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Another Paradox in the Periphery? Innovations among non-novel
entrepreneurs

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ABSTRACT
Another Paradox in the Periphery?
Innovations among Non-Novel Entrepreneurs
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This paper acknowledges that many peripheral regions are in a state of transformation due to globalization, shortened spatial, technological and even cognitive distances. Likewise, entrepreneurial activity in peripheral regions is in a state of transformation often benefiting from these changes. What is often thought to be a bastion of non-novel, imitative entrepreneurship, the periphery is showing signs of flourishing entrepreneurial activity that is at times quite creative. In some cases, if entrepreneurial action is not necessarily creative, it still holds benefits to the individual or community in question. To better understand entrepreneurship in the periphery, this paper places four different types of peripheries in a matrix comparing them to the structures of entrepreneurial resources (institutional, industrial, human capabilities, and socio-cultural). By doing this, the resource palette of a region can be examined as to its viability in sustaining desired forms of entrepreneurship and isolate where unexpected innovations take place. It can also place where specific resource weaknesses exist before entrepreneurship development programs are carried out. This paper also provides a case illustration from an entrepreneur artisan cheese maker explaining her process of identifying and exploiting resources in an agricultural periphery in eastern Croatia.

Keywords: entrepreneurship, periphery, human capabilities, institutions, regions

Entrepreneurship in the Periphery: Geography and Resources

The focus on the everydayness of entrepreneurship and the shift from a view of an elitist group of entrepreneurs towards a more encompassing, although anonymous, participation of all kind of citizens, has an inevitable political consequence, as it ultimately concerns the democratic process through which people can become integrated in the construction of society. If life as a daily creative formation is enacted through entrepreneurship, chances are created for and by people to make a difference toward their own situation.
(Steyaert & Katz, 2004) p. 15

Entrepreneurship can then make a difference there where existing situations have stiffened, in all fields of a society where we feel involved and want to contribute. There is a saying that all the beauty of winter can be found in any single snowflake. Perhaps...we have the potential to find the beauty of entrepreneurship in almost any interaction we see. Indeed, the space of entrepreneurship in society is about nothing less than beauty.
(Steyaert & Katz, 2004) p. 17

I. Introduction

This paper views entrepreneurship from a spatial standpoint, specifically, from the perspective of the periphery. The periphery is often viewed as a challenging space for the entrepreneur because of the perception of a lack of resources in comparison to the core. This can be especially troubling since the entrepreneurial process often heavily depends upon local resources be they in the form of the tangible (financing) or intangible (social networks) variety. Resources are defined by the spaces they are in. Thus, it is important to understand *where* an entrepreneur is to judge *what* kind of entrepreneurship is possible.

This paper contributes to the field of regional economic development by placing resource factors found in industrial, institutional, human capability, and socio-cultural structures in a matrix with the four different types of peripheries isolated by Arzeni (Arzeni, 2002). The resource structure in this matrix is taken from a resource framework developed in a previous paper (Fuduric, 2008b). I first present how resources are impacted due to the changing characteristics of space. I then develop general ideas as to how entrepreneurial action is impacted by space and resources.

The paper is organized in the following manner. In the next section, the periphery is examined through definitions and characteristics. A commentary is given on the periphery in transformation due to globalization and increasing access to communication

and information technology. In section III, a matrix is constructed comparing resources on a regional level to the different peripheral spaces delineated by Arzeni. I further develop ideas as to what kind of entrepreneurial action takes place in each of the settings. A word of caution: these are my first attempts at hypotheses development which are being documented in this paper to aid my empirical work.

II. WHAT IS THE PERIPHERY?

A. Definition and Characteristics¹

1. Definition

Historically, defining the periphery always seemed to need a comparison to the core and was often viewed as a place of underdevelopment. The following definition exemplifies this:

“Development of and access to knowledge, human capital, sophisticated communication networks and product technology is severely restricted by a division of labor that favors core over hinterland, wealthy over poor, politically strong over the weak, multinational firms versus local.”

Beck (1978)

Commentaries from other researchers follow the same vein. In economic literature, it is almost a given that firms in the periphery often provide low value products and services, remain small and have little hope for change (Whitely & England, 1990) and the obstacles to higher quality businesses (those generating economic growth and job creation) are venture capital equity gaps (Johnstone & Lionais, 2004), labor skill gaps (Davis & Hulett, 1999; Massey, 1995), lack of financial and business support institutions (Johnstone & Haddow, 2003) and a lack of institutional thickness (Amin & Thrift, 1994). While these characteristics are often true, the above definition and commentaries do not allow cognitive space for another perspective.

Instead of a value-laden description, Goodall equates the periphery with distance from the core but not only in the geographically spatial sense, but also in the sense of distance from communication systems:

“Peripherality is the condition experienced by individuals, firms and regions at the edge of a communication system, where they are away from the core or controlling centre of the economy.”

Goodall (1987)

¹ For the purpose of this paper, the terms “periphery” and “rural” are interchangeable. This encompasses anything outside of urban centers or the core.

He introduces the notion of being at the edge of a “communication system”. This implies that if communication is enhanced then distance to the core may not be hindrance to economic action. This, in turn, makes peripherality a condition that is not immediately burdened with negative values. Goodall’s definition leaves room for finding economic and social potential in peripheries which is the starting point for the later examination of entrepreneurship in the periphery in this paper.

The terms periphery/rural have been used in different contexts from developed countries in Europe or the US, to the economically underdeveloped countries of Africa or Asia. In each of these contexts, rural areas have very different characteristics. The European Union acknowledges that rural areas are “complex economic, natural and cultural locations, which cannot be characterized by one dimensional criteria such as population density, agriculture or natural resources”(European Commission, 1999). The EU also makes very clear that interventions for development will “differ greatly” from each other (European Commission, 1999). A glimpse into this complexity was given by Arzeni (2002) who identified different rural areas in the EU with different developmental requirements. He broke down the rural areas into the following sets and I assigned the numbers P1-P4 for ease of description in later discussions:

- P1) those near urban centers
- P2) those that have natural, historical and leisure value
- P3) areas where agriculture is a dominant activity
- P4) remote, distant areas with much migration flow

Considering these four periphery typologies, it is clear that each peripheral form has a different historical legacy, different resources and problems, and different economic and social goals for the future. Goodall has provided us with the concept of a non-judgmental distance from “a controlling centre of an economy” which allows intellectual room to think of peripheries differently. Arzeni has qualified that distance in asking how far the periphery is from the core. He acknowledges that not all peripheries are created equal in terms of distance, resources, and economic well-being. If all peripheries are not created equal, then by default of logic, the forms of entrepreneurship taking place in the different peripheries will also be different due to the different palette of resources dictated by distance. The periphery has assets that are separate and distinct than those in the core and herein could lay the periphery’s economic salvation. It is in this potential where the discussion on entrepreneurship in

the periphery will be based. But first, an exploration of the periphery's characteristics based on resource structures is needed in the next section.

2. Resource Structures in the Periphery

The goal of this section is to understand what structures from the standpoint of institutional, industrial, aggregate human capabilities, and socio-cultural factors could be present in the periphery categories of P1-P4. When speaking of the characteristics of the periphery there is a need to acknowledge that the periphery is not a static concept. The notions of distance and cognitive and physical mobility are changing. There are two major reasons that these notions are changing and at the same time changing peripheral regions. The first is globalization and the second reason is the increasing accessibility of information and communication technology (ICT).

Globalization's effects on the periphery can be positive and negative. One of the positive aspects of globalization is that it can offer the periphery linkages on the level of trade, financial and technology transfers (Lorentzen, 2007a). Peripheries ignored by their national or regional development programs have access to information, knowledge and markets that previously were unreachable. A negative effect of globalization is that increased competition makes it difficult to compete on a global level unless an innovation is in question. Thus, it is even more critical for a regional economy to specialize and develop competencies that cannot be easily copied by competitors (Lorentzen, 2007a). Strengthening the role of the region is done by supporting closer cooperation among regional actors, regional universities, industry associations and technology transfer organizations as a platform for international competitiveness of the regional economy (Cooke, Uranga, & Extbarria, 1997). Strengthening the role of the region through this multi-actor, multi-institutional cooperation is an excellent idea. However, the region in question would have to have high levels of human and institutional resources to be able to take advantage of any cooperation on this level. Thus, an excellent cognitive starting point in evaluating peripheries is to begin in examining the structures that provide resources. The effects of ICT on the resource structures are considered below, thereafter, the structures will be examined.

If globalization's potential for peripheries is anchored in the concept of "expansion", then information and communication technology is the lubricant that brings this expansion in

the form of markets, institutions, virtual social networks, information and knowledge within reach of the periphery's economic actors. The periphery can take advantage of resources previously available only in the core (Suarez-Villa & Cuadrado-Roura, 1993). This "regional inversion" started becoming apparent in the late 20th century which had the effect of taking some of the negative edge away from the periphery. The core also began losing some of its attractiveness due to quality of life reducing properties of population overgrowth, low environmental quality, and decaying infrastructures (Norton & Tenenbaum, 1992). As technology potential increases and becomes less expensive, we will continue to witness a shortening of distances thereby making the periphery less peripheral and expanding the palette of opportunities available to entrepreneurs.

What we are witnessing is a blurring of boundaries on many levels, not just the core and the periphery, but also the global and the periphery, and between different forms of peripheries. What was once a linear relationship between the core and periphery; is now a mosaic which has the characteristics of making many different "cores" available to one periphery. The result of these new relationships and distances is that new resources (financial, information, and human) have become available.

Resources becoming available and the actual use of them are two different actions. The ability to use resources unleashed by ICT and the ability to take advantage of global linkages is dependent upon the investment in local relational and absorptive capabilities (Lorentzen, 2007b). I interpret local relational and absorptive capabilities to be the resources of a region or locality. Simply put, a region needs resources to take advantage of resources. The origins of these resources can be found in individual and environmental contexts. On a regional level, these resources come from institutional, industrial, human capability, and socio-cultural structures. The next subsections provide a literature review and discussion on the interplay between these structures and the periphery.

Institutional Characteristics:

Institutional characteristics have to do with aspects of social organization especially with the assembly of agents as parties to a common space. This space is formed by representations, models and rules which affect thought-processes as well as actions (Lorentzen, 2007b). Having healthy institutions is necessary to help actors cooperate in a meaningful way which is underlined by trust and the ability to have recourse if someone is not following the rules. The presence of robust institutions is

characterized by the term “institutional thickness” (Amin & Thrift, 1994). These institutions have high levels of interaction among actors, define structures of domination, and serve as a rallying device to underline that the actors are undertaking a common enterprise (Amin & Thrift, 1994). The authors state that regions need local institution building if they are to compete in the global economy. I would add to their view by saying that depleted regions need robust institutions to have any economic meaning at all, whether competing in the global economy or even the local/regional.

When considering the effects of institutions on the regional or local economy it is important to keep in mind that institutional infrastructures are present on various spatial levels (Lorentzen, 2007b). An entrepreneur starting his own business is affected by micro-institutions of co-operation between actors, by regional/national education systems and policies, by industrial associations, by national policies, and by international knowledge exchanges (Lorentzen, 2007b).

A strong institutional presence can have some weaknesses for a periphery. The structure may be bureaucratic in nature not really serving the people it is supposed to. It could conflict with other institutions and their policies within or across levels and create barriers for new ways of thinking or action.

Industrial Characteristics:

In the following discussion on industrial characteristics, it makes sense to place them against the peripheries 1-4 to exemplify how industries are affected by geography. Having a diverse mixture of large and small firms strengthens the economic viability of a region. Large firms can be the source of many forms of learning for potential entrepreneurs, for example: having experience with R&D and technological development, providing industry, functional and general business experience (Fuduric, 2008b). Having the opportunity to experience these opportunities offered by larger firms, employees are more likely to start their own businesses (Shane, 2003). The periphery type that has access to this resource base is P1 because of its physical proximity to the core. Being close to the core, high levels of skills and education can be sustained but also the proximity to power and knowledge structures eases economic action.

The P2 has the industrial characteristic of a service industry catering to tourists in all forms of guest services – hotels, B&B’s, restaurants, cultural, relaxation and sports

offerings. This periphery's economic potential is in offering experiences to the local, national and even international markets. Its competitive advantage from the core or any other periphery is that it offers natural beauty and traditions having cultural value often unique enough not to be found elsewhere.

The P3 is described as being agricultural. The agricultural environment can have two aspects. The first has large, industrialized highly efficient farms with a focus on national and international markets. The second has small farms usually focused on the local or regional market. The smaller, less high technology farms exhibit labor intensity, low profits, low productivity, intensive competition, and low wages. If a manufacturing facility exists in a P3 then this industrial environment often has standardized, large-batch, mature product life-cycle manufacturing. The retail environment is usually small-scale retail trade.

Due to large levels of migration flow, P4 loses its resources to more robust peripheries or to the core. This periphery is most depleted from a resource perspective. It is often characterized by forms of economic and social stagnation. It is difficult to speak of industries in this environment because there are often none. Unemployment is high and any economic activity revolves around small farming or fishing, small retail establishments or small labor or craft based businesses.

Human Capabilities

Physical distance from the core has important implications for opportunity structures and experiences faced by individuals living in peripheries. Focusing on our P1-P4 gradations and leaving out the effects of ICT for the moment, it can be logically assumed that people will have lower levels of **education, diversity in work experience**, and little **access to new information or training** the further away they are from a core.

Formal education is the most used medium to gain individual access to career ladders and is most directly related to higher wage rates (Beck et al., 1978). In the periphery, occupational opportunity structures either through education, training, or job experience are more restricted with a consequent dampening of task and wage variations (Beck et al., 1978). Education levels are usually higher the shorter the distance to institutions of learning. If young people in the periphery manage to gain a higher education in the core, they usually choose to stay where opportunities for

employment are plentiful in their chosen fields thus finding it difficult to return to the remoteness of peripheral regions.

In the core, workers move within job structures characterized by differentiated task and wage schedules with often well-defined career patterns (Doeringer & Piore, 1971) Diversity in work experience is available where jobs are plentiful, in a job market that is dynamic. The same can be said for access to information and training. Thus, citizens in more remote peripheries have less access to diverse job experiences and often have fewer choices available in designing career paths.

Considering the shrinking of distances due to the accessibility of ICT, education and training are no longer anchored by place. This new development makes information and knowledge that was once the domain of the core readily available to the periphery. Granted, sometimes face-to-face interactions are necessary but as practice has shown through the proliferation of on-line degree programs, a large part can be done virtually.

Socio-Cultural Characteristics

Socio-cultural characteristics in a community have a large influence on the level and type of economic activity taking place. These characteristics often have two effects; a positive repercussion and a potentially negative one. A detailed examination of entrepreneurship and socio-cultural characteristics is found in (Fuduric, 2008b). This section will explore how social networks and social capital are embedded in the cultural context of the different peripheries.

Culture can be viewed in two ways - as aesthetic manifestations² or as tradition which manifests patterns of social interconnectedness. Tradition is defined by the American Heritage Dictionary as a “long established action or pattern of behavior in a community of a group of people, often one that has been handed down from generation to generation.” Patterns of behavior, traditions, are really informal institutions that set the rules of behavior. Traditions influence the culture of social interconnectedness in small communities and are often seen as having a positive influence on society and economics. People tend to trust and cooperate more readily and are more likely to enter informal contracts, reducing the costs of doing business (Smelser & Swedborg, 1994).

² The higher aesthetic aspects of culture include art in all of its forms which are also core focused- museums, theaters, galleries, concert halls, publishing

Culture in the form of tradition can be a large source of the periphery's asset base which provides a social anchoring in the community and a social network in which to economically excel (Norton & Tenenbaum, 1992).

There is a marked difference in the way that social structures, networks and personal ties are used in the periphery and the core (Benneworth, 2003). Rural areas depend more on informal learning processes through their social network than do their core counterparts (Benneworth, 2003). Social networks in rural settings often have more strong ties than weak (Benneworth, 2004). The opposite is true for people living in urban settings (Morris, Woodworth, & Hiatt, 2006). If Granovetter's (1985) seminal research finds that more opportunities are created through weak ties and inhabitants of peripheries have more strong ties, then the logical outcome is that people in the periphery have fewer opportunities at their disposal. Why is this?

Dynamic social networks secure the influx of new ideas, information and knowledge through what Burt called structural holes (Burt, 2002). Structural holes are linkages in social networks which give economic actors access to other networks which otherwise would not be possible. I hypothesize that the more distant a periphery is from a core, the less likely it will be that the social networks are large, diverse and have structural holes. This makes it more difficult for citizens of a remote periphery to have access to different types of information and experiences than what is readily available through their own network.

As supportive strong networks can be for the citizens' social and emotional lives, this can lead to an "over-embeddedness" as described by Burt (1992). Over-embeddedness has a crowding out effect. It can crowd out new influences in the form of information, training, technological development and even new entrants. These new entrants, called "in-migrants" often import different experiences and actions. They enhance the social and hence, the economic diversity of a peripheral region.

3. Summary: What is the Periphery?

The aim of the previous section was to first anchor the discussion of the periphery by defining it and acknowledging that peripheries differ depending on their physical distance to the core. The increasing effects of globalization and the accessibility of ICT are changing our perceptions and experiences of distance. Information and communication technology is releasing a host of new resources to the periphery that was previously only

found in the core. Thus, there is the potential of economic action tapping into a global and national level, not only the local. The second aim of this section was to isolate the structures (industrial, institutional, aggregate individual capabilities, socio-cultural) relevant to the resource base in a periphery.

In the next section, the structures will be applied to the different types of periphery in a matrix. The matrix acts as a guideline in depicting how different forms of entrepreneurship arise when different peripheries are compared against different resource structures. There are two things the matrix in Table 1 can hypothetically tell us. First, are there environmental/institutional resources present on the local level to engender desired forms of entrepreneurship? Second, do the citizens of the periphery in question have the skills, training, and/or education to take advantage of these resources? Thus, regional resources, geography and entrepreneurship come together to give insight into the third and fourth questions: What kind of entrepreneurship can be manifested based on the resources available? Do the emerging entrepreneurial actions provide benefits to the community?

III. ENTREPRENEURSHIP and THE RESOURCE MATRIX FOR PERIPHERIES

It is exemplified in the previous section that not all peripheries are created equal. In the same vein, not all forms of entrepreneurship are created equal. They are not alike in their forms or in their returns to society. The forms and effects of entrepreneurship are influenced by resources: human and environmental/institutional. The entrepreneur uses resources to create products or services of a higher value. As a result, the entrepreneur's community receives the benefits of an increased dynamic of economic action. Thus the notion of resources in an entrepreneurial sense is recursive and very much affected by the spatial. Using the P1-P4 descriptions of the periphery and placing them in a matrix against the resource structures presented in the previous section, I begin to develop some ideas as to what forms of entrepreneurship are possible. These are only preliminary ideas without empirical research to support them but useful nonetheless to understand why and where different forms of entrepreneurship could take place. Table 1 brings these variables together in the form of a matrix.

Table 1: The Resource Matrix for Peripheries

Code	Periphery Description	Industrial Structure	Institutional Structure	Aggregate Individual Capabilities	Socio-Cultural Structure
P1	Near urban setting	High-tech mfg; high level services; easier access to urban market	Thick Wage rate ↑ Income disparity ↓ Capital availability ↑	Education ↑ Diversity of Experience ↑ Access to info. & knowledge ↑	Social capital → Tradition ↓
P2	Historical and/or Natural and/or Traditional Value	Concentration on tourism services	Med. Thick Wage rate → Income disparity → Capital availability →	Education → Diversity of Experience ↑ Access to info. & knowledge →	Social capital ↑ Tradition ↑
P3	Agricultural	High-tech industrial farming or small farms, mass mfg.	Med. Thin Wage rate ↓ Income disparity ↑ Capital availability →	Education ↓ Diversity of Experience ↓ Access to info. & knowledge →	Social capital (depends) Tradition →
P4	Remote	Subsistence farming, small retail	Thin or non-existent Wage rate ↓ Income disparity ↑ Capital availability ↓	Education ↓ Diversity of Experience ↓ Access to info. & knowledge ↓	Social capital (depends) Tradition ↑

The goal in developing the above matrix is to compare the **resources** (industrial, institutional, human capabilities, and socio-cultural) an entrepreneur has at his disposal to the **space** (P1-P4) where he is engaging in entrepreneurial action. In the following sections, I hypothesize as to the nature of entrepreneurship in the varied peripheries and consider how entrepreneurship is enabled or disabled considering where it is enacted. The next subsections explore entrepreneurial action first in the P1 and P2, then in the P3 and P4.

1. Entrepreneurship in P1 and P2.

The periphery closer to the core (P1) and the periphery with a historical and/or cultural attraction (P2) have a broader resource palette than P3 and P4. P1 is close enough to the core for entrepreneurs to take advantage of an industrial structure where there is a larger market at the entrepreneur's disposal including a diversity of economic action. P1 also has the benefit of being able to tap into the core's institutional environment to take advantage of education/training systems and have easier access to financial institutions to secure capital. The ability to participate in a higher wage rate is present because wages are higher in the core, hence, experiencing a lower income disparity with the core. Levels of education will be higher because educational institutions are more accessible. Career and personal experiences will be more diverse due to the diversity of jobs and people concentrating in the core, which naturally leads to more availability of information and knowledge. The lower levels of social capital and tradition give the entrepreneur more access to other networks while tradition is not acting as a barrier to risk-taking or exploring the new.

P2 functions with a different resource palette than P1. Here the entrepreneurial emphasis is not on production, high level professional services or high technology but more on the experiences that can be consumed and the services tied to these experiences. P2 capitalizes on what is found in Table 1 as high levels of social capital and tradition. The benefits of high levels of social capital are that they can lower transaction costs as well as minimize risk. In a P2 setting, entrepreneurs can transfer what has conventionally been viewed as peripheral weakness – tradition, underdevelopment - into core business assets (Benneworth, 2004).

The P2 functions as the curator of rural tradition and/or as the steward to environmental well-being. In this special position, there is a clear competitive advantage in relation to the core. From the standpoint of selling this image of tradition and natural beauty, the

periphery is freed from depending on local markets but could also have access to national customers as well as international ones. The entrepreneurial opportunity is to commoditize and market products and/or services that reflect a specific locally anchored craftsmanship, tradition, and/or impart a sense of culture. The more affluent some societies become the more they move toward “experiential consumption” rather than material forms of consumption (Anderson, 2000; Lorentzen, Hansen, & Lassen, 2007). This experiential consumption carried out by the post-modern consumer is focused on fulfilling higher level needs; establishing connectedness, finding personal meaning and quality of life enhancements (Anderson, 2000).

From an institutional perspective, the competitive, or economic, advantage of having tradition and natural beauty as commodities offers the P2 more accessibility to institutions offering financial resources than in the P3 or P4. Income disparity in comparison to the core, may be higher than in P1 because of the generally lower level of earnings through tourism or services than, for example, higher technology industries in the core.

2. Entrepreneurship in P3 and P4

Some industries found in the P3 include agricultural activity, low technology production, and small scale retail. P4 industrial characteristics include subsistence farming or fishing and small scale retail. These peripheries are devoid of the industrial conditions mentioned in the discourse on P1 and P2 which encourage new venture start-ups: the presence of large firms, a diversity of firms, a unique cultural/natural offering. The cost of inputs in more remote regions is often higher than in the core due to larger distances and weaker infrastructure. This in turn affects the profitability of a new venture if they are paying more to receive their inputs and to send their outputs to market. Thus, entrepreneurial activity in these peripheries can be a challenge due to institutional thinness and low population density which affects everything from education levels to access to information and knowledge.

Low population density has a variety of effects on the periphery. First, it accentuates the problem of low demand if the customer base is mainly indigenous. This lack of economic scale results in higher prices which are often beyond the reach of the local community’s purchasing power. Small stores in the retail or local services sector are unable to offer competitive prices being more vulnerable to the low prices offered by large discount stores. Low demand makes it more difficult to find resources and services that are

commonplace in the core, they include: regular postal service, high speed internet access, specialist technical advice, suitable office or factory space. There are fewer lending institutions which in turn limit access to capital or at the very least make borrowing very expensive.

Second, low population densities tend to affect the human capital levels in an area. Many rural workforces suffer from low skill levels, a lack of skill diversity, a shortage of professionals and a structural mismatch between available jobs and people. Due to low population levels, institutions of learning are far away. The young have to leave to be educated and once when well-educated, they tend to stay away. If the educated stay away then the result, unfortunately for P3 and P4, is a lower quality of entrepreneurship.

Third, from a social networking standpoint, peripheral entrepreneurs are less likely to encounter peers with whom they share ideas and problems. The absence of emotional support and information from social networks limits the level of new firm creation and business success (Shane, 2003). Entrepreneurial success and the transferal of entrepreneurial benefits to the community are very sensitive to the social context. One of the most glaring weaknesses of P3 and P4 is that intangible assets necessary to support a robust entrepreneurial environment are weak or missing. Venkataraman (2004) states that intangible assets are just as important as tangible assets in supporting entrepreneurship. Even though Venkataraman focuses on technological entrepreneurship, his hypothesis can be applicable toward the flourishing of any form of entrepreneurship. Some of the socially embedded intangible assets important for entrepreneurial growth he isolated are: access to novel ideas, access to role models, the presence of informal forums, region specific opportunities, and the presence of executive leadership (Venkataraman, 2004). If a lack of cognitive and physical mobility exists, it would keep a periphery isolated from new ideas, new trends, new information, and role models.

Entrepreneurs rely on internal linkages that encourage the flow of goods, services and information, and ideas. The intensity of family and personal relationships in rural communities can be helpful in gaining limited information and lowering transaction costs but also may present obstacles to effective business relationships. For example, business opportunities could receive less rigorous objectivity because of the personal relationship involved or rivalries may keep people from cooperating.

The entrepreneur's viability is dependent on the flow of information and new innovations from his environment. This is limited if there are few or no links to the world outside of a social network (Burt, 1992) Entrepreneurs who have access to alternative ways of thinking and behaving have more options of action. Those that do not, quickly become "ossified and out of step with the demands of...the environment, ultimately leading to decline" (Uzzi, 1997).

From an infrastructure, communication and information technology standpoint, low population density means only one thing; that these areas will be the last beneficiaries from any investments in modernization. The building of new roads and new communication connections often begin in the core. However, if P3 and P4 are the benefactors of upgraded infrastructure and ICT, then the negative aspects of physical distance are minimized which could allow more information, knowledge, financial resources, virtual social networks to enter the P3/P4 entrepreneur's sphere of influence.

Ventures in P3 and P4 may not contribute much to national economic growth or employment (GEM, 2006) but Friedman (1987) and Dabson (2001) stress that in rural and distressed areas these distinctions may not be so relevant because any small business activity is worthwhile. Because rural regions have great difficulty in attracting outside investment, local entrepreneurial activity may be the only economic activity taking place. It may even be a last chance for sustaining economic meaning in a community. The reason economic stagnation occurs in these peripheries is that a low population density affects the strength of industrial, institutional, human capability and socio-cultural factors.

The previous subsections have shown that different peripheries engender different forms of entrepreneurship due to their specific resource sets. The aim was to consider how the factors in the industrial, institutional, human capability and socio-cultural structures would affect entrepreneurial action in P1 through P4. This mix of geography, resources, and entrepreneurial action acknowledges the complexity of using entrepreneurship as a development tool in peripheries. Simply put, the strength of the resource base of a periphery will determine the form of entrepreneurship taking place which in turn will determine the societal benefits of entrepreneurial action.

Now that the theoretical basis of this paper has been developed, it is important to see how an entrepreneur in an agricultural periphery actually goes about identifying and

exploiting resources in a resource-poor region. In the next section, an artisan cheese maker is examined as a case study in eastern Croatia.

IV. CASE STUDY: ENTREPRENEURSHIP IN AN AGRICULTURAL PERIPHERY

The following section presents a case study from a resource-poor region in eastern Croatia called Slavonia. It begins with a general commentary on the methodology and why it was chosen. This is followed by an examination of “place” from secondary research to comment on industrial, institutional, human capability and socio-cultural aspects of the region Slavonia. This section concludes with insights as to how one entrepreneur, an artisan cheese maker, rose above her personal and environmental barriers and found innovative ways (innovative for the region in question) in exploring and finding her resources.

A. Methodology

My empirical work is based on a series of 20 semi structured interviews with entrepreneurs in eastern Croatia. The goal of the interviewing was to harvest narratives from the entrepreneurs to understand how they viewed their resource-poor region and how they navigated through the search, creation and identification of resources. I chose to focus on narratives because they are able to support more complex temporal structures and are therefore much more suited to investigating the why’s and particularly the how’s of entrepreneurial action. It was important to harness as much of the entrepreneur’s environment as possible. Hence, any reductionism methods would have given me a small portion of the entrepreneur’s reality.

B. The Place

The area of eastern Croatia, called Slavonia, is predominately an agricultural region with the largest town being Osijek with a population of 114, 600. After Croatia’s war of independence, this region was one of the hardest hit in terms of damages to infrastructure, loss of lives, loss of industry and jobs. GEM (2006) results for Slavonia, show that this region has increasing entrepreneurial tendencies but the entrepreneurship taking place is of the “necessity” variety. Using the matrix in Table 1 as a guiding device, the industrial, institutional, human capability and socio-cultural aspects of entrepreneurship in Slavonia are examined.

Picture 1: Map of Croatia



Note: The region to the right of the black line is the region of Slavonia.
Source: www.map-of-croatia.co.uk

1. Industrial landscape

In the minds of Croatians, when one mentions Slavonia, they immediately think of old oak forests, endless fields of grains, little villages with houses grouped around one small square, usually around a church, thus devised for protection against Turkish invasions hundreds of years ago. This is an agricultural region focusing on logging and farming which lost most of its industrialized agriculture after the fall of communism. Farming is mostly done on a small scale on family plots. In the larger towns and in their proximity, low to mid level technology service industries exist as well as the ubiquitous cafes and small retail establishments. In the last five years, the small corner stores have been closing due to price pressures created by large foreign and domestic retailers.

2. Institutional Landscape

Croatia, specifically Slavonia, can be described as not being institutionally “thin”, but being in institutional chaos. There are institutions present in Slavonia but there seems to be a lack of coordination and integration of strategies, and there is often a lack of local perspective in national strategies (Singer). Entrepreneurial activity is mainly supported by the Chamber of Commerce, a regional university, and a few other governmental programs.

A regional chamber of commerce exists in the largest town, Osijek, and they are fairly active in providing forums for networking amongst different small producers of food, spirits, and wine. They focus mostly on craft-based industries. The entrepreneurs in my study have given differing views on the Chamber of Commerce’s effectiveness. Some have said that it still sticks to languid, apathetic ways from the era of socialism and others have said that they have received solid information on business start-ups. The university in Osijek has the only entrepreneurship program in Croatia and has been a rich source of information for some of the entrepreneurs. The professors have been known to engage in community outreach work by offering workshops on specific agricultural themes to venture start-ups. Different government institutions (e.g. HAMAG, MELE) designed to encourage entrepreneurship development have largely been inefficient due to lack of coordination (Singer, 2007). Some action has been taken to tackle coordination inefficiencies. A recent service provided by the Croatian government is called HITRO.HR and it is a one-stop-shop concept of providing more services in one place for entrepreneurs. In 2006, the government also started a program called HITRO.REZ which identified a list of unnecessary procedures and permits for starting businesses. The goal was to present this list to parliament to aid in voting and decision making.

In conclusion, the institutional weaknesses are: the fragmentation and lack of coordination between national level ministries, the legacy of centralism at the national level, not considering the needs of the entrepreneurs in program development, fragmentation and duplication amongst regional and local institutions and finally the lack of systematic evaluation of program and cost effectiveness (Pike, 2007). Some examples of good practices (Pike, 2007) include the desire to streamline the business start-up process as seen by the development of HITRO. Local innovation and initiative bypass programs that do not serve specific regional needs. The EU funded county development plans encouraged the establishment of new county partnerships. Cross county institutions have taken a bottom-up approach to establishing cooperation across

administrative boundaries. Finally, mechanisms have been established for sharing experience and knowledge exchange, for example, at the national level, HAMAG, an entrepreneurship development agency created links with a similar agency in Austria.

3. Human Capabilities

Human capabilities influencing entrepreneurial behavior evaluated in the GEM Croatia studies (Singer & et.al., 2007) were self-sufficiency, initiative, risk-taking, creativity and individual responsibility. Based on these factors, in 2005, Croatia was in last place of all GEM countries. In 2006, Croatia moved to 33rd out of 37 countries. Focusing on the peripheral level, the results of the GEM survey show that Slavonia, among Croatia's five other regions, has the highest percentage of entrepreneurs having less than secondary school (17%) and a large percentage having only a high school education (74%) (Singer, 2007). The motivation index of the GEM study shows that the two poorest regions of Croatia, Slavonia and Lika, have a significant majority of entrepreneurs who start businesses because of necessity. This results in lower expectations of venture development and in job growth. These people also have significantly lower monthly incomes than entrepreneurs in the core which is the capital, Zagreb.

It is clear that we have country and peripheral region with not very favorable entrepreneurial factors on a human capability level. However, from year to year there are slight improvements in Croatia's overall standing amongst other GEM countries.

4. Socio-Cultural Landscape

Cultural and social norms are often seen as the starting point of all activities that support the development of entrepreneurial activity. In the matrix in Table 1, I presented social capital and tradition as potential variables driving the socio-cultural landscape. Global Entrepreneurship Monitor research (GEM 2006) expanded the concept of tradition by focusing on entrepreneurial traditions. Changes in cultural norms are the most difficult to make because they require cooperation amongst varied institutions, from government policies, to education and even the media. The GEM country's' average grade for a culture supporting entrepreneurship was 2.84 in 2006 and Croatia's was 2.67, while the US's score was 4.47.

Potential and motivation are two dimensions that were used to describe entrepreneurial capacity in the GEM study. The notion of "potential" includes the presence of knowledge and/or skills of simple procedures regarding starting a business and the speed within which one reacts to opportunities. The notion of "motivation" includes the values that

entrepreneurship is a desirable career; entrepreneurs have a high social status, and the perception that entrepreneurs are competent people. In 2006, the gap that exists between the dynamism of the market (where Croatia is 5th out of 37 – meaning the market is quite dynamic) and the capacity for recognizing business opportunities (Croatia is in 20th place out of 37 countries) is still not closing (Singer, 2007). The responsibility for the non-utilization of opportunities lies with the large level of entry barriers and the low level of entrepreneurial capacity. According to both dimensions of entrepreneurial capacity (i.e. potential and motivation), Croatia is in the bottom group of GEM countries: 26th place for potential and 31st place for motivation. However some improvement has been made by a significant change in the attitude towards new ventures. Croatia placed in 31st place out of 35 countries in 2005 and in 2006 Croatia climbed to 22nd place out of 37 countries.

C. The Agricultural Periphery Entrepreneur – Vesna Pajtl

Vesna Pajtl is a 38 year old artisan cheese producer in a small village called Fericanci (near Nasice on the map in picture 1). She began making cheese when her husband brought a cow home. In her own words this is how she reluctantly started working in the dairy industry:

“When we purchased our first cow, I was afraid of it. This animal was so big and I had hoped to work with smaller farm animals. I took care of the cow for my husband’s benefit. When this cow had a calf, I was still afraid. I would watch him milk the cows until two months past when I stopped this behavior and began milking the cows. “

She later used the milk that was not sold to the local cooperative to make cheeses. Today she has about 30 varieties of cheese, for example, walnut, paprika, stinging nettle, garlic, chive, to name just a few. She sells her cheeses throughout Croatia as well as in the US and Canada, to Croatians living abroad. She takes great pride in selling abroad because she feels it is a reflection of her quality that her cheeses appeal to “western” palates.

1a. Individual Capabilities

Vesna Pajtl attended courses at Osijek University where she became a graduated cheese monger (producer). She completed primary school then started a trade as a textile technician. Her tenacity for new knowledge is described below:

“After primary school, and since there were three children (in my family) and my parents couldn’t afford to pay my schooling, I took one year off and found a job. I worked in the

vineyards and fields for one year. I then signed up for textile trade school the following year. I was a good student and even learned two languages: English and German, because my desire was to be a tour guide. My father didn't have the money to give me such an education. I never gave up and now I had the opportunity to go and complete the cheese-making studies through a scholarship grant from the county."

While she was attending her cheese making classes, she was also attending cheese fairs and exhibits all over the country at the same time tending to her cows and three children. This shows that she has an extraordinary amount of energy and a determination to become a successful entrepreneur. When asked to rate her social skills on a scale from one to ten (ten being the best), she exclaimed that her social skills were an 11. This is how she describes herself and compares herself to others in her village:

"I am so full of energy and ideas. I have so much determination for succeeding in my business. It's unfortunate that the situation is so awful here (the economic situation in Slavonia) but regardless I keep trying and am successful in my field.

When asked why she thought she was successful and others not, she explained:

"I think people give up too soon. If you encounter obstacles, do not give up. If one particular product is not selling well then try another product."

When asked about her level of ambition, risk taking, and optimism, respectively, on the same scale from one to ten, she replied:

"Again, I would rate myself at 11 (ambition). Here I am more cautious (risk-taking) and would rate myself an 8. I reserve about 20% caution because things are just different here and our country is strange, but I am not afraid of crisis within a country since all countries go through them. Regardless of what is going on in a country, anyone in a small business needs to make all efforts, show their capabilities and not blame it on the country. It's like being finally grown-up and not having to do what your parents tell you to do... I am definitely an optimist, (I would rate myself) a 10."

Every entrepreneur has to go through an opportunity search and discovery process. Mrs. Pajtl's was underpinned by her dissatisfaction with the chores on her farm.

"Milking the cows was boring to me, a chore everyone was doing and I wanted to do something that no one else was doing. My mother-in-law told me about a cheese recipe...which is over 200 years old and the recipe came from Dalmatia. In the 1920's as the Dalmatians migrated to this region they brought their food and customs with them. So I started experimenting. I took some (of the cheese) to various people in the village for them to taste test. The old-timers from Dalmatia knew what this cheese was and remembered that their mothers made the same cheese. My cheese started getting known through word of mouth"

1b. Personal Networks as Resources

To understand how she started getting her product to market, Vesna Pajtl replied:

“A friend of mine promoted my cheese to her friends and acquaintances at the local school. These friends started ordering cheese. Feravino (a local wine producer) was my biggest buyer at the time. They liked the cheese as it was at that time. I’ve changed and built on the cheese recipe since then. I also asked my sister-in-law in Germany to tell me what kinds of cheeses are on the market in Germany. She told me what cheeses sold in stores in Germany and then I experimented in trying to make these cheeses. I finally came up with 30 different types...20 are salty and 10 types are for diabetics. I even have cheese rolls.”

When asked how Feravino helped her specifically and who was her contact within this large firm, she replied:

“They took my cheese and used it in their wine tasting presentations. Their distribution centers located in other parts of Croatia, in Split, started buying more cheese. The man with whom I was in contact with was just an acquaintance, but also a godfather to one of my family members. He was a Dalmatian who liked to try new foods out.”

An important resource of Vesna Pajtl’s was certainly her personal network. She used a mixture of strong (her friend in the school) and weak (the man working at Feravino) ties to begin finding a market for her cheeses. She also used her sister-in-law (a strong tie) to do a rudimentary product analysis in Germany. Mrs. Pajtl could not afford to travel to Germany but saw the importance in seeing and learning something new. She intuitively understood that her product had to be different than normal cheese products in Croatia and that she needed to achieve a high product quality to view herself as an artisan cheese-maker.

2. Financial Resources

In a resource-depleted region, it is interesting to see how an entrepreneur goes about in getting capital to begin their new venture. The majority of entrepreneurs the world over self-finance their new ventures and take out loans for any later expansions (GEM, 2006). Mrs. Pajtl seems to follow this norm. When I asked Mrs. Pajtl if she obtained a loan for her cheese making equipment, she replied:

“No, I haven’t used any loans for my business. We had the cows before and owned all of the equipment. The only loan we had to obtain was for the tractor. So far I only invested my own money. I won’t be able to do this any longer. I’m going to need a loan for the building of a cheese-making facility. “

3. Informational Resources

An entrepreneur has the need to collect and assimilate much information of which a great deal of it is fully new to the person in question. When asked if she thought enough information was available to a new entrepreneur, she replied:

“No...there isn’t enough information available. I did approach the Chamber of Commerce in Osijek, but they couldn’t help me...you only approach them if you’re a craft. I’m not a craft but considered to be in the category of “family farmer”.

4. The Institutional Setting

The institutional setting around Vesna Pajtl is in her view not very helpful other than the direct support she received from the Osijek-Baranja County for a direct grant to study cheese-making. She also mentioned that she was in the county offices quite frequently to get information about funding and starting businesses since the Osijek Chamber of Commerce was not available to her based on the nature of her business. Other than the county offices, she received no other institutionalized aid, either in the form of finances, information or entrepreneurship training. She was using the resources she had at hand. Neither was she aware of the existence of any national or regional programs. She never used the internet to gain access to other institutions either. Mrs. Pajtl believes she should have gotten the most support from the town authorities. Her reasoning on engaging the municipality follows:

“I think the support I needed to start my business should have come from the municipality (town hall). They should have promoted my cheeses at town events and could have helped me organize cheese tastings. Through the town events/gatherings you have many influential people visiting and then they could have tried my cheeses. The only reason the mayor was against this idea was because he just doesn’t like cheese. That’s not the point whether he likes it or not! The point is that they should have supported me as a local citizen, right?”

Mrs. Pajtl’s experience with the mayor shows a lack of an important aspect of robust entrepreneurial environments. It is not enough to have entrepreneurial individuals in a society, it is equally important for a society to be sensitized to the importance of the entrepreneur in their midst. This would be especially expected from a political official whose first inclination should be to serve the citizens of his village and have the village’s economic well-being in the forefront of his actions. This shows a lack of experience and knowledge on the local political level.

5. Policy Suggestions from Vesna Pajtl

Mrs. Pajtl did mention some of her specific wishes for policy include more transparency when conducting public tenders. She thinks it takes too much time to fill out all of the paperwork. She elaborates:

“You hear your offer is not accepted, then you wonder why...What could I learn from this? What should I do differently next time? But you don’t know because no one gives you any information. And it takes so long! Such a long process and it takes me away from my business.”

She also believes that the government should help Croatian entrepreneurs by reducing imports of cheaper goods from abroad. She suggested that the small business man/woman could also use help in developing markets in Croatia and abroad. She sums up her view: “If you’re good at what you do, then the product will speak for itself...we just need the places to prove ourselves.”

6. Summary: Peripheral Entrepreneurship

Vesna Pajtl stands out in the village because she is truly not like most of the population which functions on a day to day basis on different levels of passivity, waiting for the government in Zagreb to do something about their plight. She is different even in her lively, energetic physical presence and her piercing, assessing blue eyes. She rarely complains about her “lot in life”, she sees “potential” only “if a person is willing to work hard”. Very unlike her fellow villagers, she does not believe that it is better somewhere else – in another country or region – but understands that it’s up to her to create her reality in her village. I was taken by her vocabulary which is tied closely to her world-view. It was very positive, success affirming, open-minded, and she was often very humorous. She did not see the need to receive any outside institutional assistance other than basic information on the rules and regulations of starting a business and some more information related to cheese-making. She was more interested in learning about product quality and how to develop new markets even though she had a natural knack for networking and seeing which influential individual should try her cheeses next. (She proudly announced that the president of Croatia buys her cheeses as does the Head of the Supreme Court.)

Her optimism and willingness to work hard has emitted some mixed messages in the village. Some people resent her because she seems too successful, too opinionated, and too strong. Some villagers look at her with bewilderment because of her strange cheeses. She sums up her world view best:

“I tried to teach my children to make a full effort in whatever they do. My son is studying to be an agricultural technician and with his help, we would like to start a dairy farm with some 50 cows. My daughter is studying law. My whole family is included in the business; this is because I was their foundation and advocate. I tried to show them that producing milk is not a lowly profession as it was before...one doesn’t need to be “connected” in order to succeed. I was raised very poor, and my husband also, but maybe this gives us energy to move forward. I can’t think of any situation that could (keep me from succeeding) since I have suffered through enough setbacks growing up poor.”

Vesna Pajtl's narratives show what I previously hypothesized (Fuduric, 2008a): the true entrepreneur will often find their resources and markets even without special outside assistance or financial support directed at entrepreneurship development. Because she is a "natural" entrepreneur, she scans her environment and sees potential in her resource-poor village and does not stop there for market potential. She saw something ubiquitous (milk), was bored with it, used her imagination and networks to see what else could be done with it and came up with her offering of 30 different artisan cheeses. Her market was local, regional, national and even international.

The regional government (Osijek-Baranja County) provided her with her stipend to study at Osijek University. She would have liked more support in the form of information and market access from her municipal government in Fericanci. She was not aware of any national programs to stimulate entrepreneurship, nor was she aware of any non-governmental institutions providing support. Viewing her entrepreneurial process, it was catalyzed by a mixture of her personal capabilities supported by the regional government who provided the funds for her cheese-making education, local businesses (Feravino) providing market access and her personal network which consisted of help coming from weak and strong ties. The result is a complicated interweaving of different institutional and economic actors around the entrepreneur.

The first implication of this complicated interaction is that entrepreneurship development programs should be "pulled" by the needs of the entrepreneur and not "pushed" by bureaucratic policies. It is then worthwhile to begin on a grass roots level to understand the needs of the entrepreneurs before embarking on a development program. Taking Vesna Pajtl's experiences, I view the development of entrepreneurship as an act of "seeding" potential in the entrepreneur's environment and leaving the rest up to the authentic entrepreneurs. The act of "seeding" an environment to bear the fruits of entrepreneurship is really a resource-building intervention. It needs to be based on market efficiencies and consolidated coordination as stated by Singer and Pike (2007). Insights gained from Mrs. Pajtl's entrepreneurial process show that interventions need to take place in local and regional governmental institutions, socio-cultural institutions, and even on subtler levels by encouraging the depth and breadth of citizens' social networks. The seeds of potential in Vesna Pajtl's environment were found in this hodge-podge of regional/local government institutions, in existing firms, and in her personal networks.

VII. CONCLUSION

The aim of this paper was to introduce geography, in the form of the periphery, as a determinant of different types of entrepreneurship. The periphery is characterized using Arzeni's (2002) four types which are based on distance from the core. Using these four typologies, the periphery is removed from the value-laden view of a depleted, resource-poor place and can be considered as a place of entrepreneurial potential.

Since entrepreneurs need resources to discover, create and exploit economic opportunities; four resource structures are introduced and considered for each type of periphery. Resource structures are found in all forms of human interaction. This paper specifically focuses on the industrial, institutional, human capability and socio-cultural factors taken from the entrepreneurial resource framework in my previous paper (Fuduric, 2008b) .

Entrepreneurs are natural scanners of the environment where their activities mine resources that are unique to the periphery in question and by definition, see opportunities where others do not. Hence, they have an important role to play in any economic and social change. They are able to "commodify" the values emerging from the periphery and shift these values from an existing-use value to a new, higher market value (Julien, 2007). Johannisson et. al. (2002) sum up this phenomenon quite well when they wrote that, "Entrepreneurs combine socioeconomic vision and concrete action." The social and the economic are inextricable when considering development of the periphery. Hence, the entrepreneur is perfectly poised to create change in this environment.

Creating positive economic and social change is a compelling promise of entrepreneurship. However, entrepreneurship can only be as robust as the environment it is enacted in. As the matrix in Table 1 shows, an economically enhancing entrepreneurship has a far greater chance at success in P1 than in P4 due to the proximity of resources. The matrix also points to the fact that it sometimes makes more sense to develop local resources in P4 than introduce entrepreneurship development programs. The true entrepreneur will know what to do if resources and opportunities are seeded in his environment. Thus, the aim of the matrix was to aid in hypothesis development generally defining what forms of entrepreneurship can be enacted using

industrial, institutional, human capability, socio-cultural resources as parameters or boundaries dictated by each type of periphery.

Globalization and information/communication technology are widening the boundaries of the periphery allowing them to tap into national and global resource bases. Because of the increasing accessibility of ICT, the economic balance of peripheries can change for the better if human capabilities are on a high enough level to take advantage of this. This has a resource-enhancing effect because by shortening physical and cognitive distances, the entrepreneur has a new palette of resources from which to choose. As was pointed out in the paper, recognizing resources and knowing what to do with them are two different actions. Thus, it appears that all economic and social improvements have to begin with the development of the individual and of the formal and informal institutional environment. After all, it is the individual who recognizes, creates, and exploits opportunities and it is the institutional environment that either aids economic action or creates barriers against it.

Thus the contribution to existing research this paper provides is a widening of the lens of observation of entrepreneurship to not only include the individual and his environment but also the placement of the environment, in this case the different levels of a periphery. Another contribution is that a matrix was developed to attempt to harness the above variables that interact with the entrepreneur. The case study underlines the complexity of an entrepreneur's actions in a resource-poor periphery. The knowledge from this case shows that entrepreneurship development programs need to encompass the complexity of the institutions, policies and economics surrounding the entrepreneur as well as his/her individual capabilities. New, costly programs may not have to be developed, sometimes it could be sufficient to streamline and coordinate existing resource structures.

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