mechanism seems to be rather modest.

The examination of the leadership mechanism demonstrates that a functioning dual leadership brings stability to municipal strategy preparation, which may also contribute to rural development. In this respect, the case municipalities were very different. While the cases of Kauhajoki and Sodankylä highlight the fragility of rural governance practices in municipal strategy preparation, Sotkamo provides a more solid example. The extent to which the rural dimension is incorporated into the municipal strategy processes depends primarily on the personal contribution of local political and managerial leaders. Thus, the study shows that rural governance in municipal strategy processes currently rests more on individual actors rather than on institutionalized municipal development practices. In other words, in answer to the second research question, the causal effect of the leadership mechanism on rural development is very case specific.

For the third mechanism, the municipal economy, the causal effect on rural development appeared to be mainly negative, resulting from municipal austerity pressures. Especially in Sodankylä, rural development activities decreased in various ways due to the poor municipal economy. However, the local political atmosphere can play a role in adopting rural governance practices in the development work, as illustrated in Kauhajoki. It seems that in financially harsh circumstances, municipal strategic development requires bold leadership that recognizes the potential of collective agency. However, in a favourable

economic position, this is easier, as the case of Sotkamo shows.

5. Discussion and conclusions

Although a case study approach illuminates only a small piece of the strategy work of rural municipalities, we maintain that our results have wider social significance. First, our study sheds light on current municipal leadership crises that have become more common (Kyösti et al., 2022). Although not all leadership changes imply crises, our study shows that the changes in leadership – especially when they are both political and managerial – has a major impact on the strategic development of a municipality and its related processes. This can be particularly detrimental to rural development. As stated by Tuurnas et al. (2019, 585), municipal leaders should ‘encourage, facilitate and offer opportunities for different stakeholders to become change-makers’. Without stability in municipal leadership, a cooperative development culture may be difficult to achieve, which from a governance perspective is likely to be an obstacle to rural strategic development.

Second, the findings of the municipal economy are equally relevant. If rural public services – usually village schools – remain, austerity pressures tend to focus on them. According to Lehtonen (2021), the consequences can be drastic and certainly strategically undesirable, and municipal decision-makers should be aware of this.

Third, when looking at rural strategic development at the municipal level, we should also be aware of the interaction of mechanisms, which is an essential feature of reality from a CR perspective (Danermark et al., 2019, 47–50). Although this was not the focus of this study, the CR ontology suggests that the mechanisms identified are likely to interact. However, in the absence of specific research, we can only speculate about possible interactions: How much more rewarding is it to act as a leader in a municipality that does not have serious financial problems? Is it then easier to rely on the municipal strategy and to see that there are opportunities for rural development at the local level? Thus, based on the CR ontology, the answer to the third research question of what are the main obstacles and incentives for rural development in municipal strategy work is probably more multidimensional than this study suggests.

Yet, these speculative considerations are very much in line with what Stoker (2011) has said about the importance of hard and soft power in local governance. According to Stoker, to be successful in governance, municipalities need to have a solid status in four dimensions: local identity, welfare development, economy and role in community governance, which together are the source of different forms of power. Thus, following Stoker’s thinking, if some of these dimensions fail – for example, the municipal economy – the conditions for governance may also fail. Respectively, if the conceptions of rural potential are gloomy and strategic cooperation between municipalities and villages is tentative, the role of the municipality in rural community governance is likely to remain weak, affecting local governance as a whole. Thus, in the light of this study, for rural areas to be seen as a strategic opportunity and strength for the municipality, a lot of things have to fall into place. No single mechanism can therefore bring about change. Probably the only thing that, based on this study, can be seen as exclusively contributing to rural development is the legitimacy of the municipal strategy. However, this still requires that rural areas are included in the strategy, for example as a reference to villages as future living environments, as partners of the municipality or as potential environments for entrepreneurship.

Stoker (2011, 29) also argues that on a global scale, Nordic municipalities are well prepared for governance because they can use both soft and hard power based on the four dimensions. If we consider the recent national reform of health and social services and follow Stoker’s thinking, we can expect a major change in the governance of Finnish municipalities. However, it is still too early to draw conclusions on how the reform will affect the development of rural areas. Overall, as Wellbrock et al. (2013) argue, the role the public organisation can take in

supporting collective agency in rural development depends on local political dynamics, the economic and demographic circumstances, and explicit, shared sense of place. These views also leave room to the municipalities to decide how to react in the new governance environment.

The final considerations are methodological. As shown in this study, we expected that the three examined mechanisms shed light on the municipalities' rural strategic development in a comprehensive way. However, being based on epistemic relativism, the theories in CR are always fallible (Buch-Hansen and Nielsen, 2020, 39). Hence, the mechanisms proposed here are not 'the final truth' of the studied subject, and something is probably being overshadowed. Additionally, when looking at the municipalities' rural development more closely, such as projects, new generative mechanisms would certainly be exposed. For example, what explains the absence of rural projects in a well-off municipality? There is still much to be learned about the contribution of municipalities in rural governance. We also believe that CR as a methodology can make a significant contribution to this research.

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CRediT authorship contribution statement

Ella Mustakangas: Conceptualization, Data curation, Formal analysis, Funding acquisition, Investigation, Methodology, Project administration, Resources, Visualization, Writing – original draft, Writing – review & editing. **Hilkka Vihinen:** Conceptualization, Methodology, Supervision, Visualization, Writing – review & editing.

Data availability

Data will be made available on request.

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