

Measuring entrepreneurship in Swiss rural regions – concept and implications for empirical studies

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Introduction and Background

Since the 1980s, regional development policies in Western European countries have experienced a paradigm shift (Bachtler and Yuill 2001, Maillat 1998). Traditionally, regional development policies have been based on the “donor-recipient model” (Pike, et al. 2006: 106), i.e. growing core regions transfer parts of their economic output to lagging regions in order to balance regional disparities in growth rates. Most of modern regional development policies, however, refer to a “growth-oriented model” (Pike, et al. 2006: 106) of regional development policy. Economic output should be stimulated in both core and lagging regions as well. The “growth-oriented model” roots in endogenous growth theories and therefore strongly focuses on the stimulation of knowledge and innovations (Howells 2005, Pike, et al. 2006). Consequently, the main goal of modern regional development policies is to strengthen the competitiveness of regions in order to firstly contribute to the national growth policy in times of increasing global competition and secondly (and indirectly) achieve equivalent living conditions among regions.

Switzerland experienced this paradigm shift in regional development policies, too. On January 1st 2008, the law on the New Regional Policy (NRP) became effective in Switzerland. This law replaces a bunch of means of national structural politics so far referred to as regional politics. By implementing the NRP, Switzerland has definitively made the step from the „donor-recipient“ to the „growth-oriented“ model of regional development policy. Instead of structural politics aiming directly at the equalization of regional disparities, NRP shall contribute to national growth policy and so diminish regional disparities indirectly (Blöchliger and Kamal-Chaoui 2003). The experts’ report on the NRP (Expertenkommission 2003), released in 2003, specifies more precisely how to stimulate growth even in under-performing regions (cf. Figure 1).

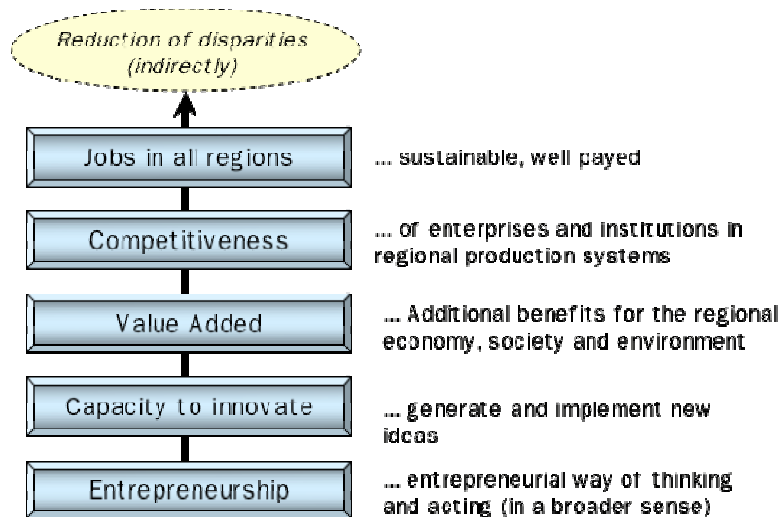


Figure 1: Chain of arguments of the NRP (Source: own graphic, based on Expertenkommission (2003: 97))

Unsurprisingly, the chain of arguments presented by the group of experts – as illustrated in Figure 1 – focuses on innovations as the key to endogenous regional growth. To stimulate innovations another concept is introduced: entrepreneurship – broadly understood as the local/regional presence of persons who have the willingness as well as the capabilities/capacities to undertake something. Entrepreneurship is thus seen as the breeding ground for innovations and after all as the motor to diminish regional disparities (Expertenkommission 2003: 100).

NRP as Challenge for Swiss rural regions

The shift from the “donor-recipient” model to the growth-oriented NRP especially challenges Swiss rural¹ regions. For a successful adaptation of the NRP measures, Swiss rural regions face three main disadvantages.

First, the disadvantage of persistent economic structure: Swiss rural regions show a high share of industry branches with low productivity rates². As economic input-output analyses in rural and mountainous Swiss regions show (Buser, et al. 2005), such branches rarely contribute to regional added value production.

Second, the disadvantage of (physical) accessibility: Although the accessibility of Swiss regions is high and increased during the last 150 years (Axhausen and Hurni 2005), the disparity between central regions in the midland and peripheral regions in the Alps as well as in the Jura mountains remains remarkable. In other words, the physical conditions to integrate rural regions in “clusters” (Porter 1998) in the midland are still unfavourable for a great part of the Swiss rural regions.

¹ The Swiss Federal Office for Spatial Development defines a territory as „rural“ if it is not classified as „urban“ (i.e. core-cities) nor as „agglomeration“ (i.e. territories in the surroundings of the core-cities; Schuler et al. 2004). These “agglomerations” are defined by the Swiss Federal Statistical Office (Schuler, et al. 2005). The smallest spatial unit of analysis is the municipality (equivalent to LAU-2 (former NUTS-5) territories). According to this definition, 27% of the Swiss population live in rural areas in 2000 covering 80% of the Swiss surface.

² I.e. first sector (agriculture, forestry), construction industry – mostly oriented to the domestic market – and in some alpine regions tourism and production of hydropower (cf. Schuler, et al. 2007).

Third, the disadvantage of social stagnation: some rural regions in Switzerland seem to be “locked-in” cognitively as well as politically (Grabher 1993: 261ff). Economic actors as well as local institutions see themselves still in the role of “recipients” in the sense of traditional regional policy models. These “lock-ins” often are intensified through the presence of very close local networks between local firms and political institutions. For instance, economical and political/institutional key players in rural municipalities often are one and the same person.

If NRP-strategies should succeed even in rural and peripheral regions, both national as well as regional and local authorities are forced to develop new strategies to deal with rural and peripheral areas in Switzerland. On the one hand, national authorities have to implement the “shift” from the “donor-recipient” to the “growth-oriented” model of regional policy. In order to successfully implement the NRP, national authorities especially have to identify the “right” stakeholders in rural regions, being able and willing to start and implement development processes from “bottom-up”. On the other hand, local authorities in rural regions have to develop new strategies to activate “endogenous potentials” in their regions to successfully participate in regional development measures referring to the NRP.

What is meant by the magic word “entrepreneurship”...

As the group of experts for the NRP states (Expertenkommission 2003: 98), entrepreneurship in a broader sense or “[the presence of] persons, that are willing and able to undertake something and have the necessary risk propensity to this end” is the key for regional development even in rural regions. Starting with this unclear definition of entrepreneurship, it seems open, if the conception of the NRP will succeed in rural and peripheral Swiss regions. A research project financed by the Swiss National Science Foundation (SNSF) addresses therefore three main research questions:

- 1) What is meant by “entrepreneurship” in rural environments (especially in the Swiss context)?
- 2) How can “entrepreneurship” in Swiss rural regions be measured on the level of local municipalities?
- 3) Is there in fact a positive correlation between high “entrepreneurship” in rural Switzerland and regional and local economic development?

This research project has been initiated in January 2008. Therefore, the two following sections can only give an outlook on the planned research design to deal with the research questions.

... must be a sort of “entrepreneurial potential”

Answering the question what “entrepreneurship” as a key to regional development of rural regions in Switzerland may be, it is clear that conventional definitions of “entrepreneurship” or the “entrepreneur” do not entirely convince. Neither can it be the over-all heroic driver of economic development in Schumpeter’s (1912: 172f) sense, nor alone one of the functions that recent economic literature denotes to the “entrepreneur” or “entrepreneurship” (Casson

2003, Hérbert and Link 1989, Nijkamp 2003). Most of the entrepreneurial functions reviewed in these contributions refer to an entrepreneur who is engaged in economic activities in (existing or not yet existing) businesses alone. Shane (2003: 5) consequently defines entrepreneurship operationally as “self employment” or “the founding of a new business”.

Before this background it seems more appropriate to envision a working definition of “entrepreneurship” in Swiss rural regions that reminds more of an “entrepreneurial potential”. Especially in rural areas, economic activities are socially (Granovetter 1985) and locally embedded (Flora and Flora 1993, Flora 1998). Entrepreneurship in rural Switzerland should therefore not only be considered as an element of local businesses but should also take into account institutional (DiMaggio 1988) as well social (Austin, et al. 2006) and community based (Peredo and Chrisman 2006) entrepreneurship. Moreover, these different forms of entrepreneurial behaviour should be summarized as “entrepreneurial potential” of local communities. To define “entrepreneurial potential” the widely used definition of Shane (2003: 4) can be adapted. Thus entrepreneurship potential in Swiss rural regions could be defined as *the capacity of municipalities to discover, evaluate and exploit opportunities to generate economic, social or ecologic added value.*

Outlook

The research design for the empirical work on the research questions (2) and (3) is set up as a quantitative case-study on the municipality level in rural Switzerland. The municipality level (LAU-2) is chosen firstly because of the considerable socio-economic and cultural differences between rural municipalities on this scale, secondly because of the high level of federalism that leaves local authorities great freedom of action in several policy fields (e.g. spatial planning, business promotion, fixing of local tax rates), thirdly due to the available spatially explicit data (population and enterprises census (Volks- und Betriebszählung)) and further data (e.g. political mentality or election participation rates).

To answer the research question how “entrepreneurship” in Swiss rural regions can be measured a quantitative spatial approach is going to be implemented. In this approach, indicators to measure entrepreneurial potential in rural communities are to be defined and collected. It is the aim to construct a normalized “rural entrepreneurship index” (SIRE) including relevant quantitative indicators (e.g. share of population of working age, share of business ownership, rate of new founded firms, structure of the local economy and further). The collection and especially the weight that single indicators should contribute to the “rural entrepreneurship index” should be achieved by a Delphi survey.

The research question on the relationship between between entrepreneurship potential and regional and local economic development is going to be tested by a quantitative approach. Central element will be the test of correlations between the above constructed “rural entrepreneurship index” and regional GDP growth rates as well as local and regional unemployment rates on the level of Swiss rural municipalities.

First results are expected in 2010.

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