Human Agency and Economic Change in Regions


Abstract:
Striking imbalances in regional development, global warming and environmental degradation require a change to economic activities in regions. A key question is how such change unfolds and what role human agency plays. This paper studies human agency in relation to 40 phases of regional industrial development in 12 Nordic regions over 30 years. The paper contributes with a theoretical framework to study human agency and a carefully conducted qualitative comparative analysis based on a unique dataset including over 200 interviews. Economic change in regions is explained by different combinations of regional preconditions, change agency, and extra-regional events.

Keywords: regional development, industrial diversification, innovation, entrepreneurship, place-based leadership, institutions.

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1 Introduction

This paper contributes to the literature on economic change in non-city regions and which role human agency plays in this process. Economic change has recently received a lot of attention, not least as response to fundamental economic, social, and environmental challenges of our times (Boschma et al., 2017, MacKinnon et al., 2019). This paper studies how new forms of economic activities rise in regions, which in recent studies has been captured by the term new path development (Hassink et al., 2019). Cities account for most knowledge production, new firm formation, population and economic growth (OECD, 2018). Yet, non-city regions are important because half of the people globally call them home (JRC, 2020). Identifying ways to develop new economic activities in non-city regions is necessary to address the large regional disparities, which have contributed to major social and political tensions (Rodríguez-Pose, 2018, McCann, 2020). Human agency refers to ‘intentional, purposive and meaningful actions, and the intended and unintended consequences of such actions’ (Grillitsch and Sotarauta, 2020, 707). Human agency has been foregrounded as key mechanism for the rise of new economic activities in regions (Isaksen et al., 2019, Bækkelund, 2021).

We propose a theoretical framework that explains new path development with i) regional preconditions for innovation and entrepreneurship, ii) human agency as the main causal mechanism, and iii) the occurrence of a crisis as mediating condition. Regional preconditions capture the structural characteristics of a specific locality by evaluating actor endowments and the networks and institutions relevant for innovation and entrepreneurship. In terms of human agency, we build on the work of Grillitsch and Sotarauta (2020), asking which combination of innovative entrepreneurship, institutional entrepreneurship and place-based leadership is essential for new path development. Finally, we include crisis as an extra-regional mediating condition, which calls for a change to safeguard jobs and income opportunities while simultaneously releasing resources from previously profitable activities (Holm et al., 2017). Theoretically, this work is anchored in a social science tradition, implying that regional outcomes most likely to result from one or several combinations of conditions (Archer et al., 1998). The task is to identify which combinations of regional preconditions, types of change agency and crisis contexts are associated with new path development in non-city regions. More precisely, the research questions are as follows: What are the necessary and sufficient combinations of conditions for new path development in non-city regions? How do they contribute to regional economic development?

We provide answers to these questions by investigating the process of economic change in 12 labour market regions in Finland, Norway, and Sweden. We study two to three development phases over the past 30 years and one or two industrial pathways per region. Thus, the analysis is based on 40 phases of regional industrial development. In each labour market, in-depth case studies with a common methodology have been conducted. This included an extensive document analysis per case plus a total of 207 interviews. The empirical analysis is based on a triangulation between the in-depth knowledge of each case and the results of a fuzzy set qualitative comparative analysis (QCA). QCA is an analytical approach for searching answers to ‘how questions’ (Ragin, 2008). It is designed to identify multiple mechanisms explaining, in our case, new path development. Even though the usefulness of QCA for regional studies and economic geography has been demonstrated (Järvinen et al., 2012, Rutten, 2019), its use lags behind many other disciplines (Verweij and Trell, 2019).

In summary, the analysis revealed five routes to new path development. Four routes include one or more types of change agency. Two routes include favourable regional preconditions for innovation and entrepreneurship. Three routes are only applicable in noncrisis times. In noncrisis times, the routes for new path development are less complex. Our interpretation is that in noncrisis times, new path development can be more continuous and incremental, requiring fewer radical changes to regional
structures than during crisis times. Conversely, in crisis times, when the industries located in a region are challenged in their existence, more radical changes are required involving the combination of different types of change agency.

This corroborates the importance of change agency as a causal mechanism for structural change. The TCA, constituted by innovative entrepreneurship, institutional entrepreneurship, and place-based leadership, even surfaced as an ‘unconditional’ force of change in the Nordic context. This means that it led to new path development, irrespective of the regional preconditions and the occurrence of a crisis. In regions with favourable preconditions it was sufficient for new path development to combine innovative entrepreneurship and place-based leadership in both crisis and noncrisis times.

In noncrisis times, two ‘agentic’ routes were identified, where either innovative entrepreneurship or institutional entrepreneurship sufficed for new path development. Also, in noncrisis times, one ‘systemic’ route surfaced, which consisted of the presence of favourable regional preconditions for innovation and entrepreneurship in terms of actors’ capabilities, regional and extra-regional networks and institutional configurations.

Even though the current study thus provides insights into exactly which combinations of change agency, regional preconditions and crisis context led to new path development, important questions remain: How does change agency emerge? What motivates some people in some places to drive change? How do the patterns of change agency relate to context conditions? Which combinations of conditions promote the upgrading of existing industries, and which stimulate the diversification into new industries?

Answering all of these questions is not possible in one paper, and requires a set of different methodological approaches. However, the empirical material presented in the current paper provides evidence for at least two process chains that are important in regional development. First, we found cases where institutional entrepreneurship (a change in cognitive-cultural institutions) provided the grounds for collaboration across actor groups (place-based leadership), leading to the mobilisation of resources (e.g. funding, support organisations) that promoted innovative entrepreneurship. Second, we found cases where innovative entrepreneurs succeeded in a market niche and engaged in developing the resources required in the region for further growth (place-based leadership). This often called for a change in cognitive-cultural institutions (institutional entrepreneurship) in order to legitimise a new industrial path in the region.

The main limitation of the current study is that it was conducted in the Nordic countries of Finland, Sweden and Norway; this means that the results are relevant for non-city regions that do not lack basic foundations for economic development, such as good governance, infrastructure or a decent education. To what extent agency can trigger diversification or upgrading in more resource-scarce environments in low-income countries or peripheral regions in Southern and Eastern Europe would require further research.

References


