



DERREG

Final Conference

Murska Sobota 12-13 October 2011

WP1: Global engagement and
local embeddedness of rural
businesses



NORDREGIO
Nordic Centre for Spatial Development



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.



What Does the Literature Tell Us?

- Characteristics of individual linkages, and business network concepts...
- Networking as a surrogate for agglomeration.
- Networks act as a vehicle for knowledge/innovation
- Preconditions include transport and communication infrastructure, but also 'intangible assets'.
- "Local buzz and global pipes"



The hypothesis...

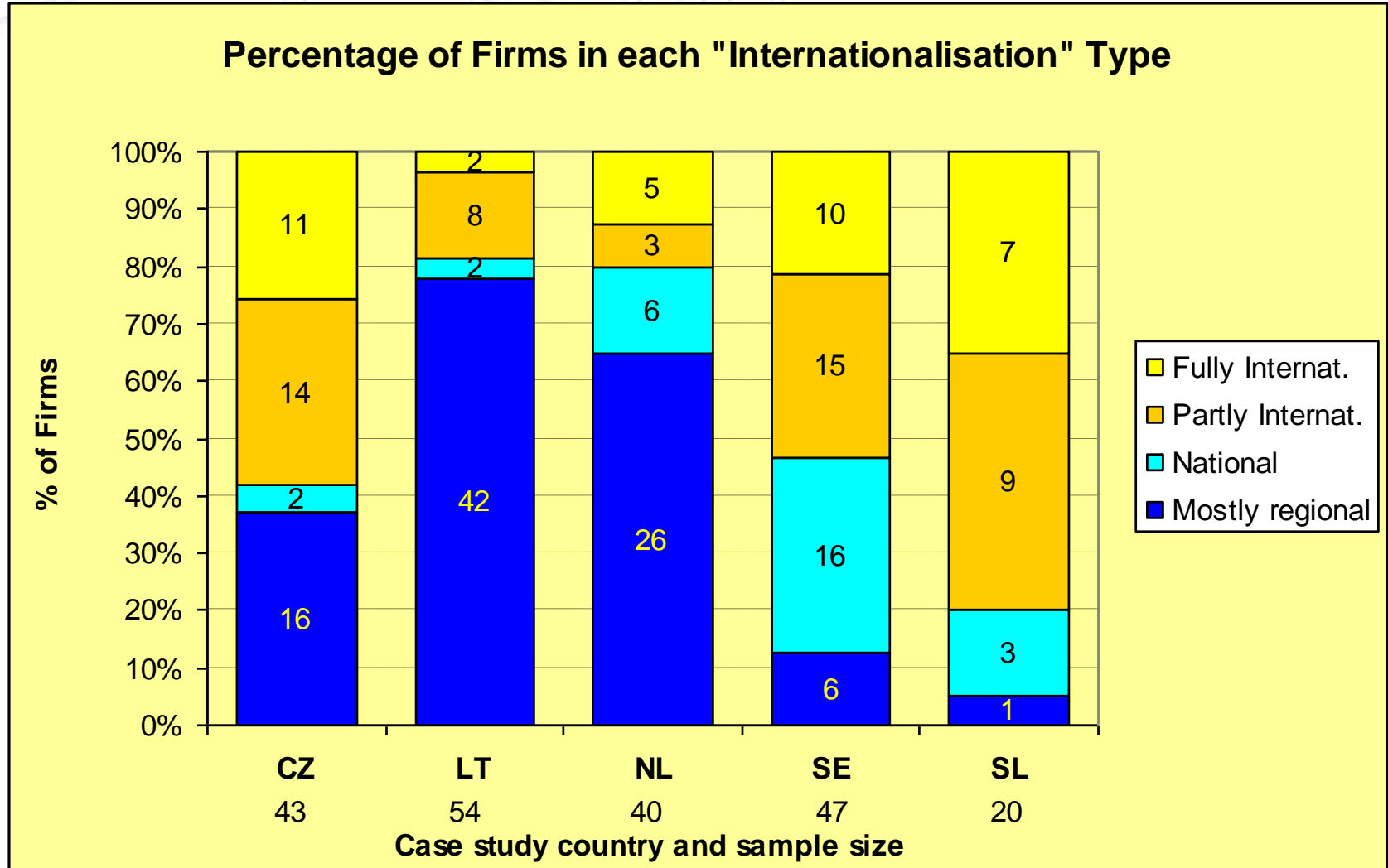
Successful and dynamic rural firms derive "networking economies" from frequent and effective interaction, not only with the local business environment, but also with a much more extensive set of linkages, stretching out across Europe. This implies that global integration and more local "territorial anchoring", are not mutually exclusive. Indeed they are complimentary aspects of a "survival strategy" for SMEs in rural areas.



Some Findings...



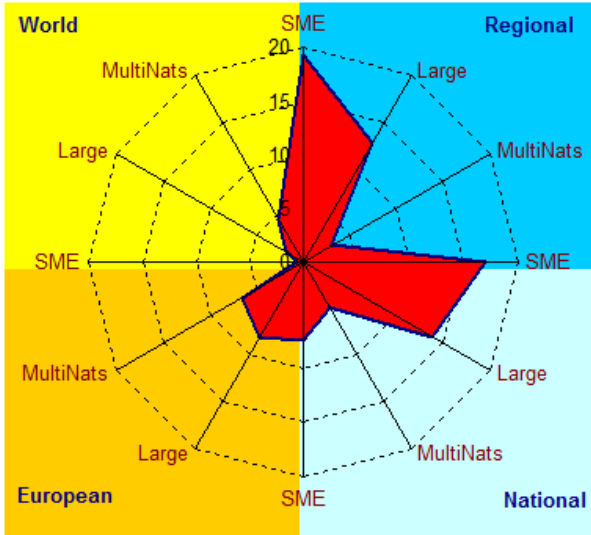
1. International engagement by SMEs varies considerably between regions...



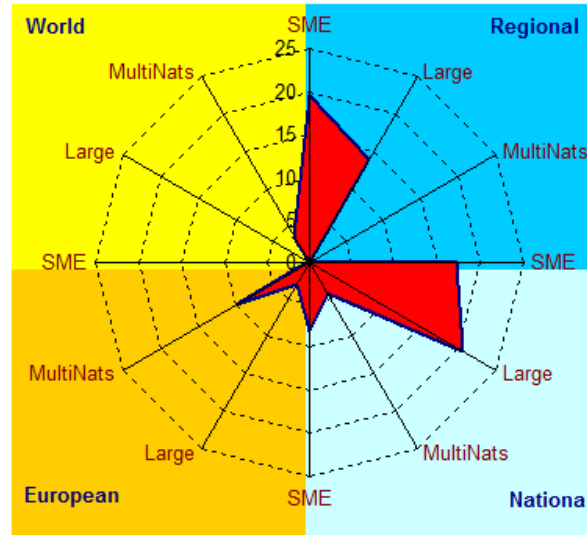


2. Closest collaboration (non-market linkages) is with Regional or National SMEs, but there seems to be significant activity at the European level...

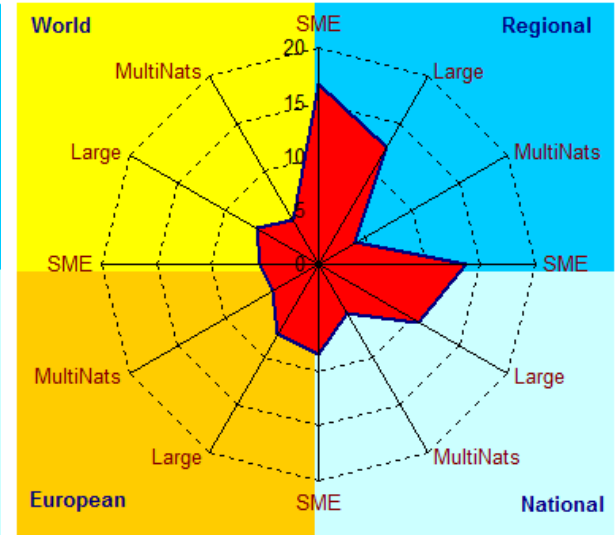
CZECH REPUBLIC



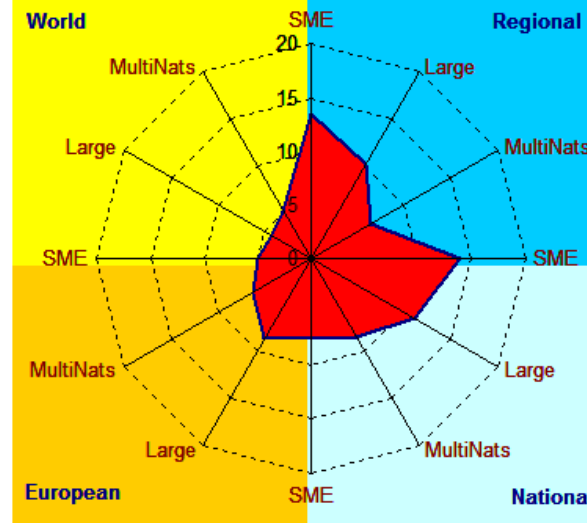
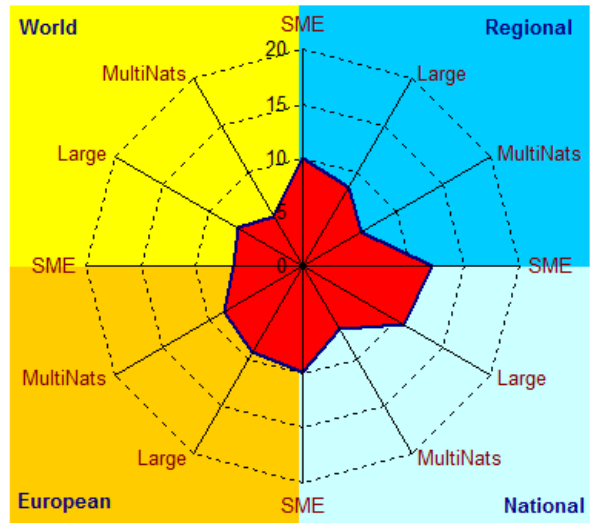
LITHUANIA



NETHERLANDS



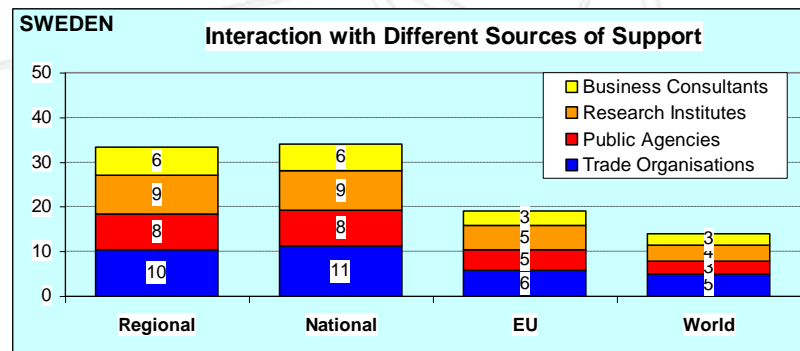
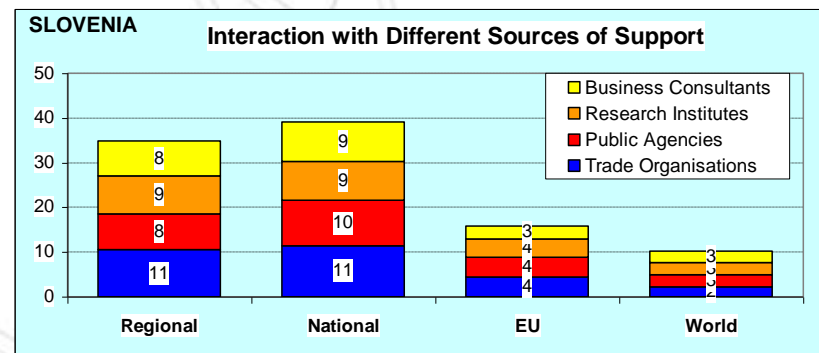
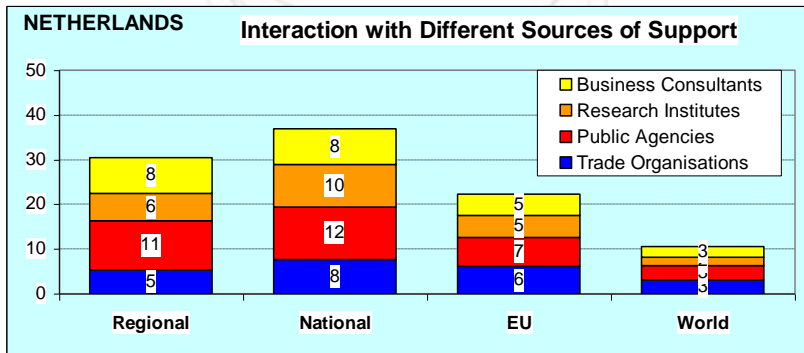
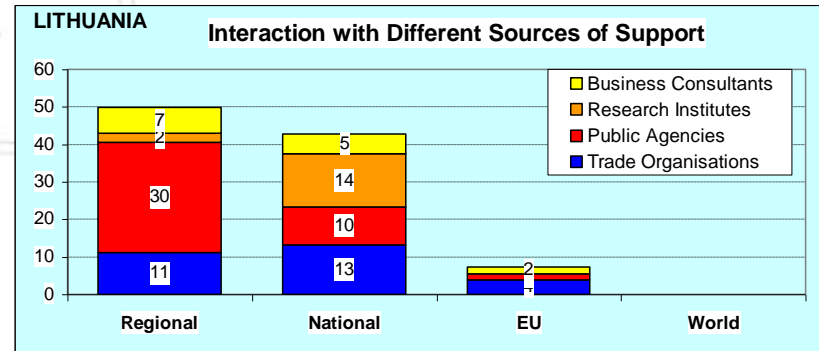
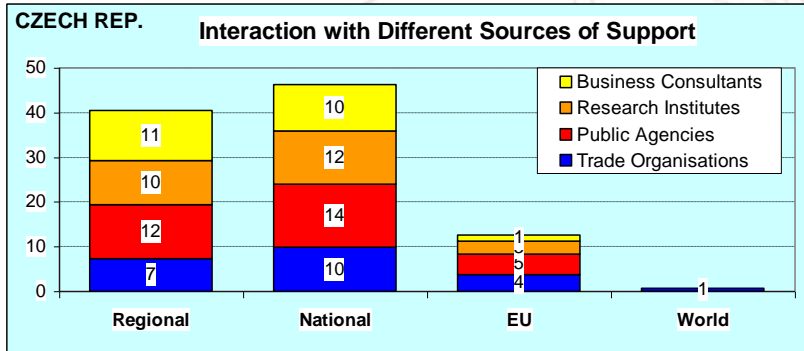
SLOVENIA



...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.
 - Face to face contact is prioritised.
 - 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.

The Key Findings...

- Even remote sparsely populated areas can have international networks – main barriers are 'softer' aspects of business environment.
- Non-market interactions are mostly regional or national.
- International linkages are mostly direct (translocal) rather than indirect or vertical.
- International linkages are mainly valued for access to market intelligence.
- Support space is regional/national.
- Key form of support is network brokerage.

Thank you for your attention...
andrew.copus@nordregio.se