



DERREG

Policy Seminar

Brussels 31st March 2011

WP1: Global engagement and
local embeddedness of rural
businesses



NORDREGIO
Nordic Centre for Spatial Development



Introduction:

- Why it matters (theoretical and policy context...)
- Outline of Workpackage 1 activities
- Definitions of concepts





Why it matters!

- Diversified SMEs are the key actors in the “New Rural Economy”.
- Rural firms use business networks as an alternative to agglomeration economies.
- Business networks act as a channel for market and technical information which drive innovation and growth among SMEs.
- Transport and communication changes are opening up new networking opportunities for rural SMEs.
- This is particularly important for firms in remote and sparsely populated areas.
- Rural economies (even peripheral ones) are able to have endogenous dynamics.
- Rural-global or “translocal” linkages are as important as U-R relationships.



DERREG Workpackage 1

Objective:

"...investigating the engagement of local businesses and entrepreneurs in rural regions within global networks and their embeddedness in local communities..."

Case Study Areas:

Jihomoravský kraj (CZ), Övre Norrland (SE), Goriška (SI),
Westerkwartier (NL), Alytus (LT)

Main activities:

1. Review of literature.
2. Profile of business structures in case study regions.
3. Electronic survey (target 50 in each case study area).
4. Face to face structured interviews (15 in each case study area).
5. Interviews with 10-15 "network brokers" to investigate good practice in network support and enhancement.



What are Business Networks?

- Composed of both (repeated) transaction linkages and “non-market” (social/advisory contacts, information flows etc).
- May be “spontaneous” (produced by the activities of the firms), or “constructed” (by “network brokers”).
- There are relationships between these different types of linkages: e.g. information flows often follow established transaction paths, “constructed” non-market links may continue as transaction linkages...



The Geography of Networks: Different kinds of proximity

- Changes in transport and communication are widening the horizons of SME business networks (including rural ones).
- Theoretical consensus seems to be that the most dynamic business networks combine local embeddedness (cluster economies) with global engagement.
- French “proximity school” provide a different perspective: - “relational” or “organised” proximity is becoming more important than geographical proximity (Relational v Euclidian space).
- From either perspective the implications for rural economies, entrepreneurs, development and “Rural Cohesion Policy” are profound...

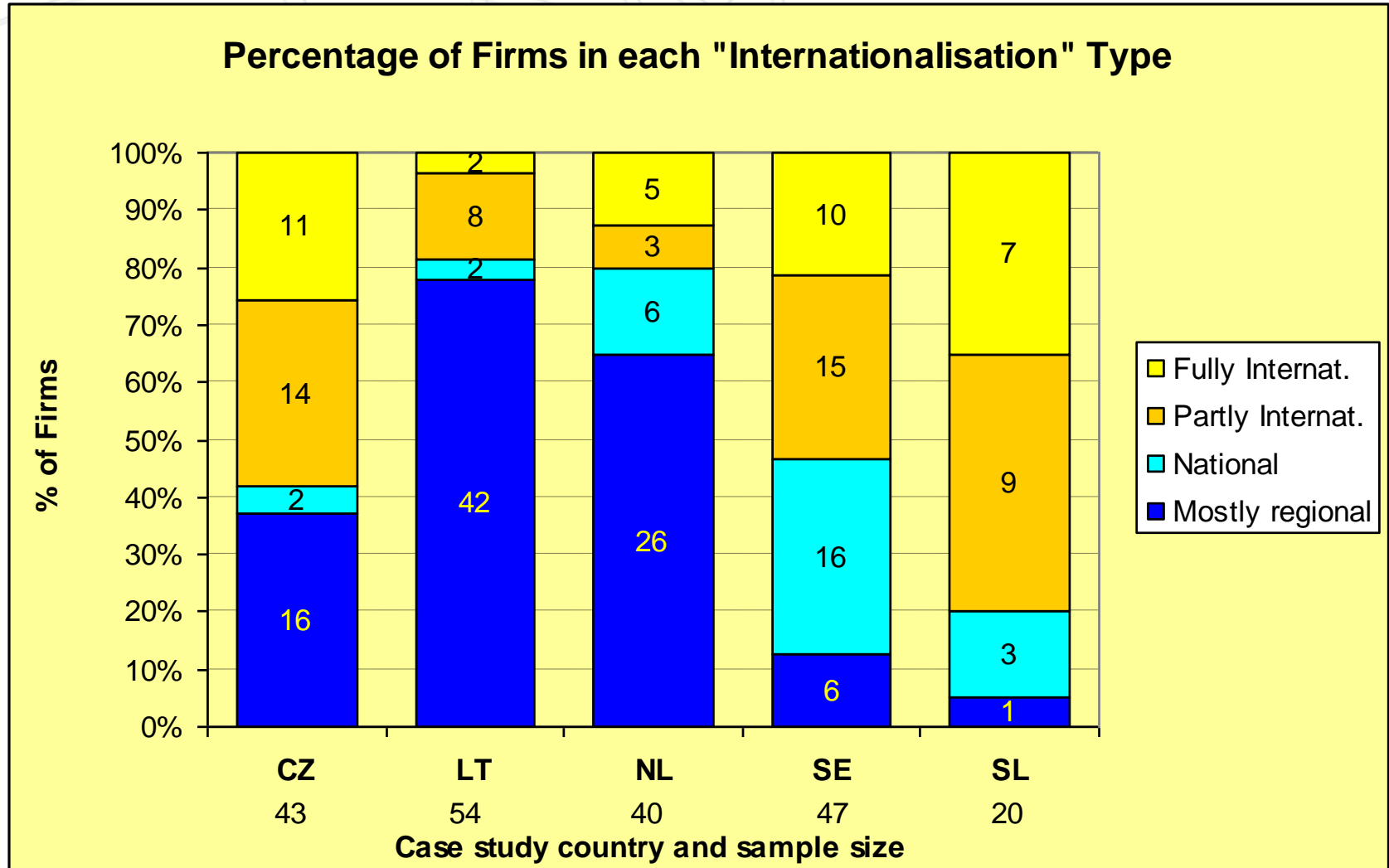




Some Findings...



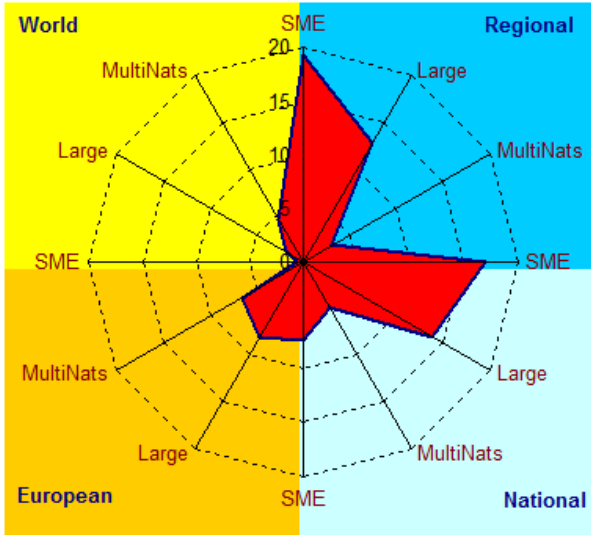
1. International engagement by SMEs varies considerably between regions...



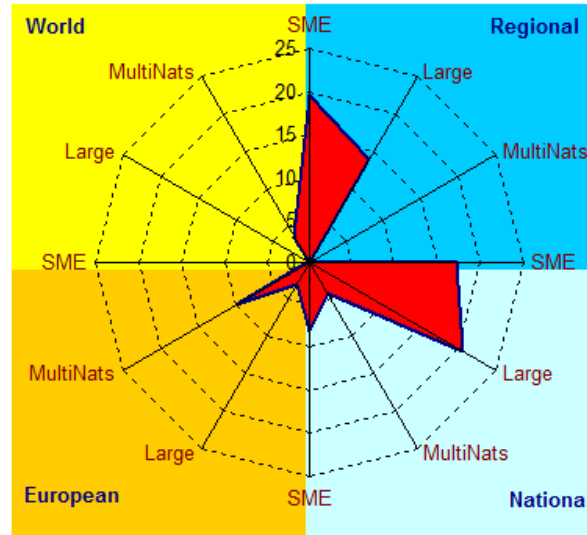


2. Closest collaboration (non-market linkages) is with Regional or National SMEs, but there seems to be significant activity at the European level...

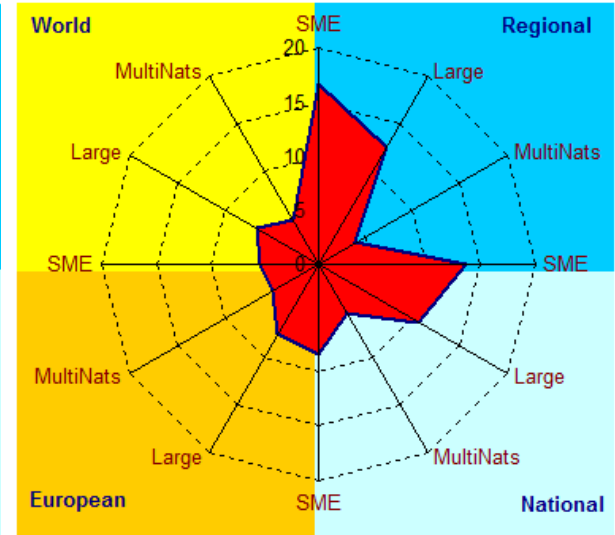
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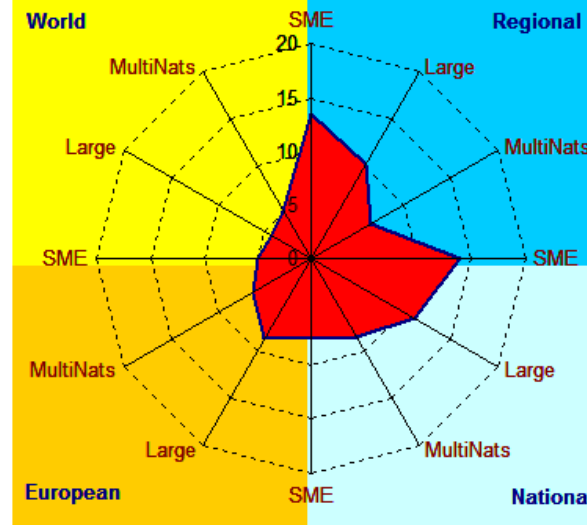
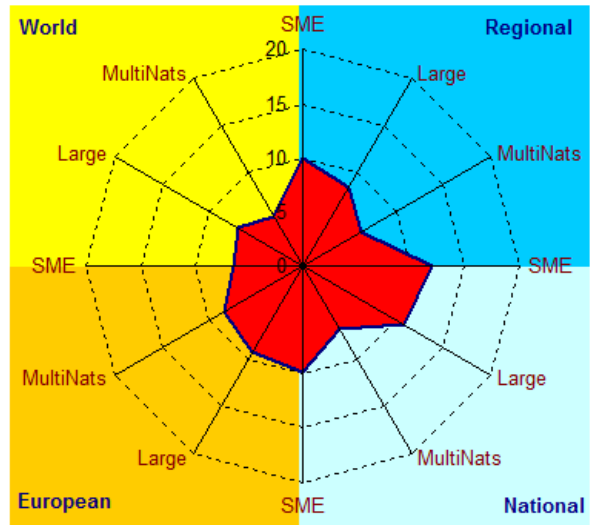
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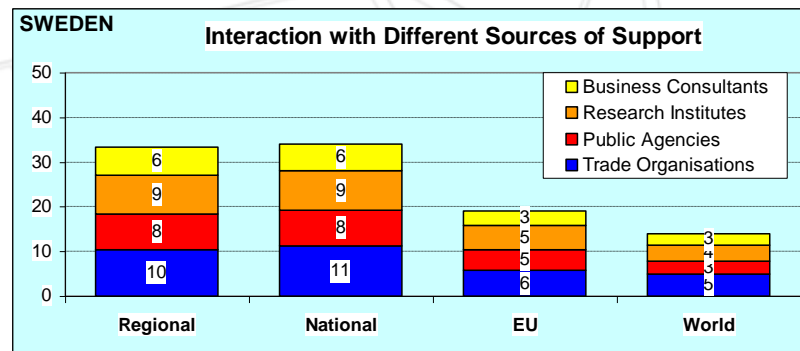
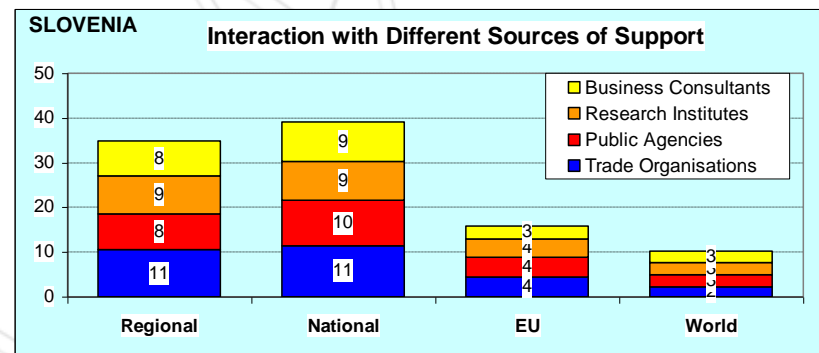
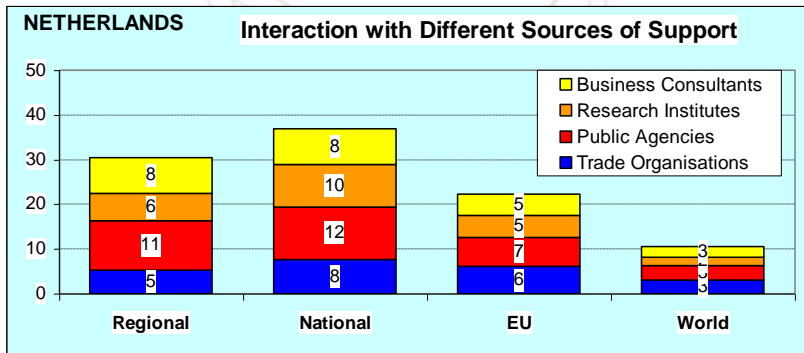
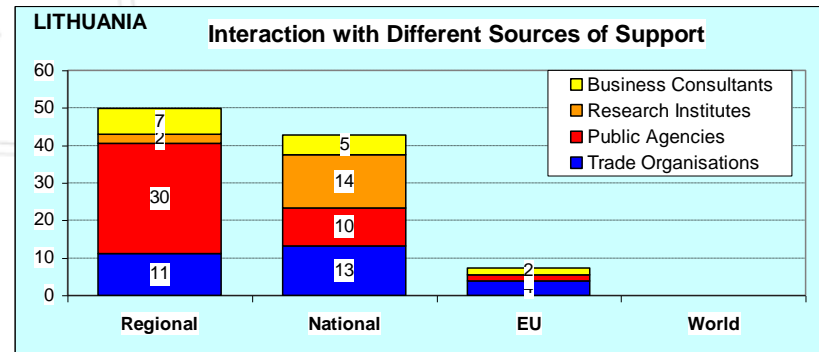
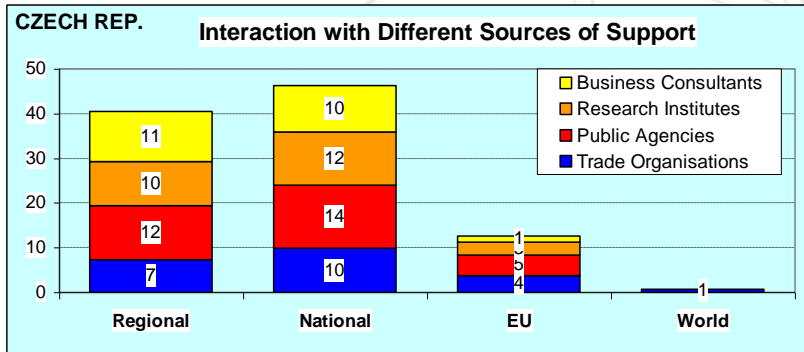
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...but international linkages are valued more highly than regional or national ones...



3. Support networks (institutional linkages) are predominantly regional or national





4. Factors which are associated with strong/weak international networking among SMEs

- High tech activities tend to have international networks.
- Local resource based niche/quality manufacturing SMEs associated extensive networks (local market too small).
- Traditional engineering/manufacturing SMEs tended to have mostly regional or national networks.
- Main barriers to international networking:
 - Language
 - Distance
 - Knowledge of remote market conditions
 - Availability of capital.
- Strong/balanced SME networks are more likely if:
 - The entrepreneur is younger and well educated.
 - The entrepreneur (or other employee) makes a conscious effort to maintain face-to-face contact with network contacts, both local and international.
 - The product or service is of high quality/value, and has a limited regional market.





5. All the Case Study Regions had some Network Brokering activity going on...

- “Constructed” networks maintained by public, private and voluntary “network brokers”.
- Spatial hierarchies of “constructed” networks are developing, linked by regional, national, and EU brokers (e.g. C. of C., Enterprise Europe Network, etc).
- These fulfil several functions, including:
 - Collective learning/training/dissemination.
 - Creating access to “non-market” linkages which may later be converted into functional/transaction linkages.
- “Constructed networks depend upon and enhance human capital and social capital.

A photograph of a snowy landscape. In the foreground, a path or road is covered in snow, with visible tire tracks and footprints. The path leads towards a fence line in the middle ground. The fence consists of several wooden posts and a wire. To the right of the path, there are some dark, leafless bushes or small trees. The sky is a clear, pale blue. The overall scene is bright and cold.

Policy Recommendations...



- Rural Cohesion Policy should recognise, and nurture the endogenous development potential of rural areas. As a strategic policy orientation it should be at least equally as important as strengthening (local) U-R cooperation.
- One of the most direct ways to create rural employment and innovation is by helping rural entrepreneurs to build wider, (international), networks.
- Support for locally embedded but outward looking SME networks is more likely to result in sustainable activity and resilience than inward investment by (footloose) multinationals.
- Peripheral and sparsely populated regions in particular benefit from the nurturing of international networks.
- High quality “niche” products, based upon local resources seem particularly to benefit from network support.
- Network brokerage is potentially an extremely important policy tool for supporting the diversification of rural economies.
- The possibility of “Meta-Networking” – connecting **rural** networks across the EU should be further explored.



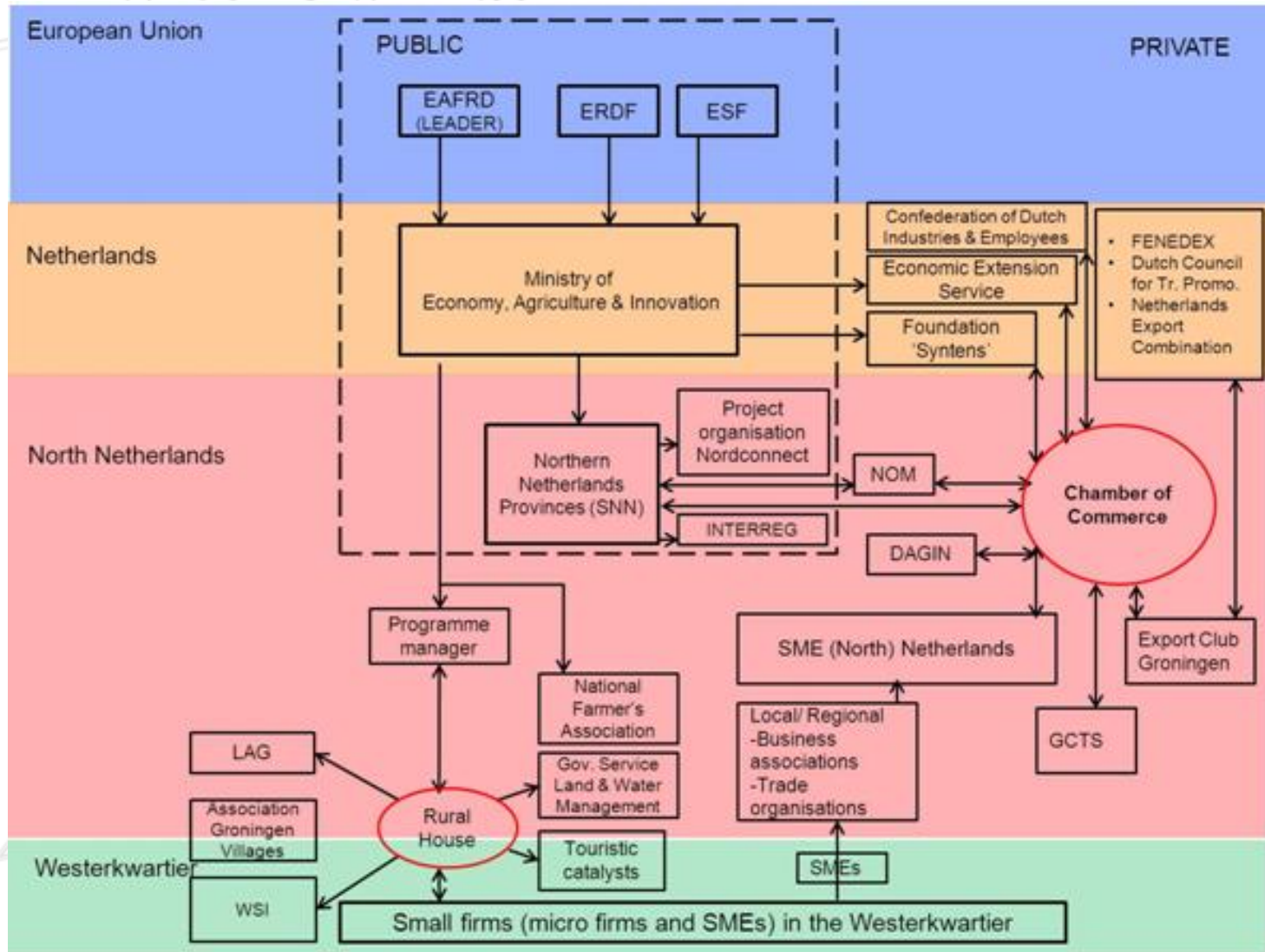


Good Practice Examples...





Spatial hierarchy of constructed networks...





iCON (Goriska – Slovenia)



A Cross-Border Initiative (SL/IT).

15 institutional partners (Public sector, industry representative associations, local government, universities...)

Objectives/Activities

- (1) Analysis of existing business connections and networks (concentration by territory and sector of activity).
- (2) Entrepreneur networking by formation of approx. 10 business networks based on analysis results and entrepreneurship interest (renewable energy sources, nautics, tourism, ICT, engineering etc.);
- (3) Establish network of business support institutions in border region.
- (4) Develop project information system as database for entrepreneurship development.
- (5) Training of actors who will coordinate cross-border business development.
- (6) Entrepreneurship training targeted to marginalized groups (young, old etc).
- (7) To raise profile of the border region and increase direct investment in it.

Too early to judge impact, but based upon a previous successful programme (In Prime)



Thank you for your attention...

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