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The Territory At The Heart Of The Business Creation Process

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The Territory at the Heart of the Business Creation Process

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Summary : It is true that the individual dimension is definitely a key element in business creation but the territory seems to be at the heart of entrepreneurship through the local availability of production factors (human and material capital), the type of local demand and the institutional regulation. Based on more than a hundred surveys conducted in the Haut-Languedoc and Luberon Natural Regional Parks, it appeared that the availability of raw materials at local level still has a significant but declining role. The features of human capital on which the institutional¹ regulation can act is – aside from the closeness of the markets - a major factor accounting for the amount of business creation in the studied areas.

Key-words : Entrepreneurship, Regional development, Rural areas

Today, the relationship between economic activities and given areas raises many issues on territorial development and is a regular concern for decision-makers, regardless of the existing economic conditions and prevailing paradigms. The area is no longer a mere framework for economic developments but rather one of several factors that contribute to their organisation and vitality (Rallet, Torre, 1995).

The business creation process, its vitality and its sustainability tackle this issue and question its relationship with the area. The answers depend on the way the area is perceived but also on the economic analysis of such a relationship. Some analyses rely on the notion that the area is viewed as functional and characterised by distances and transportation costs or by attraction poles (Skuras et al., 2000 ; OECD, 1996). Others deviate from such perceptions and link the presence of businesses to local organisational projects and to the convergence of resources¹ offered by various geographical entities with their social, economic, political and cultural, structures shaped by history: the territories.

As a matter of fact, business creation as an economic action cannot only be defined as the realisation of a personal project. It is to be considered as a process, as the “mobilisation” of various actors within a specific, either general or local, context (Arocena et alii, 1983). Between the idea of creation and the actual start of a project, there is a series of events that are specific to one individual’s path, history and representations (Bertrand, Guérin, 1999). Creation takes place within given social and economic conditions: the history of business creation is as much an individual as a social process; it has a spatial dimension in terms of pooling both material resources (premises, supplies, funding) and non material resources (project support, markets, information).

Using such a definitely territorial approach to the business creation process, the many diverse types of creations –i.e. *ex nihilo* creations, buyouts, reactivations –, dynamics and fields involved can be accounted for. Nevertheless, this diversity that remains to be explained, will be the subject-matter of our presentation.

After a description of the theoretical and methodological approach used for our analysis, we will attempt to characterise the diversity of the business creation processes according to their geographical positions; Thus, we will use national statistical data that relates to the types of areas in which creations take place, based on the typology developed by the INSEE that distinguishes urban from mainly rural areas. Such a diversity will address the rural/urban confrontation but will also be highlighted inside the rural areas themselves. Following this characterisation of the spatial diversity of creations, we will then deal with territorial factors that seem to be able to clarify such diversities. For this, we will rely on semi-guided interview results obtained as part of a survey conducted in two regional reservation areas; the Luberon and Haut Languedoc. Our analysis will be primarily based on the data relating to the latter territory.

¹ Resources are factors to be uncovered, exploited or even organised by the business (Colletis, Pecqueur, 1993).

PART I : THEORETICAL AND METHODOLOGICAL APPROACH

1.1.A territorial approach to business creation.

The ways an area is viewed have resulted in different approaches to the spatialisation of development. For example, the heydays of the post-war period contributed to the identification of development and growth in the western countries, with such concepts as support areas, distribution of growth centres (Perroux, 1961 ; Pedersen, 1986) and decentralisation of production units; the “ rural factories ” (Chavannes, 1975).

The deep social and economic changes initiated from the 70's onwards, with the reversal of spatial hierarchies (Aydalot, 1984), the market globalisation, the rise of non-material commodities and the development of the tertiary sector, stood as a turning point in the general perception of the processes. The “rise” of territories made it possible to recognise spatially rooted social and economic as well as institutional structures which currently make-up infra-national regulation levels. Today their different organisational structures reveal contrasting development processes and evolutions in which non-economic factors have proven determining, whether social – with the exclusion issues – cultural, identity-related or political. These approaches were developed in the 80's and focused on societies that were capable of providing a socio-territorial framework for systems of production. The questions raised by the economists on the industrial dynamics thus brought forward a view of the territories linking industry and local communities, actors' common socio-cultural features (values, institutions) and small companies' development processes (Becattini, 1992). The relationships that may have developed over time between industrial fabrics and territories attest to the importance of their mutual construction.

This is how History has shaped the territories. Social, economic and cultural constructions lead to various business developments. The resulting relationships that may have emerged triggered the creation of resources beyond mere advantages or existing limitations for the businesses in rural territories. Based on Gaffard's research (1990) on innovation, Colletis and Pecqueur (1993) identified two types of resources that induce territorial competition: the non specific resources that include all the conventional factors of spatial differentiation (or localisation of economic activities) that are subject to price discrimination; the specific resources stemming from interactive processes that cover all tangible or intangible factors, the value of which relates to a given usage.

Mutual knowledge, overlapping social and economic relationships together with highly typical productions may promote what is sometimes referred to as a territorial quality rent (Lacroix, Mollard, Pecqueur, 1998). The gain prospects may encourage some business creations which, owing to the barriers that are likely to impede access to this type of activity, will only concern those with sufficient capital and control of useful social networks.

Business creation thus appears as a complex phenomenon which addresses several dimensions, i.e. economic – project profitability – sociological – the entrepreneur and his/her wishes - and also territorial, as regards the local integration conditions.

1.2. Assumptions on the factors accounting for diversity

If the territory appears to be a core component of the diversity of the creation processes and their growth, four categories of factors can be distinguished :

- the personal, non-economic dimension of creation: role of family networks and location criterion based on the entrepreneur's individual preferences.
- local availability of production factors : labour (features of the area's human capital) and capital (features of the local economic fabric)
- the specifics of the local demand, whether it be the final demand, of goods (including natural resources) or intermediate services,
- the institutional regulation may act as a catalyst for business creation.

Assumptions may be made for each of the above items as to their impact on business creation mechanisms in rural areas.

a) The personal, non-economic dimension of creation

Business creation may depend upon motivations that are mainly non-economic, such as individual preferences, for the choice of location of the home and work place according to the living or recreational environment or to family ties.

b) Local availability of production factors

The territorial differences in the levels of business creation may be explained by the disparities in human capital. As a matter of fact the uneven distribution of skills (initial training, work experience) may lead to the assumption that some territories have better business creation opportunities because of greater human capital resources . Moreover, business creation may offer, in some regions with severe unemployment, a substitution for regular jobs to populations that are not keen on moving (especially unqualified manpower). Thus, paradoxically, some territories with little human capital might be preferred locations for business creation due to the limited job offers.

Also, it is obvious that the unequal geographical distribution of capital, that is the existing base of companies accounts to a large extent for the business creation discrepancies from one territory to another. The fact that companies with sectorial features, of size, etc. are already established causes either similar or competing businesses based on monetary and technological externalities specific to the juxtaposition of companies within the same business area.

c) The specifics of the local demand

The differences between territories in the amount of business creation may also be related to the specifics of the final demand likely to generate "niches" for local entrepreneurs who will be able to rely on their product differentiation to sell their products outside of their territory. Thus, the high level of newcomers to certain territories results in a specific local demand that,

in turn, generates business creations in specific markets. It is interesting to note that, in France, there is more business creations in the service and hotel industries in rural areas than in urban areas (see above).

The specifics of the final demand for intermediate goods (natural more or less processed resources) may also account for the different creation levels between territories. Although, when considered as a whole, there is more agro-food industry creation in urbanised areas, the geographical proximity of some types of bulk food, timber or mining products (sawlogs, stone blocks, milk) might offer a comparative advantage for near-by companies: for these products, the transportation cost is an important component of the total cost of the processed good.

d) The institutional regulation

Based on their practices and ways of interacting with economic spheres, local institutions may act with more or less impact on the previously described mechanisms as regards both the available production factors and the specifics of the local demand: qualification of local labour via the creation of training facilities, capital made available under favourable conditions, aid granted for the differentiation of local products.

1.3. Field investigation and survey method

Beside the statistical data, the points here presented are based on field work carried out as part of a European project on the relationship between businesses (secondary and tertiary sectors) and territories in the southern European mountain areas, on the territorial, social, organisational, economic and political factors that promote business creation². Two Natural Regional Parks (NRP) in France were selected for investigation in Luberon and Haut Languedoc, which typically illustrate the business / territory link based on the projects supported by these NRP entities through the strong commitment of municipalities towards a common charter.

The surveys were conducted using semi-guided interviews so as to disprove or prove our assumptions rather than to provide undeniable evidence.

To perform our field survey, a sample of 120 companies was taken from the two areas in the merchant field. These companies were created between 1992 and 2000 and were operating at the time of the interviews. The surveys addressed a wide range of activities, excluding agriculture. The results obtained were cross-checked with investigations among some twenty representatives of institutions which grant financial, legal or technical support for business creation.

The questionnaire submitted to the entrepreneurs was developed around four major themes : history of the company and background of the entrepreneur; the main features of the company; the manpower and human capital; the institutional and financial framework in

² The title of the project is « Entrepreneurship in the Mountainous Areas of Southern Europe » (EMASE)

which the companies operate, in terms of grants, especially from the EU. The data collected made it possible to characterise the creation processes in which the entrepreneurs had been involved.

When selecting the sample, we sought companies located throughout the whole territory of the two Natural Regional Parks. The Luberon area demonstrated a strongly prevailing tertiary sector (78.9% of companies in 1999). However we decided to over-represent the secondary sector so as to keep in line with the interest shown, as part of the European research conducted, for the EU grants mainly directed towards the secondary sector. This is why the sample of 69 companies featured 59.4% from the secondary sector and 41.6% from the tertiary sector.

In the case of the Haut-Languedoc area, we attempted to take into account the higher level of business creation to be found in the Tarn section as compared to the Hérault section of the Natural Regional Park. (3 out of 4 creations and buyouts take place inside the former area). We chose to give greater importance to the diversity of creation conditions in terms of the establishment's initial workforce. Our sample does not faithfully reflect the structure of the businesses' activities in the area: industry is over-represented (21 % in the reservation area, 36% in the sample) while the non construction services are slightly under-represented (non construction services make up more than 67 % of businesses in the Natural Regional Park and 60 % in the sample).

The companies having several locations were very few in both reservation areas: in the Luberon, only one operated from several locations; in the Haut Languedoc, out of the fifty companies surveyed, 44 had only one location. Among the six others, 4 were subsidiaries of national or regional groups with head offices in near-by cities (Castres, Toulouse) or in the greater Paris area.

The « nature » of the creations varies greatly both from one Natural Regional Park to another and inside the same area. Thus, in the Luberon, half of the businesses were not “actual” creations, a little more than one third had been bought out. In the Haut Languedoc Natural Regional Park sample, “actual” creations represented one third of the cases, a little more than half of the entrepreneurs surveyed were business reactivators (half of the time, the business had been bought out from a member of the family). The other instances involved transmission.

PART II: CHARACTERISATION OF THE TERRITORIAL DIVERSITY OF BUSINESS CREATION

The analysis of national statistical data on business creation reveals distinctive features in the various studied locations, on the one hand between rural and urban areas, and on the other hand within the rural areas, which illustrates the diversity of rural areas in terms of economic and social developments . The tables presented here show the extent to which the type of business created varies with its location

2.1. Among the diversity, some similarities

Before focusing on the diversity of situations and trying to analyse its cause, it is important to review the common features of the newly created businesses, regardless of their location. As in all cases of dichotomic distinction, the rural / urban classification tends to stress the differences between the observed facts. These actual differences, which become as noticeable between the territories regardless of their density, should not conceal the common trends highlighted by basic statistical grouping.

For a number of characteristics, there is very little difference between urban and rural creation areas. According to the results of the SINE survey conducted with 30,000 businesses created in the first half year of 1994, the payroll by the end of the first six months of operation averaged 1 person for rural businesses and 1.1 people for urban businesses. However, 23 % of the urban businesses were planning to hire within the coming year while only 16 % were planning to hire in the rural areas.

TABLE 1 : FRENCH COMPANIES CREATED IN THE FIRST HALF-YEAR OF 1994 BASED ON INITIAL INVESTMENTS, IN RURAL AND URBAN AREAS (ACTUAL CREATIONS AND BUYOUTS, EXCL. REACTIVATIONS)

	Urban areas	Rural areas	Total
Less than 10 KF	18 %	18 %	18 %
10 to 24 KF	14 %	14 %	14 %
25 to 49 KF	17 %	17 %	17 %
50 to 99 KF	21 %	21 %	21 %
100 to 249 KF	15 %	16 %	15 %
250 to 499 KF	8 %	7 %	8 %
500 to 999 KF	4 %	4 %	4 %
1 MF and more	3 %	3 %	3 %
Total	100 %	100 %	100 %
Average investment (*)	136	136	136
Total investments (*)	8,400,000	2,000,000	10,400,000
	81%	19%	100%

Source : Siné94 - INSEE

(*) in KF, excl. subsidiaries

It is true that projects in rural areas are less likely to develop into businesses. One quarter of rural creations and 36 % of urban creations turn out to be legally registered companies. So, the distribution of the workforce, based on the money invested for creation in rural and urban areas, is almost the same in both categories: 70 % of the companies invest less than 100,000 F and 3 % more than 1 MF. On the other hand, the traditional indicators for business demography reveal a comparative difference between rural and urban areas.

2.2. Fewer but more sustained creations in rural areas

In 1996, some 55,000 companies were created in predominantly rural areas (20 % of all companies created in France). In rural places, only half of the companies are considered as *ex nihilo* creations compared to 65 % in urban areas. In rural areas, there is a greater number of take-overs in the form of business successions or buyouts³ which conveys the idea that in such areas, the renewal pattern of the existing fabric is a little more tangible but without necessarily being a carbon copy.

TABLE 2 : FRENCH COMPANIES CREATED IN 1996, BASED ON THE TYPE OF CREATION, IN RURAL AND URBAN AREAS

	Total	Predominantly urban areas	Predominantly rural areas
<i>Ex-nihilo</i> creations	62 %	65 %	50 %
Buyouts	17 %	16 %	23 %
Reactivations	21 %	19 %	27 %
Total	100 %	100 %	100 %
Workforce	262,591	207,969	54,622

Source : INSEE SIRENE 96

For France, Bontron et al.'s (1990) and Bonneau's (1997) studies also underline the fact that *ex nihilo* creations have shown a more rampant growth in urbanised areas. The creation rate per one thousand inhabitants is 4 % in rural areas and 4.8 % in predominantly urban areas. The *ex nihilo* creation trend is not as marked in the mainly rural areas as it is in the urbanised districts (2 compared with 3 per 1,000 inhabitants) but the buyout and reactivation trends are, in relative value, slightly dominant. Nevertheless, the somewhat stronger creation impetus in urban areas reflects structural developments. The strong growth of upper level and business services is mainly to the advantage of urban centres whereas the over-represented activities of the country-side, such as agriculture and traditional industries, follow a relative downward trend combined, in the case of agricultural activities, with a renewal inhibiting concentration level. This structural drawback is only partially offset by the high degree of specialisation of rural spaces in such activities where, due to weak scale economies, the possible rise in demand can be satisfied by many co-existing independent entities.

³ None the less the «reactivations» that are made up of real recreations and a non-specified number of seasonal activities are proportionally greater in rural areas. The fact that seasonal activities occur more frequently is a reasonable explanation of this situation.

TABLE 3 : THE 1994-1998 FIVE-YEAR RATES OF EX NIHILO CREATIONS

Industries	Predominantly urban areas	Predominantly rural areas	Total
AGRO-FOOD INDUSTRY	4.9	3.5	4.4
Industry (excl. agro-food industry)	7.2	6.1	6.8
Construction	9.8	6.1	8.4
Commerce (wholesale and retail)	10.3	8.1	9.7
Transportation	9.3	7	8.6
Hotels and restaurants	5.4	5.6	5.5
Business services	14.1	11	13.5
Household services	8.3	8.2	8.2
Total	9.6	7.3	8.9

Source : SIRENE files 1994 - 1998

Except for household services and hotels & restaurants, the 1994-1998 five-year rates of *ex nihilo* creations observed in urban areas are higher than those found in rural areas in every sector, including agro-food. The widest creation rate gaps between urban and rural areas are seen in the sectors of business services, and especially in construction, the latter being already over-represented in predominantly rural areas. Moreover, in rural areas, there are more hotels and restaurants creations (16,5 %), which relate to a sector that is already more widespread in this type of area. Therefore, the relatively high proportion of such creations cannot be explained by a mere compensation process. The reasons for this situation might well be found in the growth generating effect of recreational activities.

Geographical proximity seems to play a differentiated part for agro-food businesses whose creation is less dependent on the closeness of raw material supplies and recreational and/or home-related services which consumers prefer to have locally in rural areas. It appears that agro-food processing activities do not generate higher creation rates in rural places. Nevertheless, the arrival of newcomers (tourists, alternating migrants) who are attracted by the area-specific amenities, boosts creation in the hotel industry and household services.

TABLE 4 : FIVE-YEAR SURVIVAL OF BUSINESSES CREATED IN 1987 BASED ON THE SIZE OF THE HOST MUNICIPALITY AND TYPE OF CREATION

	“Actual” creations	Buyouts	Total Creations
Less than 500 inhab.	47	54	49
500 to 4,999 inhab.	48	60	51
5,000 to 9,999 inhab.	45	59	49
10,000 to 19,999 inhab.	46	58	49
20,000 to 49,999 inhab.	44	55	47
50,000 to 99,999 inhab.	44	55	46
100,000 to 199,999 inhab.	42	53	45
200,000 to 1,499,999 inhab.	42	50	44
1,500,000 inhab. et plus	51	53	51
Total (exc. DOMs)	46	57	48

Source : « Création et devenir des entreprises de 1987 à 1995 » - INSEE résultats n° 536/537 - April 97

In rural areas, the smaller number of *ex nihilo* creations is only partly offset by a higher stability of companies over time as opposed to those located in urban areas other than the greater Paris area. This increased stability does not only involve buyouts but also “actual” creations.

2.3. Diversity of the creation impetus within rural areas (and in particular the impact of the city)

TABLE 5 : FIVE YEAR RATE OF FRENCH BUSINESS CREATIONS IN 1996

	Total	Urban areas	Rural areas	Rural under slight urban influence	Rural centres	Rural under rural pole influence	Rural, isolated
Ex-nihilo	7.1%	7.6%	5.4%	5.9%	5.1%	6.1%	5.1%
Buyouts	2.0%	1.9%	2.4%	2.4%	2.6%	2.1%	2.5%
Reactivations	2.4%	2.3%	3.0%	3.0%	2.6%	2.8%	3.2%
Total	11.6%	11.8%	10.9%	11.3%	10.3%	11.1%	10.7%

Source : Démo champs ICS File - Sirène 96 – INSEE

The five-year rates of *ex nihilo* (or “actual”) creations (1994-1998) increase as the distance from an urban centre decreases. Thus the creation rates are: 9.6 in urban centres, 9.3 in peri-urban⁴ areas and 7,3 in predominantly rural areas.

2.4 Highly different features between Luberon and Haut-Languedoc business creations

Although the territory of the two Natural Regional Parks is for the most part made up of various types of rural places (rural centres, isolated rural places or under slight urban influence), there are still some predominantly urban areas. *De facto*, the Haut-Languedoc and Luberon Natural Regional Parks are therefore, as a whole, considered as mainly rural.

In the Luberon, new businesses were created on an ongoing basis from 1996 to 1998 (some 5 creations a year per 1,000 inhabitants) whereas, proportionally, there were fewer creations in the Haut-Languedoc (less than 3 creations per 1,000 inhabitants). These pronounced differences in the rates of creation between these two mainly rural areas can be explained, among other factors, by the structure of the economic fabric.

Indeed, the low level of creation in the Haut-Languedoc can partly be explained by the size of the secondary sector (40 % of jobs). The “actual” creations in industry amount to 16 % of the total business creations in the Haut-Languedoc while they are half as many in the Luberon.

TABLE 6 : “ACTUAL” CREATIONS IN BOTH AREAS BY SECTORS FROM 1996 TO 1998

	Haut-Languedoc	Luberon
Secondary Industry	16.2 %	7.9 %
Construction	13.9	14.9
Tertiary Industry	69.9	77.2
Total	100 %	100 %
	(710)	(1,838)

Structurally, the secondary industry generates less “actual” creation opportunities than the tertiary industry where business buyouts are more common. They represent almost 30 % of total creations in the Haut-Languedoc compared with only 20 % in the Luberon.

⁴ The INSEE statistical definition of peri-urban is: an area outside of urban centres, the limit being defined by the end of the centres constructions, that is linked to the centres through urban employment (5,000 workers in the centres with at least 40 percent that commute).

TABLE 7 : BUSINESS CREATIONS IN 1996 BASED ON THE TYPE OF CREATION IN BOTH RESERVATION AREAS

	Luberon	Haut-Languedoc
<i>Ex-nihilo</i> creations	73.1	62.2
Buyouts	19.1	28.5
Reactivations	7.8	9.3
Total	100	100
Workforce	1108	397

Source : INSEE SIRENE 96

PART III: TERRITORIAL FACTORS EXPLAINING THE VARIETY OF CREATIONS

Going beyond the statistical framework, field surveys demonstrate that the issue of enterprise creation is related to individual paths whose development is mostly independent of the location. However, the territory can play a part in enterprise creation at three levels: on the factors necessary to the enterprise to operate (capital and labour), and the way in which local institutions can take the creation process in hand. *Certain territorial effects can be detected in creation processes.* The special features of the territorial context of creation can appear in several forms: the attraction of the place for the creators, the facilities for production (labour and physical capital), and the construction potential for resources.

3.1. In principle non-economic personal criteria play a significant part

a) The family role in the installation and operation of the enterprise

In nearly half the cases one member of the family owned the establishment or the business. The importance of the family is particularly strong in the hotel and catering sector and with the stone-working (granite) sector of the Sidobre region. The quarries are part of a jealously guarded family heritage. The pre-existing family heritage thus appears as a strong factor for locating the enterprise, even if by definition it is a factor on which it is difficult to act.

In 4 out of 10 cases, the family also provides the enterprise with its labour. In this case most often the family personnel take on the tasks of management or secretariat. The family enables access costs to capital finance to be reduced, in so far as the transfer or sale of the heritage to descendants are assumed to be a matter of arrangement. The family also reduces the risk-taking related to personnel recruitment. However it is rarely mentioned as a site for the acquisition of knowledge and professional practices, or as a source of financial assistance in the form of family loans.

b) The attraction of the zone on entrepreneurs' personal choice criteria

In certain meridional zones, it is probable that enterprise location choices sometimes stem more from the personal motivations or domestic preoccupations related to a lifestyle and the types of consumption that may go with it, rather than on economic criteria associated with the activity. Recently created enterprises in the Haut-Languedoc regional natural park seem to illustrate this hypothesis. Thus a significant part of the sample (13 cases) comprise people who were not born in the region including 4 with foreign nationality (1 Belgian and 3 English). This proportion might well have been larger if the sample had included agriculture because a large part of agrotourism in this region is in the hands of new arrivals.

These people were older than the average of the surveyed population. 3/4 of them had done further studies. They had often previously gone through another enterprise creation experience. These creators performed their activity in the services-to-people area as well as in hotels and catering, sectors, which at least in this region, do not have a very high entry barrier. Their small enterprises only employ from two to four people.

Domestic motivations really seem to have been dominant in the location of the activity. The choice of site did not require deciding between several possible places. These forms of installation may constitute an advantage for a territory in so far as justification according to personal convenience does not cause location choices that are too aberrant in terms of profitability criteria. Another limit of this territorial feature of meridional rural spaces can stem from the activity sectors concerned. A choice that is too exclusively angled to the residential activities can cause a worsening of the local competition.

3.2. The role of local resources availability

a) Raw materials: an important but declining role in rural areas

Well known dispersion factors, natural resources can act in favour of the installation of activities in rural areas. Out of 50 enterprise creators surveyed, nearly a third used local natural resources (especially granite, wood, and marble). Two thirds of them reckoned that these natural resources would not have been available in another form in another region.

Nevertheless, some local transformers did not hesitate to use imported raw materials. In this way, granite from Spain and Argentine made up between 20 % and 40 % of the supplies of the surveyed enterprises. Similarly, the occasional absence of some species may oblige the sawmills to get supplies from remote French regions. As for the secondary transformation of wood, its development within the Park (Sorèze) owed more to local know-how than to the availability of the timber. In fact, it seemed that the presence on the territory of natural heavy goods resources with a high transport cost represented an advantage but not a sufficient condition to insure its development. In the case of granite, the cooperation engaged in among the enterprises of the sector ensures them a comparative advantage at least equal to that of the presence of the raw material locally. In the case of the wood sector, even if the production of the forests of the massif were to grow steadily in the coming years, the local sawmills would certainly benefit to a large extent from this additional raw material, but the essential part of

the added value (and thus occasional job creation) is most likely to be won by the secondary transformation enterprises located outside the territory, or even out of the region.

It therefore appears that the presence of resources only enables the creation of activity under certain conditions: a sufficiently reduced cost not to encourage imports and substitutions, an expanding demand, reduced scale savings or a production process that favours the fragmentation of enterprises. Natural resources often especially play a role in the initial development of an economic fabric. It is then essentially the constructed resources that encourage enterprise sustainability or their renewal by the takeover of created enterprises.

b) Labour and human capital

The zone's human capital characteristics can influence enterprise creation at two levels: in the recruitment of local enterprise employees (included those newly created) and in the creation of new establishments. Overall, nearly two thirds of the company managers surveyed found recruitment difficult, especially for qualified workers. A significant number (6 out of 50 creators) even confirmed that these recruitment difficulties were pushing them to leave the zone shortly. These difficulties in finding personnel (especially qualified) encountered by new establishments seem to be related to the desire to recruit personnel both skilled technically and having a minimum "motivation". This means that the characteristics of part of the local workforce (work application, professional conscience, etc.) only poorly match the wishes of the new company managers (in this case operating in the commerce and hotel sectors, i.e. about 20 % of those surveyed).

However, in the secondary sector (especially granite transformation), local labour is sought. Nearly a third of enterprise creators surveyed reckoned that the recruitment of new personnel did not present any difficulty (essentially in the secondary sector). Further, this easiness of a minority of the enterprise managers to recruit is shown by the fact that more than a quarter of them relied on word of mouth to find their personnel. The recruitment difficulties of the secondary sector concerned jobs requiring very particular qualifications not found in the zone (e.g. computer-aided design or cutting in textiles or the wood sector).

In fact, according to our survey, the more "paternalist" labour management methods (Aubert, 1997), sometimes used to explain the installation of new industrial establishments in rural areas in the seventies or the better current endurance of pre-existing industries, again seem to appear to encourage the sustainability of recently created establishments. However, in the current state of our investigations, it is difficult to make a link between these labour management methods and the competitiveness of the production sectors in the territory. In addition, these are clear in sectors whose workforces are stagnant (granite) or even falling (textiles). On the other hand, in sectors where workforces are increasing (hotels), labour characteristics rather represent a handicap for the creation and development of establishments. Finally, the characteristics of the human capital of the Haut-Languedoc territory seem to play a very different role according to the sectors, sometimes stimulating for the industrial enterprises, sometimes a handicapping factor in commerce and hotels.

The potential number of enterprise creators also depends on a zone's human capital. In the case of the Haut-Languedoc, the remarkable thing is the significant number of new arrivals in

the total number of creations (13 out of 50 surveyed). However, more than half the entrepreneurs have marked links with the territory, which were useful to them in 2 out of 3 cases. Attracted by the quality of life, almost all new arrivals had done further studies and created their enterprise in the commerce and hotel sectors. The large number of new arrivals in the creation of tertiary establishments explains, at least partly, the negative opinion they have of local labour. They represent a real opportunity for local entrepreneurship and the growth of the zone's human capital. In fact, among the 41 male enterprise managers interrogated, just under half had done higher studies. This high percentage compared with the rest of the predominantly rural French space where only 10 % of the active working population did further studies is explained by the new arrivals' high educational level.

TABLE 8: EDUCATIONAL LEVELS IN THE HAUT-LANGUEDOC

EDUCATIONAL LEVEL	Predominantly rural French space (male active working population in 1990)(1)	Haut-Languedoc (creators surveyed)(2)
No diploma	26.0	19.5
CEP, BEPC (Intermediate School Leaving Certificate)	22.7	7.3
CAP, BEP (Professional Training Certificate)	33.7	19.5
Baccalaureate, professional qualification ⁵	9.9	7.3
Higher Education	7.8	46.3
All	100.0	100.0

(1) Source: General Census of Population 1990, (2) Source: Cemagref survey 1999

Apart from the differences in the human capital distribution, those affecting the geographic distribution of the physical capital (i.e. the stock of existing enterprises) also go to explain the spatial variations of the number of creations. In fact, first, the presence of this or that more or less active sector at national level can explain the more or less strong possibilities of establishment creation. In the case of the Haut-Languedoc, the strong imprint of the industrial fabric gives the territory the opportunity for very different creations according to the sectors. In certain sectors very strongly subjected to international competition like textiles, enterprise creation can only come from a strategy of product differentiation. While also subjected to increasingly lively international competition, the granite sector still maintains its jobs. On the

⁵ Secondary School Diploma or High School Diploma

other hand, stimulated by the abundance of the resource and the outlet opportunities, potentials for establishment creations in the wood sector are stronger.

Then, the existence of forms of cooperation among enterprises in the same sector or even among complementary enterprises can give rise to pecuniary or technological externalities liable to encourage the takeover or the creation of establishments. In the Haut-Languedoc, at the moment, this type of externality only seems to exist in the granite sector, which is moreover recognized as a local productive system by the European Union. In effect, in the wood and tourism sectors, cooperation appears too limited to be able to have an effect on enterprise creation. Set up in some fifteen communes, the granite sector enterprises develop cooperation in training (joint training centre), supply and marketing.

3.3 .The role of the proximity of markets (for labour and goods or services)

The concentration in the same place of labour markets and goods or services markets is mutually reinforcing, as is shown by geographic economic models (Combes, 1998; Charlot, 2000), which place additional weight to the now traditional arguments current in spatial economics.

This cumulative phenomenon encouraged by aggregation savings concerns both enterprises and households. For enterprises it acts not only on the internal growth of establishments but also on their creation mechanisms. Aggregation savings can play a favourable role in creation by acting on access to the offer of production goods and services and on the final demand.

In fact enterprise creation seems to be facilitated by the proximity of a labour market including varied qualifications and by accessibility to the goods (buildings, equipment, supplies) and to services (finance, management or advice) needed to set up the activity. In addition the proximity of potentially ordering households and enterprises encourages the development of a varied demand. It can enable the easier perception of market development and the seizing of opportunities.

Apart from the action on the offer and the demand, the urban context can cause favourable effects for enterprise creation by combining to reduce risk taking. In effect, in urban centres competition in service activities is more intense but the amount of paid job opportunities means that standby solutions can be planned whose existence can thus work to reduce creation related risks. Less irreversibility related to job change choices can facilitate individual decision-making.

Conversely, the situation in rural areas, according to an analysis framework mainly based on spatial economics, can seem less favourable. The weaker market diversity, and the information access costs, especially to services likely to support creation projects, but also the more serious consequences in case of creation failure, because of the more restricted alternative possibilities for paid work, can explain the less dynamic creation.

However these interpretations, based on the urban/rural dichotomy, do not provide an explanation for better ensured survival in rural areas than in towns (with the exception of the

Paris region), nor for the differences that are shown within rural areas, as for example the differences in the creation rates in the two study zones.

3.4. The role of institutional control

From the moment that territorial effects characterize the dynamics of enterprise creation, local institutions are liable to influence these dynamics. In the first place they can reinforce or strengthen territorial factors capable of attracting or encouraging entrepreneurs. In particular there is training, and the role that local authorities or advisory organizations play in the matter. These institutions also seek to ensure a sufficient level of infrastructures, particularly transport infrastructures, by which is meant, if not to attract, at least not to dissuade candidates for enterprise creation. Local authorities (or their grouping) frequently take in hand the making viable of industrial or crafts land, or even the enterprise buildings, and they have shown an interest more recently in telecommunications infrastructures (Nijkamp et al., 1988).

Promotional work undertaken by the authorities or development agencies are often intended to attract investors, but can also strengthen and broaden local enterprise markets. Finally, various institutions contribute to the enterprise environment by support that can be technical (advice to the enterprise, or information and lookout systems) or financial (with many aid arrangements for creation, employment or investment). The existence of these public assistance arrangements for enterprise has diversified the methods for supporting project creation: to assistance with content (project economic viability) is added administrative and procedural lookout (listing of available aid arrangements), and then assistance with form (drawing up an application, aiming to ensure it can be considered).

Institutional control can also take other indirect forms, especially when it aims to support the establishment of closer relations between entrepreneurs. Many enterprise clubs have been set up in this way with the active participation of the relevant local authorities. These enterprise clubs are then able to support their members (essentially in information terms, and sometimes with support in the procedures), but also to supply a hosting structure for establishments thinking of installing in the territory. Local entrepreneurs can direct the new arrival to suitable partners, and advise him/her in the preparation of their project (which assumes a relational mode that is not purely competitive).

In the case of the Haut-Languedoc, many institutions claim to play a part in enterprise development: local authorities, chambers of commerce, para-public agencies, associations (on a sector or territorial basis). Local authorities invest in the infrastructures (business zones, improvement of road links...), and are involved in various economic development agencies or associations; they also position themselves in economic action terms through the labour area committees or the commune communities. An intercommunal association for instance groups together certain communes of the Sidobre massif, to work on the promotion of the Sidobre granite and to help in the environmental treatment of the extraction sites.

Most entrepreneurs have had dealings with the administrations or with the chambers of commerce in setting up their projects. However, they perceive these institutions as purely administrative organizations, in charge of taking and validating applications, and not as partners responsible for advising them. Two out of five enterprise managers made up their

applications alone. Among the others, one out of two used the chambers of commerce. However, contacts with the institutions stayed occasional. Only 3 out of the 50 enterprises surveyed were regularly monitored by an organization (the Chamber of Trades).

One out of two enterprise creators claimed to have benefited from grants. Among the others, nearly half had not applied. This may correspond to clear cases of ineligibility for which the application would have been in vain, to a lack of information, or again to a renunciation faced with the assumed complexity and slowness of the procedure. 7 out of 10 enterprise managers considered that the access to the assistance remained difficult, and 6 out of 10 reckoned that the administrative procedures were too lengthy. In general, institutional actions hardly raised the enthusiasm of the entrepreneurs surveyed; although, two thirds reckoned that the existing assistance arrangements were suitable for enterprise start-up and operation.

The survey was oriented to the evaluation of the assistance arrangements, and not on all the methods by which institutions can contribute to enterprise development. The entrepreneurs who were questioned did not spontaneously underline the role of the institution with which they had dealt; in addition, they focussed their evaluation on the public institutions (mainly local authorities and chambers of commerce), usually leaving aside the sector-based control bodies set up by the entrepreneurs themselves. Nevertheless these seemed strongly present, particularly in the industrial sectors which typify the Haut-Languedoc enterprises. A more precise evaluation of the institutional control forms should differentiate the sectors concerned, and be centred on these professional bodies that contribute to organize their respective sectors and provide mediation between enterprises and public actors.

CONCLUSION

This paper aimed to demonstrate the variety of creation processes according to territorial locations. It has been able to establish the nature of this variety and especially to derive some explanatory factors, validating some of the proposed hypotheses. Going beyond the variety, the analysis demonstrated that the creation processes were marked by common points.

Thus in all cases, the achievement of a project develops in the long term during which the creator's personal and professional route, like his/her mobility is all important (Arocena, 1986). Creation processes require a more or less long maturing period. Independently from his/her location, the entrepreneur is borne by various motivations. The desire for independence - to be his/her own boss – remains an essential lever to creation; so that creation constitutes a chosen life style. Studies on rural employment – in particular multi-activity – and on the entrepreneurial practices linked to them show this (Gerbaux, 1988; 1991). The creation process takes place within the entrepreneur's personal and professional networks. Family networks play a significant part.

Further, these pages have been able to reveal the gaps that remain in the analysis. While the research on the Luberon and Haut-Languedoc parks had confirmed the demonstrative advantage of localized cases, it would have been interesting to multiply the micro-territorial

examples in order to broaden the field of illustrations, particularly that of the productive systems most often concerning the rural areas.

In addition, the study of the creation process would have been enriched by a look at the notion of "entrepreneurship". Indeed, the definitions given to it vary (Bryant, 1989 ; Wortman, 1990). However they all link it, or even identify it, with the entrepreneur, the economic actor, or the bard of innovation and "creative destruction" mentioned by J. Schumpeter (1935). Julien and Marchesnay (1996) recall the complexity of the subject and develop three fields dealt with in the English language literature (the best supplied in this subject): entrepreneurship (around risk and innovation), enterprise creation and finally, the entrepreneur as central actor of the phenomenon. Thus entrepreneurship returns to the fact of an undertaking, to the strategy of the director, to his/her choices or preferences, indeed to the enterprise project and to the support methods provided to him/her to facilitate the expression of entrepreneurial activities (Filion, 1997). It comes back then directly to creation.

Finally, it would have been useful to open up the analysis to the policy field and to study its influence on the creation context. Public intervention in supporting enterprise creation thus uses several types of argument: the need to rebalance economic opportunities between town and country, the reintegration of marginalized groups, and the correction of market failures in the enterprise environment. Confrontation with the variety of territorial contexts and the decision-making between specific policies and local adjustments would have prolonged the analysis.

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