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## Conference Paper

# The innovativeness of rural Europe: A contribution to the concept of innovation

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**38<sup>th</sup> Congress of the European Regional Science Association**  
**„Europe quo vadis? – Regional Questions at the Turn of the Century“**

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**Abstract:**

*The innovativeness of rural Europe – A contribution to the concept of innovation*

Even if social capital fostered by proximity and embedded in networks of actors, tacit knowledge and knowledge transfer are broadly accepted *milieu* preconditions in which enterprise-based innovation is likely to occur, rural areas are somewhat deleted from discussions about innovation. Rural specificities, such as environmental space, social dispersion and geographical distance, and corresponding identities and images are not adequately addressed by the current approach to innovation, which focusses upon enterprises and entrepreneurial competitiveness. The work group on innovation of the European LEADER Observatory studied about 100 innovative case stories and developed a perspective which not only reveals the opalescing richness and innovativeness of development actions, but also identifies recurrent patterns of innovation in rural areas. This change of perspective became possible by passing from a narrow focus on „innovative enterprises“ to the concept of an „innovative territory“, in which the area becomes a „virtual collective actor“ or even „enterprise“. The work group created a scheme called „pathways to innovative rural areas“. It can serve as a guide for key actors for rural development, but as well as an analytical grid for understanding the internal logic of innovative actions, of which the immediate result (a new product, process, organisation or market) is only one aspect: The concept (idea), the methodology of implementation and the long – term effects on the stock of core capabilities of the area are equally taken into consideration.

The capacity to innovate turns around the pivotal points

- Capacity of present problem solving
- Capacity to mobilise internal networks
- Capacity to experiment and to anticipate future challenges
- Capacity to link up to external networks

The four concepts of the pathways to innovative rural territories refer to these pivotal points:

- To conceive an innovative territory
- To acquire social competitiveness
- To acquire economic competitiveness
- To change terms of exchange in favor of the local

The analysis allowed to distinguish three types of innovative actions:

- Mobilising actions: They link an empowered network of actors to a new perception of the territory
- Structuring actions: They turn the territorial specificities into marketable offers
- Consolidating actions: They sustainably reposition the territory towards the outside world

It is obvious that the analytical approach is able to give more insights into what generally goes on in „successful“ regions. A good part of what was considered as „context“ in an enterprise-based perspective now emerges as a part of the innovative actors' system. Innovative leadership can emerge in more than the entrepreneurial subsystem: in the voluntary sector, in public management....

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## 1 From innovative enterprises to innovative territories

Although territorial identity, space related networks of actors and institutions and economies of information have been broadly accepted as decisive factors for enterprised – based innovation, little has been said upon the innovativeness of territories and only very few authors refer to rural territories<sup>2,3</sup>.

- Rural areas are somewhat deleted with regard to innovation and technology development, because mainly urban based scientists, administration and business people implicitly define it as an urban affair. Rural territories are the *space between* places where innovation is likely to happen.
- However, rural areas are sometimes addressed in the mainstream discussion; their role is distorted towards that of a passive receiver. Actors are advised to make their regional production and support systems fit for absorbing and adopting new technologies and the related skills stemming from urban-industrial research and development. They are rarely taken into consideration as creators of innovative practices.
- The current perception of innovation in rural areas aims to diminish gaps between them and economically dominant agglomerations. Rural enterprises apply „mature“ technologies exploiting comparative advantages such as low wages and infrastructure costs. Innovation is rather directed towards the generalisation of practices and the equalisation of framework conditions, than towards the enhancement of uniqueness and diversity, which is indispensable for creating competitive advantages.

This last point comprises the ignorance of the specificities of rural knowledge and knowledge management, which in this perspective sometimes only appears as backwardness, stubbornness and resistance to modernisation. In extreme cases rural areas are considered being a *tabula rasa* in which virtually everything, not only RTD infrastructure, training and advice, but also *entrepreneurship* has to be implanted. All too often rural actors themselves regard themselves as running behind urban areas and being urged to copy their modern images and rather forget local practices, just to keep people from going away. Policies towards rural areas are defined in terms of „handicaps“; the only possible policy is that of compensation. The idea behind it is that the rural areas should be enabled to stride through the door to modernity.

The grid which is currently used to read success stories of innovation, is focussed on enterprises<sup>4</sup>. Innovative regions play the role of milieus in which innovative enterprises emerge, thrive and sometimes fail. A concept which is based on single heroic global players, the vanguards of excellence, automatically produces the depicted caricatural image of the role of rural areas with respect to innovation.

But there are two access cues in the Green Book on Innovation, which show us the way out of that narrow focus: The Book explicitly states, that “one of the weak points in Europe`s innovation systems is the unsatisfying level of *organisational innovations*” and emphasizes the underestimated, but crucial role of the *service sector*<sup>5</sup>. It clearly shows us that in many cases the “innovative enterprise” might rather be more the carrier of a symptom – that of an innovative territory – than representing the whole of the story in itself.

While reading about 100 stories of innovative actions in rural areas, the work group on innovation discovered the opalescing richness of the emerging patterns, when it started to conceive the rural territory as a virtual innovative actor by itself. Enterprises, voluntary actors, public institutions operated in a coordinated, but not always intended way, and the resulting innovation opened up new options and space for more creative developments within the regional system.

In fact, innovations in rural areas have the same objectives as innovations in enterprises: to reinforce the competitive advantages of the territory. The major difference lies in the fact that considering territories both: *economic competitiveness* and *social competitiveness* have the same importance and weight.

Although in any enterprise, social competitiveness (which is based on a climate of trust, social competence and communication skills) supports economic competitiveness, innovation in the territories maybe aimed in certain cases at reinforcing only social competitiveness.

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<sup>2</sup> De Ruijter: „The technological competitiveness of rural areas. Shannon, Six Countries Programme Workshop on *Innovation, environmental resource management and rural economic development*. Delft, TNO.

<sup>3</sup> Sweeney, Gerry: “Regional and local development“ – A Teaching manual prepared under the EUROFORM initiative, Module 2, Volume 1, Dublin 1995

<sup>4</sup> EU Commission: “Innovation Measurement and Policies“, Conference Proceedings 20, 21 May 1996, Luxembourg

<sup>5</sup> EU Commission: „Green Book on Innovation“, Bruxelles 1995, p.20 of the German edition

On the other hand, much which has been said with regard to “learning organisations”<sup>6</sup> (or “learning enterprises”) can be applied to territories: E.g. in the case of enterprises, it’s not only the internal environment that allows for innovation or the emergence of innovative ideas; it is the constant confrontation with the markets, consumers and suppliers, that plays a major role. Territories, as well, are constantly confronted with external players. This confrontation enhances a learning process that allows to transform the own assets into competitive advantages. This learning process does not only refer on the level of technology and skills; it refers on the level of values, attitudes and institutions as well. The region “learns to learn”.

## 2 The specificities of rural areas

If we focus on rural areas, the dimension of **space** emerges as a first specificity.

- That means *environmental space* in terms of natural biodiversity, cultural landscapes and resource reserves,
- That means *social space* in terms of distance and dispersion of settlements and people, which is a classical barrier to communication.
- That means *symbolic space* in terms of the mostly intangible *identities* which are encoded in behaviour and interaction patterns and which are represented by the outside world as *images*.

**Interaction** happens in densely or sparsely populated areas; distance is only one of the factors which shape the communication patterns. They will differ in the tundra of Laponia, in French villages or in Sicilian towns. Inter alia, their character changes with the use of NTIC, whose impact has been already nicknamed as „the death of distance“. **Networks of actors** organise economic, social, political and cultural processes in reproduce the underlying structures. This specific reproduction is mainly ensured by **tacit knowledge transfer**, from parents to children, from neighbour to neighbour, from customer to producer and the other way round. **Contextual knowledge**, encoded in attitudes, values and institutions (norms)<sup>7</sup>, is the essence of the uniqueness of local products and services, and of the magnetism that some areas exert on tourists, second home residents, and self-employed people in search for inspiring places.

Contextual knowledge is not a strenght in itself. It is **the combination, the interlinkage between different types of knowledge** that results in innovation, be it the combination between contextual knowledge and codified technological know-how or between different contextual knowledge systems. The blessings of diversity, of „being different“, even „unique“ can be deleted if that diversity is not communicable. Isolation leads to decline and absence of innovation. It is through the contact with a multitude of specific contexts, each of them *storing* a peculiar *history*, that reinforces and modernises territorial specificity and makes it a driving force for innovation.

What makes the **specificity of the products and services** is the multitude of ways to produce and reproduce competences at the local level and to merge them with absorbed codified technological knowledge (embodied as equipment, or disembodied as formula, instructions, norms and standards) and other contextual knowledge (by rural-rural or rural-urban cooperation). **Innovation has a double face** in rural areas: the *local* face (values systems, knowledge system and institutional framework) and the *global* face (modern technology, commercial relationships, mobility of factors, etc).

Contextual knowledge should be read as part of the **shared value system** at local level. It is the value system that turns local knowledge (at the individual, organisational and enterprise levels) into meaningful assets and commercialisable goods and services. Besides, innovation depends on the appreciation of the interdependencies between producers and the institutional framework, steered by a set of explicit and/or implicit decision rules and communication paths.

Contextual knowledge is **less accessible for external partners** who rely more on formal, explicit and intended communication. This can help to preserve success clues in a competitive environment, but proves to be an important barrier to cooperate with external partners and networks. Furthermore, unconscious knowledge, which is passed on by direct interaction and imitation, is at risk to perish if the social network gets porous (by structural change and outmigration).

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<sup>6</sup> Senge Peter: „The learning organisation“, 1994, Leonard Dorothy. „Wellsprings of knowledge“, Harvard Business School Press Boston 1995

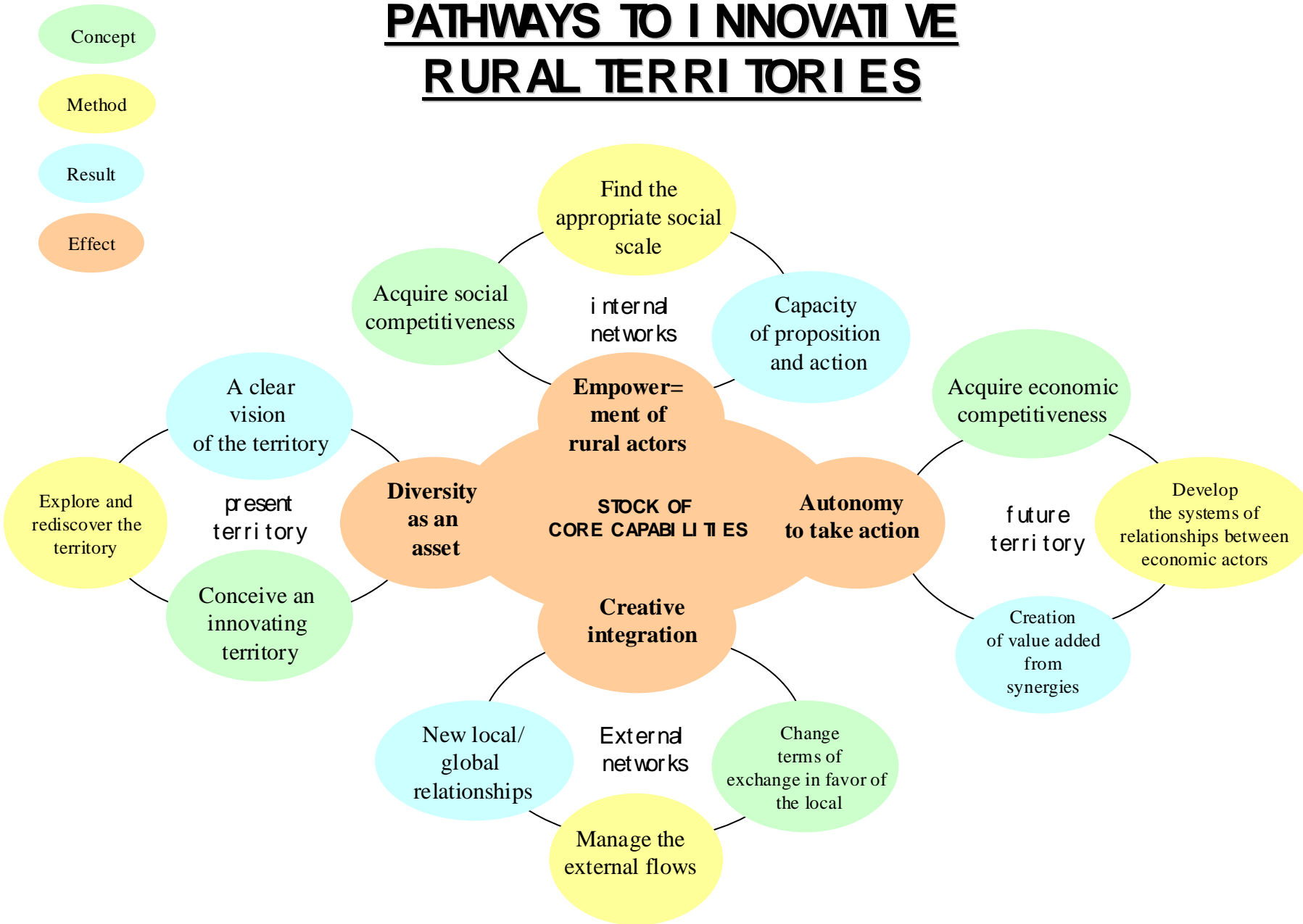
<sup>7</sup> Enzo Rullani.....

### 3 Pathways to innovation

In an attempt to learn from the empirical evidence of innovative rural areas and to draw common features out of these lessons, the work group on innovation developed the „pathways to innovative rural territories“. They are founded on **five basic ideas**:

1. Innovative actions has mark decisive steps in the course of a territorial development strategy, opening up additional options and opportunities. Each innovation - and „intelligent failures“ are part of them - feeds the stock of **core capabilities** of the territory, stored in the network of actors in private enterprises, public management, voluntary organisations and informal circles. This stock of knowledge and methodologies is uncodified, but encoded in value systems, local knowledge management and institutions.
2. These core capabilities serve
  - **to solve present problems,**
  - **to organise local actors in an adequate and scale-specific manner,**
  - **to anticipate future developments and emerging market opportunities,**
  - **to manage the exchanges with the outside world in a better way.**
3. Innovative improvements in one of these fields will have a **knock-on effect** on the other fields; but the relationship is commutative: a blockade in one of these fields will impede the viability of any innovative action.
4. Innovation is usually defined in terms of **results**: a new product, a new service, a new organisation pattern, a new market. In reality the result only marks the last few meters of a marathon race of trial and error. Therefore we analyse the **process** in terms of **conception** and **implementation methods** and the **results** in terms of **immediate short-term outcome** and in terms of **long term impact**, all in all **four parameters**:
  - The **concept**, which is the core idea or task
  - The **method**, by which the concept is implemented
  - The **result** as the immediate outcome of the action
  - The **effect** as the impact of the action on the territorial system.As the effect gives rise to new opportunities, but new problems as well, it influences the entire stock of core capabilities. We suppose that the effects of innovative actions enrich and enlarge this stock.
5. Each of the leaves of the shamrock-shaped diagram can serve as **starting point for an innovative action** – and they are interlinked in many possible ways. For example, *the capacity of proposition and action (as a result of an innovation)*, fosters the actors' capability to *acquire economic competitiveness*.

# PATHWAYS TO INNOVATIVE RURAL TERRITORIES



In the following section we discuss the four concepts, which represent the core tasks for innovative actions in rural Europe.

- ***Conceiving an innovating territory***

As described above, this idea stands at the cradle of a territory taking shape as a coherent system, a virtual collective actor. It is based on three types of links, which

- ⇒ connect the people to the territory (physical exchanges between man and nature)
- ⇒ connect the people with each other (social interactions and ruptures, solidarity and conflicts, homogeneity and differentiation)
- ⇒ connect the people with their past and their future (inherited values and patterns of behaviour, cultural assets, education and other intergenerational transfers).

Problems will occur, if the people's look on these links is blurred and if they don't connect their individual or family's future to the future of the territory.

An „innovative space“ stands for a new insight of local actors in the potentialities, the internal and external resources of a territory, the discovery of diversity and uniqueness which can be translated into competitive offers on product or service markets. Before the territory unfolds its potential, it has to be perceived and recognized as such. Participative diagnosis is only one way to achieve this aim. Others are learning from previous action, from new undertakings, making interest conflicts explicit, try to change framework parameters and select new ideas stemming from new, even marginal actors.

If key actors become able to learn from past experience and to revalue the territory's natural and cultural assets, they'll acquire

- ⇒ strong identities which serve as invisible moulds for different development strategies
- ⇒ a positive image of the territory which serves as invisible gold dust on products and services stemming from local enterprises.

This contributes to a new recognition of *diversity*: the „global“ loses its universal and threatening character. The territory's uniqueness becomes something to build upon. Diversity emerges as an asset.

- ***Acquire social competitiveness***

We define social competitiveness as the ability of the members of a community to

- build on an experience of trustful relationships
- communicate with each other in various efficient manners.

Based on trust and communication skills the actors become able to compete or to cooperate with the same partners according to the context. They become able to organise themselves on different levels and scales according to market needs and institutional necessities. The components of this tasks are

- ⇒ to strengthen the actor's attachment to place
- ⇒ to know and to recognise each other as local actor
- ⇒ to experience the internal networks in terms of tensions, conflicts and structures of dominance
- ⇒ to link up and create partnerships for action

In a very disadvantaged area, the first step will be to recreate spaces and occasions to meet, to chat, to negotiate. Any formal intervention, be it a credit for SME promotion, the creation of a new nature protection zone, an infrastructure planning proposal, can be used as a means to mobilise people's involvement, to make them participate, to bring in their ideas into the arena and finally to take the risk of entrepreneurial action. It is not only financial risk about which we talk; risks in rural communities, where social control uses to be tighter than in urban areas, is of a highly social character. We could probably speak about a „licence to innovate“. This means, that not anybody and in any circumstance is „allowed“ to innovate, to deviate from the beaten path, because this example might threaten the functional integrity of the community, which very often only prevails in people's minds, because social reality - structural change and outmigration – might have undermined it long time ago. It is crucial to recognize local actors in new, untraditional roles – such as farmers who take over village and landscape maintenance services, mayors who encourage private enterprise for communal tasks, new settlers coming from urban areas to start new businesses. The more diversified, the more new formal partnerships and alliances will add up to the existing network of actors. They will become able to act on different scales, on different levels and to negotiate with different external partners to meet their specific needs.

A clear and shared vision of the territory cannot be achieved by pushing conflicts under the carpet. „Creative abrasion“, which rather produces light than heat, finally breaks the ice of silence. This process needs trust and communication skills, as we said above, and it finally leads to *empowered local actors*; *empowered* does not only mean endowed with skills, competence and negotiation power. It also means empowered to change self-

imposed belief systems, one of the strongest barrier to innovation („whatever we try, it won't work“) in systems long time dependent from external assistance (e.g. agricultural subsidies).

- ***Acquire economic competitiveness***

Economic competitiveness is a long term objective, and once achieved, the strive continues. The history of successful industrial districts in Italy shows that the core capabilities which carry the enterprises through global competition need two or three generations to grow, to diffuse over the territory and to consolidate themselves as self-regenerating clusters of skills, knowledge, attitudes and values. The visible components of those thriving systems, enterprises, support services, certifying bodies, professional institutions, education centres and the contractual fabric of public-private partnerships are embedded in a sound context of lifelong trustful relationships, high internal mobility of social actors, of tacit communication rules and of knowledge creation and transfer.

At first sight these stories of excellent industrial districts seem to be incomparable to the small innovation steps undertaken by communities, enterprises and voluntary actors in rural areas. But in fact they reveal lessons that can be learned and adapted on whatever scale, they show analogous patterns in these unobtrusive case stories of rural innovation. Building up economic competitiveness means to

- ⇒ develop the territorial specificities as competitive advantages
- ⇒ identify markets which remunerate the products and expressions of local know how
- ⇒ organise the local offer in a threefold perspective of scope, scale and uniqueness
- ⇒ mobilise supply even if demand structures are weak and dispersed

Local cultural and natural assets are often scarce, fragile and finite. Only local actors who are able to recognise a common interest or property as such will find the right scale and organisation to conserve and to manage these assets, and so they will have a chance to avoid overuse and depletion. The economic use (in the strict sense of the word) of common properties directly builds on empowered local actors.

On the other hand rural areas need access to market information and technological knowledge, but also specific social services (e.g. for elderly people in scattered village habitats). To turn these needs into a negotiable demand actors have to find the right scale of cooperation within and between rural territories. High-level, high-priced technology is usually inaccessible to small rural communities. But it is possible to acquire it on the base of multiterritorial contracts between similar areas or similar actors in different areas. These contracts which can be negotiated directly or with the help of interfaces (external agents, public institutions or joint ventures), lead to adequate financing and the establishment of appropriate juridical frameworks.

To the degree the actors increase their mastery of the relevant value added chains they augment their *autonomy to take action*. It is their real capacity and willingness to take risk, to invest and to experiment, which enriches the heritage of core capabilities of a territory.

- ***Change terms of exchange in favor of the local***

The analysis of any rural area will show that it has in fact never been an isolated zone, but is more or less linked to „global“ structures – but this „globality“ turns out to be composed of very diverse relationships: flows of human migration, of finance, goods and services, information and cultural influences are constantly exchanged with different partners in the closest proximity or far away. Rural actors who perceive those relationships as resources will try to adjust imbalanced relationships and gain control over the most important ones. They will probably

- ⇒ use the outside world as source of exchanges and of transfers
- ⇒ identify the multitude of spaces which interact with the local
- ⇒ develop economies of networking
- ⇒ renegotiate the political and institutional rules of the game

One of the most important activities in specialised agricultural rural areas will be a strategic export management of the dominant production chain by investing in downstream diversification (finalised products, consumer market segmentation) and active long distance marketing (own distribution organisations), which turns anonymous mass markets into specific customers to whom other products or touristic destinations can be offered. Rural areas can cooperate to network with RDTI institutions and expert pools for acquiring specific knowledge for problem solving and experimentation, they can close alliances with actors in other rural or urban



areas for adding up forces and gaining negotiation power in order to defend specific interests or even to change the political and institutional frameworks.

#### 4 Three types of innovative actions

We already made clear that the pathways to rural innovation are not following linear patterns. There are as many possible pathways as there exist territories. It can however be stated as general observations that innovative actions

- use to start from present problem solving (it is a well known fact in the business literature that „the greatest source of learning, for the entrepreneur, occurs in response to crisis“<sup>8</sup>);
- link up to one of the three other fields.

Subsequently we can distinguish three types of innovative actions:

##### **Type 1: „Mobilising actions“**

enable actors to create alliances for pursuing new development strategies. Type 1 links the territory with the internal network of actors. These actions aim to create links between the communities and the economic actors, to identify potentialities and to give confidence (back) to the local actors by highlighting their assets and those of the area. Mobilising actions do not create economic activities immediately, but make them possible. Two types of innovative mobilising actions can be identified:

- „broad“ mobilising actions, such as community participation in carrying out area analyses, help give the area an identity and , for those who live there, the feeling of belonging to a community which collectively has a future.

*In Ballyhoura (Ireland), the local development agency recruited and trained coordinators from local communities and organised an appraisal in each village in order to discover the existing resources and skills. These appraisals led to the elaboration and implementation of village action.*

- More targeted mobilising actions, which we could also call „coordinating“ actions, centred on a challenge to be met to develop the area.

*The method of „combing projects“, developed by the Tarn-des-Montagnes LEADER group and aiming at a bottom-up selection of innovative ideas belongs to this type of mobilising action.*

##### **Type 2: „Structuring actions“**

enable the local economic system to turn their specificities into marketable offers, to preserve the environmental and cultural wellsprings of wealth, to combine endogenous with generalised knowledge and to embark on new endeavours. Type 2 links the territory with its own future.

The actions aim to alter, on the basis of a selective action that is limited in time, the material or immaterial environment of the area to make it more favourable to the creation of activities. They may consist in creating a quality charter or logotype for local products, in rehabilitating a natural or building heritage, in creating hiking trails or amusements for tourists, or in making an inventory of the historical heritage and discovering an area's identity in order to exploit it.

*In Friesland (NL), the rehabilitation of old public buildings and their conversion into first-rate accommodation has led to the creation of new cultural and tourist activities.*

*The elaboration of a quality charter for the rural tourism establishments of the Oscos-Eo LEADER area (Asturias, Spain) has enabled a tourist promotion strategy to be developed, based on the criteria of quality and harmony with the area's environment and culture.*

##### **Type 3: „Consolidating actions“**

enable the local system to establish viable economic and information cycles in short and long distance, in order to create sustainable benefits from renewable sources. The territory modifies its terms of exchange with the external world. Type 3 links the territory to the external networks.

*The „Magnoac Green Gold“ agri-food association has been created for processing and marketing foie gras and other traditional products of small farmers, who individually would not have had access to external markets. The association enables farmers to act as businessmen, to be trained and made aware of matters of hygiene*

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<sup>8</sup> M.FREEL, „Evolution, Innovation and Learning“, in: Journal Entrepreneurship and Regional Development“, Vol.10, Nr.2/1998, p.145

*and guarantees them a better control over the markets. The manufacturing techniques for the products registered under the trademark „Fermes du Magnoac“ have been harmonised in order to meet European quality requirements; new products on the basis of local dishes have been developed in addition to the traditional ones.*

#### **4 Conclusions and outlooks**

Rural areas find themselves advantaged by several aspects of global transformation processes:

- ⇒ Competitive regions gain relevance to the degree that national trade barriers lose importance.
- ⇒ Rural areas dispose of the major part of the environmental and the sociocultural heritage which gains value to the extent that it becomes scarce.
- ⇒ Rural areas dispose of residential qualities (space, landscape, clean environment) which gain importance to the extent that geographical distance ceases to be a barrier to communication.
- ⇒ The relative stability of rural communities is an alternative for people irritated by urban segregation and accelerated mobility.

In contrast to these favorable aspects rural areas don't have a recognisable voice in the political arena. Rural policy is still a footnote to agricultural policies, be it in institutional terms or in terms of budget allocation. With the decline of agriculture we face new developments for which the institutional and political framework are not properly prepared. The latest surge of the subsidiarity principle in the political discussion seems to favor changes in the direction of territorial self-governance, but this outcome will certainly depend on how the rural territories will organise themselves to play a tangible role in this discussion.

With regard to the applicability of the discussed approach to others than rural areas it is obvious that it might give more insights into what generally happens in „successful“ regions. A good part of what was considered as „context“ in an enterprise-based perspective now emerges as innovative actors. A disquieting questions arises: To which extent are innovative enterprises mere „symptoms“ for innovative regions?