

Innovation, Entrepreneurship and Rural Development: Some Key Themes

Professor David Smallbone
Small Business Research Centre
Kingston University
Kingston upon Thames, UK

INTRODUCTION

- Although innovation policy is typically urban oriented , not all innovations take place in cities.
- So promoting innovation in rural areas is not just about strengthening rural economies but it also recognises that innovations in rural areas can be of benefit outside them.
- Rural areas are very heterogeneous

1. INNOVATION AND ENTREPRENEURSHIP ARE ESSENTIAL TO THE COMPETITIVENESS OF (RURAL) BUSINESSES AND REGIONS¹

- Innovation is an elusive concept which is difficult to define. Essentially there are two key issues
 - Should it include changes which are new to a firm regardless of what other firms in the same market segment are doing
 - The breadth of the definition.

INNOVATION AND ENTREPRENEURSHIP ARE ESSENTIAL TO THE COMPETITIVENESS OF BUSINESSES AND REGIONS

- ‘ an attempt ‘to create competitive advantage through new and better ways of competing in an industry and bring them to market’ (Porter, 1990)
- implication of this is that much innovation in practice can appear rather mundane and incremental rather than radical from industry perspective

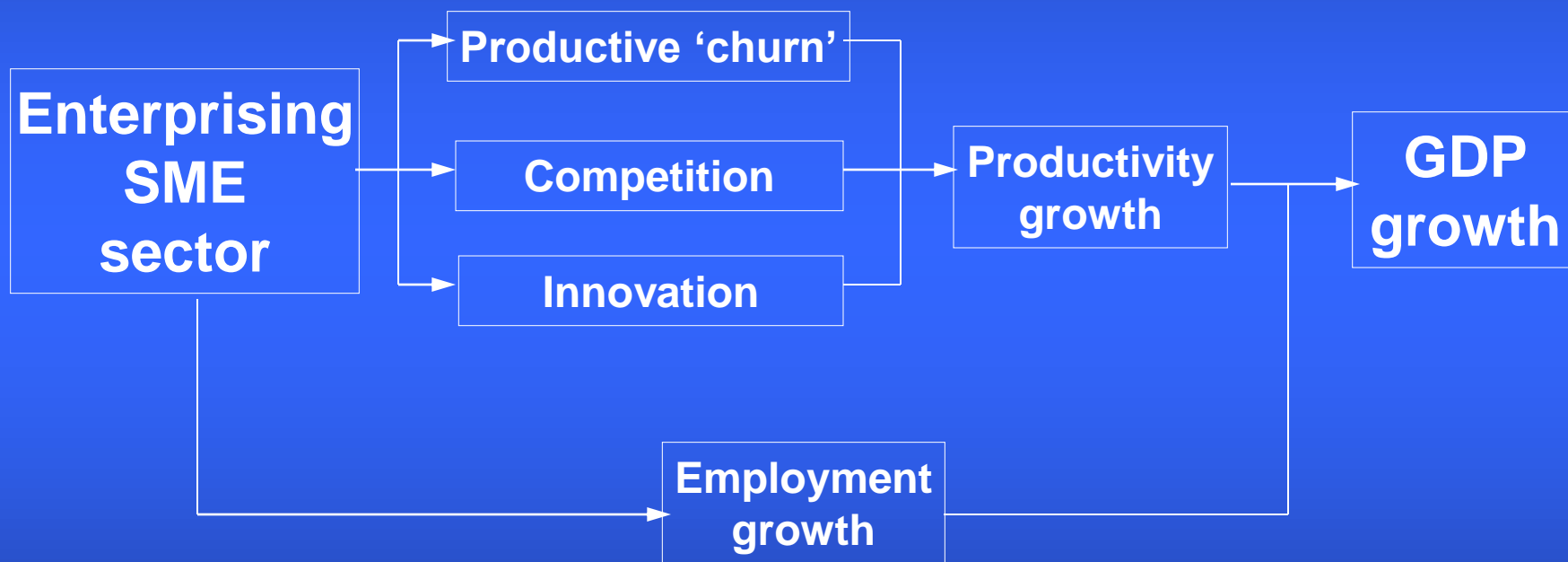
2.A BROAD VIEW OF INNOVATION IS MOST APPROPRIATE IN A RURAL CONTEXT

- innovation and support for innovation should be applied across the economic structure to include traditional rural activities including land-based industries, tourism and crafts
- .In the UK increasing international competition and CAP reforms have meant that farmers have taken on new multiple roles as environmental project managers and rural entrepreneurs as well as food producers

DEFINING ENTREPRENEURSHIP

- Inclusive definitions anyone who starts and runs their own business including self-employed
- *"the manifest ability and willingness of individuals, on their own, in teams, within and outside existing organisations, to firstly perceive and create new economic opportunities (new products, production methods, organisational schemes and product-market combinations); and secondly, to introduce their ideas in the market, in the face of uncertainty and other obstacles*
- Wennekers and Thurik (1999)

HOW CAN ENTREPRENEURSHIP & INNOVATION EFFECT ECONOMIC DEVELOPMENT AND COMPETITIVENESS?



3..INNOVATION IN SMES DEPENDS ON INNOVATION SYSTEMS AS WELL AS THE CREATIVITY AND DRIVE OF ENTREPRENEURS

- an innovation system consists of a production structure and an institutional infrastructure and the interaction between the two
- Linked to an interactive view of the innovation process
- Clearly in rural areas low business densities combined with long distances separating them from their customers, suppliers and institutional actors typically makes interaction more difficult than in an urban context

POLICY RESPONSE

- Because rural entrepreneurs tend to be more isolated physically and have less immediate access to markets and other resources, various types of networking, resources pooling can be especially helpful to them contributing to building social capital for economic purposes.
- Lyons (2002) analysed 3 cases of rural social capital building for enterprise development, a rural business incubation system in NE Alabama; a business incubation programme serving rural Humboldt County in California; and a community-based economic development programme in the Central Appalachian region.

POLICY RESPONSE

- . he identified a number of key characteristics associated with successful rural social capital building, including
- :
- Multiple linkages between numerous participants to develop a networking culture.
- A process-oriented approach to business incubation, linked to networking activities
- A sector-focused enterprise development strategy e.g. food processing
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ENTREPRENEURIAL RURAL BUSINESS SUPPORT ORGANISATIONS

- identifying, engaging with and supporting local individuals with the motivation and drive to create successful enterprises
- ; facilitating support networks that include access to mentors and role models;
- helping entrepreneurs to access capital to support different stages of business development
- helping entrepreneurs to access distant markets, such as through participation in trade shows;
- providing access to technical assistance of various types;
- developing long-term partnerships with entrepreneurs.

4.THE CHARACTERISTICS OF RURAL REGIONS PRESENT CHALLENGES TO SUCCESSFUL INNOVATION

- □ Declining employment opportunities in primary industries (mainly agriculture), as a result of structural change,
- □ An aging population, associated with an outmigration of young people and an in-migration of retired people,
- □ Difficulties in maintaining a critical mass of facilities to support economic development, including a range of business services.

DISTINCTIVE CHARACTERISTICS OF THE RURAL ENVIRONMENT

- the number of business entities;
- the small size of local markets
- ; the characteristics of rural labour markets:
- limited availability of business premises
- ; limited access to transport and communication infrastructure;
- Limited access to information, advice and business services;
- Poor access to finance.
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BUT ALSO OPPORTUNITIES. .

- Increased demand for rural amenities on the part of urban residents;
- Sources of economic success, such as dynamic SME clusters; and
- Development of diversified agro-industries and rural tourism.
- Developments in communications technology are potentially an enabling influence
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5.SOCIAL ENTERPRISES CAN PROVIDE INNOVATIVE SOLUTIONS TO THE DECLINE OF PUBLIC SERVICES IN RURAL AREAS.

- . Social enterprises are businesses with primarily social objectives, whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profits for shareholders and owners
- In rural UK, social enterprises are contributing to providing services from community transport, village shops and post offices to childcare provision, where neither the private nor public sectors find it economic to provide
- social enterprises bboth draw on and contribute to. social capital

6. HE INSTITUTIONS HAVE AN IMPORTANT ROLE IN RAISING THE LEVEL OF INNOVATION IN RURAL AREAS

generating close relationships between HE and business offers potential for

- *creating innovation "clusters":*
- *regional growth* based on knowledge transfer
- developing a regional "innovation system"