

# *Meeting Radical Change and Regional Transition: Regional Closedowns and the Role of Entrepreneurship*

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The aim of this paper is to describe and analyze the effects of radical changes within regions by providing an empirical base from 12 Swedish municipalities from different regions. The specific focus of the paper is the role of entrepreneurship, both as an opportunity-seeking activity in order to find and develop new business undertakings, as well as entrepreneurship as a perspective for supporting activities in the public or private spheres. The results are based on interviews and surveys, secondary data, information from regional governments, municipal websites and also from other public information channels. Two questions were raised in analysing the case: (1) What types of contextual factors are of strategic importance when regions are challenged by radical change, and what role do these factors have in a regional restructuring and development process? (2) What types of policy and support measures are productive for entrepreneurial activities in regions when adaptation to radical change is required? The results presented by the study provide insight into how the development of local economies is affected when conditions change in a region due to the closure of a major public workplace. The paper also tries to present opportunities through which municipalities are able to prepare for and take action to help entrepreneurial activity face ongoing structural change and a globalized local economy.

*Key Words:* radical change, regional transition, entrepreneurship, restructure, strategies, closedowns

*JEL Classification:* L26, R11

## **Introduction**

The business environment is always changing. Sometimes slowly and gradually, other times very quickly and, occasionally, almost revolution-

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ary changes can take place. The globalization of the industrial economy, new international workforce divisions, rapid developments in information and communication technology and the changing roles of nation states are some examples of the major indications of rapid and radical change in the last century. One challenge in the twenty-first century will be how these changes combine with established institutional structures in local economies. There are indications that the impact of structural transformation processes varies in different parts of the world and that the globalization of society has made it even more important to discuss the various regional conditions for economically sustainable development. Increased competition between regions and the more globalised economy have created an urgent need for restructuring in order to achieve a sufficient level of innovativeness and competitiveness in different regions (Asheim and Isaksen 1997). Encouraging entrepreneurship and new business creation are often emphasized as means for creating local development and growth in a global economy; one challenge in the future will be how the public and private sectors are able to face these changes and how to support entrepreneurial efforts. Although new business creation always precedes regional economic growth there is no evidence that higher firm birth rates will guarantee economic growth (Reynolds, Storey and Westhead 1994). Studies show that entrepreneurship and leadership could be catalysers for economic growth, but that the number of entrepreneurial activities varies in different regions (Bygrave and Minniti 2000). It is therefore interesting to generate further knowledge about the impact of different contextual settings on entrepreneurial activities and what strategies to use in order to encourage entrepreneurial efforts for the preservation and development of regional prosperity in times of radical change.

In the second half of 2008 the global financial crisis affected all sectors of the global economy. The long-term consequences will be substantial, with considerable restructuring in some industries, down-sizing in other industries and, probably, some established business sectors will be replaced by radically new types of business ventures. The massive impact of the financial collapse on society at large has also mobilized governments. They are now taking initiatives to stimulate cooperation between private and public bodies in order to meet the current challenges and to create awareness of the necessity of creating economic recovery and renewal.

The purpose of this article is to elaborate on the opportunities for

regions to cope with radical changes in the local environment, as well as to discuss the policy implications of such changes. Moreover, the article starts out from a business support agency perspective and will specifically study the role of entrepreneurship, both as opportunity-seeking activity in order to find and develop new business undertakings on commercial markets, but also how entrepreneurship can be applied to study support organizations and mechanisms in sectors involving public, semi-public and private support agencies.

Sweden is in the middle of a process of radical change that aims to transform its national military capabilities from a traditional domestic defence force to nationally and internationally oriented smaller and more flexible task forces with high mobility. As there have been significant investments in military organization (bases, equipment, personnel, expertise etc.), this process of change is having a great influence on a number of sectors in the regional community. The empirical base for this study is linked to twelve widely distributed municipalities that belong to different regions. The perspective of the paper is that of studying the consequences of the closedown of twelve military bases in various locations in Sweden. In our analysis, we raise two questions:

1. What types of contextual factors are of strategic importance when regions are challenged by radical change, and what role do these factors have in regional restructuring and development processes?
2. What types of policy and support measures are productive for entrepreneurial activity in regions when adaptation to radical change is required?

### **Literature Review**

Numerous studies have been carried out in order to understand the relationship between a firm and its environment (Parker 2005). Some of the more salient results of this research are the classification of the environment in terms of levels of complexity and turbulence, and the proper managerial routines and attitudes that are suitable for different environmental settings (Lawrence and Lorsch 1967). Strategic entrepreneurship is an emerging field in contemporary management research and this approach underlines the importance of companies, as well as organizations, continuously following a changing and often very dynamic context. While doing this, companies must exploit the competitive advantages of their existing market niches and simultaneously also work with

innovation and new opportunities in order to continuously renew strategic behaviour (Ireland, Hitt and Sirmon 2003). Smith and Cao (2007) have examined the literature in this field and found that two established views are emphasized in the literature. The first of these, the ecological view, focuses on the importance of the business environment, its structures, processes and norms, and that the individual firm must develop a good fit for these contextual conditions in order to be successful (Hannan and Freeman 1977). The second view focuses on the efforts of companies to develop effective routines and structural organisation in order to manage dynamic settings. The environment is not as rigid as in the first view and the firms are encouraged to react and adjust to changing external conditions (Nelson and Winter 1982).

A third view, according to Smith and Cao (2007), is strongly influenced by research into core aspects linked to entrepreneurship. According to Kirzner (1973) the entrepreneur has the capability to discover business opportunities in market segments and, with a generally alert approach, this will result in actions even when there is a relatively small basis for decision-making. In this entrepreneurial perspective the level of analysis changes, from the population level and the firm level of the first two perspectives, to that of highlighting the importance of managers and entrepreneurs within companies and organizations. This more proactive approach among strategic actors must also be linked to the role of belief systems and expectations as important resources for guiding sense making, information collection, decision-making and actions (Weick 1995). Active roles for core actors can positively influence and shape the environmental readiness to meet and act in states of emerging radical change.

Radical change processes can be linked to a major shift in market preferences, or be associated with essential development stages of core technology, and consequently these types of events and processes will occur relatively infrequently in the lifecycle of a company, organization, market or a sector in the society. Within the field of change management an important research aim is to understand the causes that created the changes, but also to contribute to the management of change, i. e. knowledge, models and best practices of how strategic planning will be adapted to the need for change (Frahm and Brown 2007; Dover, Lawler and Hilse 2008). Research results indicate that organizations in more dynamic contexts have also developed better capabilities for managing radical change (Brown and Eisenhardt 1997).

The mainstream definition of entrepreneurship is linked to private

companies, but there are also broader perspectives linked to the creation of new organizations (Gartner 1985) and various types of entrepreneurial activities associated with, and often within, larger companies and organizations, e. g. corporate entrepreneurship and intrapreneurship (Zahra, Jennings and Kuratko 1999; Antoncic and Hisrich 2001; Antoncic and Hisrich 2004). When meeting radical changes in a specific regional context it will be necessary to mobilize a wide range of actors in order to meet the challenges linked to the new situation. A wide set of actors within the business community will come forward, but so will various public organizations. Earlier studies of entrepreneurship linked to the public sector are few, but the number is growing (Ireland, Hitt and Sirmon 2003).

DiMaggio (1988) asserts that the role of entrepreneurs can be understood within the concept of institutional entrepreneurship, where interorganizational entrepreneurs at high, middle and low levels in all types of organizations are often the driving forces behind new development projects. The need for these types of roles is obvious in private as well as public organizations. Another understanding emanates from Morris and Jones (1999) who claim that corporate entrepreneurship is in many ways a concept well adapted to non-profit activities. They found many similarities between CE and a public context, such as a strong cultural environment and the importance of effective and well-developed routines for administrative control. Empirical results from studies in the public sector presented by Bartlett and Dibben (2002) demonstrate that the leadership in such organizations is not only linked to public groups and constituencies, but that there are also 'empowered champions' that are driven by their own conviction that change is necessary (Sundin and Tillmar 2008).

Johannisson and Nilsson (1989) indicated that public sector organizations not only work with concrete entrepreneurial activities but that their core tasks as public authorities and public service providers can be conducted in an entrepreneurial way and in close cooperation with companies. It is argued that CE involves organizational learning, and that the advancement is driven by collaboration, creativity and individual commitment and requires the integration of organisational practices (Zampetakis and Moustakis 2007).

A large part of the literature has focused on individual aspects, such as education, gender, and personality, but in this study it is of greater interest to make associations with research findings about geographi-

cal factors, university contexts and industrial structures (Lee, Florida and Acs 2004). More than forty years ago, Thompson (1967) suggested that municipalities and cities, with the right set of resources and knowledge, could attract new business activities and function as incubators. The consequences of context have been convincingly demonstrated in many studies, sometimes underlining and explaining the role of regional characteristics, such as access to strategic resources and the quality of support, while others have found that many contextual factors can be attributed to a country-specific institutional context and thereby mitigate the importance of regional uniqueness (Atherton and Frith 2007).

The concept of Regional Innovation Systems (RIS) has gained attention due to the increasing intensity of international competition in a global economy (Asheim and Coenen 2004; Doloreux and Dionne 2008). The RIS approach is very much linked to the influence of context and proximity and consists basically of two influential structures, techno-economic and political-institutional. Additionally, it is argued that the globalized contemporary economy promotes a new understanding of the institutional context, where territorially embedded socio-cultural structures have been emphasized as prerequisites for innovative and competitive regions (Asheim and Isaksen 1997). RIS highlights the importance of the region for the economic co-ordination that triggers innovation and for the development of networking and innovative actors, i. e. firms and non-firm organizations, to enable positive development. The approach 'emphasizes the dynamic, cumulative and social nature of the innovation process as well as the network of relationships between the structure of production and the institutional setting in which they are embedded' (Doloreux and Dionne 2008). Accordingly, innovation systems are influenced by firms and their support infrastructures as well as by informal and formal institutions that facilitate or impede innovative activities. In times of radical change in local society traditional structures, norms and values are challenged. One example of such challenges for regions could be when major private or public employers close down, people become unemployed and are forced to move to where the jobs are to be found; then the public sector has to become entrepreneurial in order to provide basic functions and act as a motor for local development.

Therefore, in this study we use established theories about the business environment and the strategic role of entrepreneurial behaviour in various settings, both in general and specifically when an organization or a region is challenged by radical change. We also propose that the con-

cept of entrepreneurship should be utilized with a broader definition, in order to incorporate the roles and activities linked to the private, public and semi-public spheres. We suggest that the understanding of CE covers both the mainstream understanding of entrepreneurship, with a focus on individual or corporate perspectives, and also the activities for exploring the opportunities and exploitation that take place within and between different organizations.

### **Fostering the Entrepreneurial Mindset**

As previously mentioned, it has been shown that entrepreneurship and new business creation is vital for local development and economic growth. It is a regularly expressed opinion that a number of nations and regions in Europe have low entrepreneurial activity and that 'Europe needs to foster entrepreneurial drive more effectively' to cope with increased global competitiveness (European Commission 2004). A more global economy may cause some volatility in traditional regional structures, which may call for new and creative solutions to the problems that arise. The European Commission's recipe for the regions is to develop a capacity for adapting to economic and social changes (European Commission 2006a). The form of such processes depends on contextual settings and has, along with external and internal environmental triggers, an influence on how changes are met by organisations (Ireland, Kuratko and Morris 2006). Like other scholars (e.g. Kirzner 1973) we argue that radical changes in society could encourage the fostering of an entrepreneurial mindset in different settings in society, along with strategic measures that will vary according to the cultural contextual inheritance.

Bygrave and Minniti (2000) claim that 'the contribution of the entrepreneurial sector to economic growth is more than proportional to the relative size of the sector itself' and that entrepreneurship is self-reinforcing and path dependent. This means that the existence of an entrepreneurial history has a great impact on how the community succeeds in increasing entrepreneurial activity. Also, the size of the population in a community is important for the existence of path dependency. If the population is too small it can, in certain circumstances, be an obstacle to entrepreneurial activity. Moreover, Bygrave and Minniti show that cultural traits, along with economic and institutional characteristics, are important for attaining positive economic development and stimulating new business creation and entrepreneurial activities.

Sweden has a low degree of early stage entrepreneurial activity compared to most of the countries in the study *Global Entrepreneurship Monitor (GEM)* (Bosma et al. 2007). In comparison to other Nordic countries, which all have strong similarities concerning business infrastructures, culture, etc., only 4.2 percent of the Swedish population is involved in entrepreneurial activity, while equivalent figures for Finland, Norway and Denmark are 6.9, 6.5, and 5.4 respectively. One possible explanation for the relatively low level of entrepreneurial activity in Sweden could be that major parts of the Swedish economy are driven by the public sector. Sweden's public sector has undergone powerful expansion during recent decades; in 1970 the public sector counted for 44 percent of total GDP while in 1999 it amounted to almost 60 percent of GDP. During the same period the US has remained at approximately 30 percent, which is almost the same level for a period of 30 years (Klefbom 2001). A second explanation for the relatively low entrepreneurial activity level is the structure of the Swedish business community, where a small group of large multinational companies is dominant and acts as the hub for extensive industrial networks (Porter, Sölvell, and Zander 1991). A third reason could be risk aversion and a preference for employment over self-employment, as well as good job alternatives (Bosma et al. 2008).

The Federation of Private Enterprises in Sweden claim that over the last decade Sweden has had a negative development in the number of business owners while, on average, the rest of the original 15 EU members have experienced positive development (Företagarna 2006). A general challenge for Sweden is thus to increase entrepreneurial activity in order to maintain or stimulate positive development in different parts of the country. The Swedish government has issued a directive for this challenging work, 'to increase entrepreneurship, weak by international comparisons, the government plans to create a more competitive business environment' (European Commission 2006b). In order to achieve this task Sweden has to consider the lack of entrepreneurial experience in many parts of the country, which is due to a relatively stable tradition of industrialism since the end of the 19th century and the expansion of the public sector since the middle of last century. The OECD (2007) emphasises the importance of developing models for partnership between the public and private sectors in order to achieve positive development. Additionally, it has been shown that this encourages effective governance mechanisms at local and regional levels, integrating different economic actors in order to enhance entrepreneurial activities. 'National



and transnational innovation systems are ineffective if they are not based on sound local innovation systems that are closer to business, higher education and training organisations' OEC D (2007).

As different regions bear different cultural inheritances the models for effective governance structures probably vary according to the external and internal triggers for such actions. Falcone and Wilson (2008) show, for example, that in times of change in rural or semi-rural areas alternative governance models may be of value in encouraging local economic development. Also, positive local development can be achieved by an organization that involves different cooperating actors from the public and private sector, and the support of proactive centres for economic operation within the region has some impact on local entrepreneurial activity. Harvey (1989) along with Perlmutter and Cnaan (1995) emphasises the necessity of a proactive approach in the urban environment too, to provide a good business climate aimed at encouraging urban entrepreneurialism in times of conditional change. Lumpkin and Dess (1996) show that entrepreneurial organizations outperform non entrepreneurial organizations. As entrepreneurship and innovation are the keys to economic growth, the concept of entrepreneurship and innovation in public organizations has gained momentum, leading to new public management in many countries (Kropp and Zolin 2008). It is also claimed that the environmental and contextual changes in society will 'necessitate a government to change the way it operates in structural design and in terms of process' (p. 597). A quest for public entrepreneurial approaches will become increasingly important as municipalities are subject to radical change (Perlmutter and Cnaan 1995). In order to be able to act entrepreneurially it seems to be vital to have an entrepreneurial orientation in a community.

Entrepreneurial orientation may differ between countries, regions or communities for various reasons, such as differences in dynamism and uncertainty (Kropp and Zolin 2008). The choice of strategy in meeting radical change may depend on the predomination of industrial or entrepreneurial orientation in different contexts. The choice of strategy has an impact on both the public and private sectors' degree of passivity, activity or pro-activity regarding participation and success in adaptation processes (Porter 1998). Sweden has a fairly strong tradition of industrialism that is reflected in the way private and public organizations perform, as well as in the division of labour and how responsibility for development issues are organized locally (Wigblad 1995). Lack of entrepreneur-

alism in Sweden impedes the adoption of innovative solutions for how regions and municipalities can face ongoing radical change. Empirical studies in this field are sparse and growing environmental turbulence in regions and communities makes it necessary to have guiding principles regarding how to encourage entrepreneurship and innovation in order to cope with radical changes (Kropp and Zolin 2008).

### **Research Design**

This study takes an exploratory approach and uses qualitative methodology (Glaser and Strauss 1967; Eisenhart 1991; Gummesson 2005). The collection of empirical data for this study was generated over a time span of two years, starting in the spring of 2005 and finishing in 2007 (von Friedrichs 2009). The government decision to close down military bases in Sweden between 1999 and 2006 involved a total of 12 garrisons. The data were collected from the 12 municipalities involved. Some significant actors were chosen to provide information about how each municipality met the ongoing local transformation processes. In the early stages, representatives from public business agencies and the Swedish Armed Forces in two municipalities were interviewed, with the descriptive and exploratory ambition of mapping the extent of the 'military retreat' in each location, as well as learning more about the general consequences. The relatively open approach at the beginning gradually led to a research design that focused on a more comprehensive study of 12 Swedish municipalities that were subject to the transformation of the Swedish Armed Forces. These 12 municipalities took part in compensation programmes established by the Swedish government in 1999 and 2004 to varying extents. The focus was on the impact of the closedowns on each municipality and the strategies used to face this by using transformation processes in the local society.

In Sweden all 290 municipalities have established business agencies that are owned or partially owned by the local government. Their main task is to encourage and stimulate the development of the local economy and to serve as mediators between private businesses and the public sector in each location. How they organise this can vary, but the business agencies normally have a strategic role in the overall development processes of the municipalities. The managers of the business agencies were selected as interviewees in order to collect information from the establishment, on the implementation and outcome of the local strategies in times of regional closedowns and transition.

A questionnaire was developed and in-depth interviews were conducted with the managers of the business agencies in 10 of the 12 municipalities. 2 respondents were interviewed in person, 6 respondents were interviewed via the telephone, 2 respondents sent in written answers to the questionnaire, 1 respondent refused to answer the questions and 1 respondent was not available. Each interview lasted between 1-2 hours and the notes that were taken during the interview were further developed in a more detailed form immediately after the interview. After the main interviews, missing information, ambiguities in the material, and follow up questions were taken via the telephone, in approximately 10 interviews. The questions asked were organised around issues relating to the development of the municipality, the impact of the military transformation, local business structure, strategies for coping with structural changes in society and future challenges for municipalities in Sweden. The results are based on the interviews and survey, secondary data, information from regional authorities, municipal websites and also from other public information channels. The multi-methodological approach (Yin 2003) also included the extensive use of international, national and regional reports and other material.

The data were coded, analyzed and interpreted in three steps using a careful approach, resulting in categories that were developed as a base for the discussion and conclusions. The first step was to assemble all the answers obtained from the respondents in a transcribed form and organise them in relation to the questionnaire. As a second step, the full text material was interpreted, so resulting in the development of significant categories. The last step was to relate these categories to the information obtained from secondary data and other public information channels.

Table 1 presents information about the 12 municipalities and their location in Sweden. Three are located in the northern part of the country, in a sparsely populated region. Four are located in the middle of the country in a region that shows greater variation in population density. Five are located in the southern part of Sweden where the population per square kilometre is more dense.

### **The Case of the Transformation of the Swedish Armed Forces**

Since Sweden's entry into the European Union, the Swedish Armed Forces have been in a process of transformation, from a large counter-invasion defence force to a readily deployable military. Due to this ongoing transformation, major public-owned workplaces like military bases

TABLE 1 Regions and municipalities in the study

Region	County	Population/km <sup>2</sup>	Municipality	Inhabitants
North	Norrbotten	2.6	Kiruna	23,258
			Boden	28,002
			Arvidsjaur	6,791
Mid	Västernorrland	11.2	Sollefteå	20,849
			Härnösand	25,080
	Jämtland	2.6	Östersund	58,600
	Dalarna	9.8	Falun	55,267
South	Örebro	32.3	Karlskoga	30,159
	Värmland	15.6	Kristinehamn	23,848
	Västra Götaland	64.6	Karlsborg	6,880
	Gotland	18.1	Gotland	57,297
	Skåne	108.7	Hässleholm	49,381
Sweden		22.2		9,113,257

have closed down in different parts of the country. In several of those places the military had a long tradition and was a major local employer. In many cases the military also functioned as a supportive organization in the local community, partly as an employer for local civilians, and partly taking part in local events as volunteers. The focus of this study is to establish what the consequences were for local economies when the Swedish parliament decided in 1999, and later in 2004, to close down several military bases, as well as how local authorities met this challenge.

Sweden is known for having a dominantly tax-financed public sector, and most municipalities have been dependent on public workplaces for decades. It has become evident among politicians in Sweden that international and national business trends have a great impact on local municipalities and enterprises. The strategy for coping with increased international competition is focused on how to stimulate more entrepreneurial activities in the local community. The study shows that in half of the 12 municipalities the public sector predominates as the major employer. The business structure in these communities does not provide employment opportunities for local citizens, which causes migration and a loss of skills in the regions. The Swedish government has, as mentioned above, expressed the ambition to create and support sustainable development linked to local and regional needs where growth

is a central issue (Ministry of Industry, Employment and Communications 2001). Therefore, the Swedish government has tried to compensate for the loss of jobs in the regions with 'extraordinary measures,' such as the transfer of national public workplaces with the aim of stimulating local economic development. Accompanying these types of measures, the authorities have also expressed a desire for increased entrepreneurial activity in the various regions. However, in some municipalities these measures have had a counteractive impact on the division of labour between the private and public sectors, meaning that the public sector has expanded. Several municipalities have also reported that the extraordinary measures have exerted an influence on entrepreneurial activity. That is to say that increased attractiveness has drawn new business ventures, as well as people, to the region. One respondent says: 'the public establishments have influenced attitudes and given credibility to the municipality's opportunities for positive development' and, he continues, 'with public establishments, entrepreneurial activity has increased as has inward migration and degree of survival for the private business sector.'

Over the last few decades Sweden has experienced the loss of several big enterprises that have closed down plants and offices in different parts of the country. Andersson and Friberg (2005) argue that this is a consequence of an ongoing structural transformation of society and a result of increased global competition. This has forced many companies to improve efficiency or to relocate production units, or the entire company. When major workplaces close down or are relocated it affects local economies in different ways. If opportunities to find new jobs for the redundant labour force are limited in a region, individuals are forced to move to where jobs are available. This will directly diminish the tax base of the local economy. As Sweden has a welfare system that is mainly financed by the public sector through taxes, the migration of people and firms could have a major impact on local economic development. If the local economy depends on a publicly financed social welfare system, radical changes could cause problems for publicly financed services such as schools, care of the elderly, housing and local public investments. Municipalities have been forced to look for new models in order to adapt to ongoing significant transformation in several areas. Since there is no general blueprint or model regarding how to stimulate entrepreneurship, experimentation seems to be the key (Morris and Jones 1999). To find these new models we have to bring in more knowledge from different contextual settings. Learning from the municipalities' ex-

perience in dealing with radical change could bring more knowledge to such guiding models.

### **Results**

The empirical material from this study was analyzed in the light of the views presented in the literature section. Firstly, we argue that contextual aspects are always of some importance in understanding the behaviour of entrepreneurs, companies and organizations. It is necessary for the individual actors to identify and capture these contextual factors in order to develop effective management routines for functional areas of the organization. Here we draw connections to the field of strategic entrepreneurship and find that the challenges emerging from radical changes in the environment can be analysed using two contextual categories: industrialism vs. entrepreneurialism. Our study shows that most of the respondents are well aware of the ongoing structural changes in local society and that a major hindrance in meeting these changes is the predominant industrialism. One respondent says: 'First it was the proprietor or mill owner that solved all the problems that arose in the local community, then the responsibility was taken over by the state.' The category of industrialism represents an environmental setting that is dominated by a manufacturing logic in which large companies are often motors for the development of numerous small firms. Public organizations in health care, education and military bases can also be important actors in regions with relatively rigid structures. In the category of entrepreneurialism the context is more diverse, with a mix of companies and organizations of various sizes and operations, where more dynamic processes are driven by entrepreneurial activities. Several respondents testified to weak interest from the private sector in involvement in dynamic processes and making contributions to regional development issues. 'The local companies only show up if they can do business as the outcome of the meetings, if not they do not show up,' says one respondent.

Secondly, the companies and organizations have strategic instruments with the purpose of surviving and developing within various environmental conditions. In some organizations the strategic intentions are relatively moderate, due to the combination of environmental setting and strategic ambitions in the organizations. The organizations adjust to rigid environmental conditions with reactive, sometimes inactive, strategies. On the other hand, other organizations believe that they can work in and influence an external context in a proactive way. The municipali-

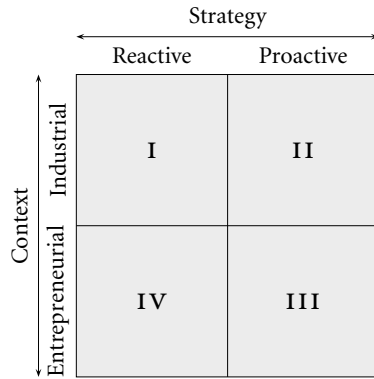


FIGURE 1 Type of context vs. strategic behaviour

ties in our study recognise the importance of stimulating entrepreneurial orientation as a contrast to the ‘suffocating industrialism’ that dominates most of Swedish municipalities. They also demonstrate how they try to stimulate entrepreneurialism in different ways, through establishing ‘projects and training packages.’ The theme of the projects could be changes in attitude, guidance, education and information for various actors in local society, such as staff in the public sector, but also for individuals and businesses in general. ‘To hone the municipal treatment of entrepreneurs’ and to ‘facilitate new ventures and established entrepreneurs in finding their way into public support systems’ seem to have top priority in most municipalities’ work in encouraging entrepreneurialism.

As indicated in the methodology section, the analysis of the 12 municipalities in this study was guided by secondary documents as well as interview material and surveys. The study also aims to cover developments over time and this approach has further strengthened the results. The model presented in figure 1 was used to classify the 12 municipalities according to their main characteristics. Their general infrastructure and the business structure (e. g. large/small firms, manufacturing/service sectors, private companies/public organisations) were analyzed, following the model presented below, in order to classify the 12 municipalities according to their main characteristics. Another important aspect of the classification was an overview of the general business culture in the regions, the level of networking between firm constellations and the collaboration between the private and public sector in general.

In the first quadrant (industrialism – reactive) we find five municipalities that are all dominated by the public sector. Naturally, the military

investments in these regions are part of this public environment, and one important explanation for the public profile, but these municipalities all have a modern historical record of extensive public activities linked to the health and education sectors. Additionally, in one of the municipalities a large multinational company (state-owned) is very dominant in the development of the business community, as well as the civil service infrastructure.

In the second quadrant (industrialism – proactive) three municipalities in an industrial setting are working with regional development programmes in a proactive manner. The military sector has been an all-pervasive resource from the beginning of the twentieth century, in the form of military bases in two of the municipalities and in the third as a multinational armament factory owned by the state. In addition to the military investments the business communities in these regions have a more varied business structure, with a mixture of manufacturing and service sectors. Two of these municipalities are also located in intensive agricultural districts with a pronounced small business and entrepreneurial culture.

In the third quadrant (entrepreneurialism – proactive) we found that many of the private and public initiatives originate from an entrepreneurial platform. One of the three municipalities in this group is in a typical farming area with a history of small business units, like two found in the second quadrant, but this region has also developed into one of the most concentrated and general destinations for summer tourism. Also typical of this category is that the entrepreneurial culture obviously has a positive influence on resource sharing between companies, as well as on open and dynamic networking between companies and actors from the public sector.

Finally, the fourth quadrant (entrepreneurialism – reactive) is an adequate classification for only one of the twelve municipalities being studied. This region has been strongly dominated by large companies and a dynamic competitive extended environment. In particular, one major international city within 70 kilometres entails extensive company networks, with the main head offices in the city, as well as public organizations which are also strongly influenced by central offices, authorities and local government in the nearby city. The municipality has all the right conditions for entrepreneurial activities, but a relatively inactive development process in the region is explained mainly by the nearby city, resulting in trust for ‘big brother’ which means the indirect suppression of various regional initiatives.



		Strategy	
		Reactive	Proactive
Context	Industrial	<ul style="list-style-type: none"> <li>• External dependence</li> <li>• Passive attitudes</li> <li>• Reactive plans within rigid structures</li> <li>• Dominance of locomotive firms</li> </ul>	<ul style="list-style-type: none"> <li>• Planning activities started</li> <li>• Actors from sectors mobilized</li> <li>• Growing awareness to develop existing structures</li> <li>• Network constellations emerging</li> </ul>
	Entrepreneurial	<ul style="list-style-type: none"> <li>• External dependence</li> <li>• Passive attitudes</li> <li>• Rigid regional structures</li> <li>• Closeness to metro-areas</li> </ul>	<ul style="list-style-type: none"> <li>• Actions plans for development</li> <li>• Wide engagement in the region</li> <li>• Entrepreneurial activities in all sectors – firms and public agencies</li> <li>• Open and dynamic network constellations</li> </ul>

FIGURE 2 Regional Corporate Entrepreneurship

Figure 2 displays a summary of the results discussed above and shows some underlying elements in the municipalities’ environments that influence how radical change is met by regions in transition.

### Discussion

The transformation of our society will force nations, regions, municipalities, firms and other organizations to adopt adaptation processes of various kinds. It will also challenge our taken-for-granted solutions and models for how we use and organize our businesses, as well as our publicly financed resources. Adaptation to the radical transformation of society and the globalized economy will force regions into restructuring processes, in order to be able to sustain regional prosperity and positive development. Regions will have to face and meet radical change in the local environment more frequently. The study shows that the different municipalities and the various contexts have developed different strategies for coping with radical change. It seems that the awareness of external and internal radical change in the local economy affects the choice of strategy, as do traditions and the general attitude towards how to deal with problems that arise.

When studying the 12 cases and the collected material, an overarching analysis of the last decade’s development can be carried out. The downsizing of the military sector started in the 1990s, but has accelerated dramatically over the last 5–8 years. Generally, municipalities that were sites

for military garrisons did not, in the early stages of radical change in the early 2000s, scan the external environment in order to find political, military or economic indications and risks regarding the future dismantling of the national armed forces. This passive perspective was still the prevailing viewpoint five years later, even if a few municipalities indicated that they had now integrated business intelligence routines into the existing administration. Obviously the traditional long-term planning perspective, with small adjustments to the previous year's budget, is strongly dominant and preparedness for new elements of radical change can be estimated as weak. One explanation for this attitude could be the influence of a strong expansion phase with a good economic climate in Sweden since the beginning of this century. This situation probably had some impact on municipalities' awareness of what the consequences of the ongoing changes in the global economy could be for future local development and prosperity.

As discussed in the theory section, several studies show that it is difficult for any organization to stand alone in the globalized economy and that co-operation between different actors is vital in most competitive environments. A traditional industrial setting, with hierarchical structures and control by top management or, in our case, local government, could create obstacles for a more entrepreneurial spirit in a region. The study shows the regional dimensions of institutionalisation and entrepreneurship policies. A general pattern of the material is that the regions with a uniform and more rigid environmental setting, often linked to traditional manufacturing business communities, have a public-oriented perspective. This is the case for all the regions in the first quadrant and obviously this can prevent private, as well as public, actors from taking steps away from a passive and reactive attitude, towards a more proactive command of development programmes, reorientation and new investments in regions faced with radical change. In the regions with a more proactive focus for coping with their new situation, we find that five out of six municipalities have a private-oriented culture. However, this latter group demonstrates that these types of proactive strategies for meeting external threats can also be mobilized and developed in regions that have traditional industrial characteristics.

Empowering regional solutions to radical change means that the national government has to be flexible and sensitive regarding regional diversity and that contextual models for supportive structures and strategies have to be developed. From the literature, we can see that strategic

entrepreneurship can be used in studies of radical change. Primarily, the role of strong entrepreneurship among individual companies and organizations in uncovering, and also exploiting, new business opportunities in new market segments, comprises the absolutely basic and necessary undertaking that must be performed in order to meet radical change. However, the concept of entrepreneurship is also linked to belief systems, expectations and norms and, in the end, with the right information, the decisions and actions of entrepreneurs will ultimately also shape environmental readiness to act when the region is challenged by radical change. The results of this exploratory study have to be further tested on more extensive material, but we are finding indications that regions with proactive attitudes and strategies also show successful positive development. We propose that it is not only organizations in very dynamic contexts that can develop the capacity to meet radical change, but that this is also the case for organizations with a proactive attitude in many types of regions and, in the end, this will result in positive trends that build on gained experiences and circular learning.

Other studies have found that it may be necessary to mobilize a number of different actors in order to meet radical changes at a regional level. In the last decade particular interest has been shown in successful Triple Helix constellations, where representatives from the business community cooperate with partners from the public sector. In this study the radical changes have not resulted in any visible cooperation of this kind in about half of the regions involved. In the other six regions we find a wide variety of network models, spanning from feeble attempts among a couple of actors to very intensive cooperative projects covering a number of fields, involving many partners and with sustainable operations over many years. One observation concerning the categories of participating partners in these networks is that there seem to be some impediments for small and medium-sized firms becoming involved in the cooperative groups. The reason for their absence in this context is mainly lack of time. The large companies in the region are traditionally well integrated in the official networks linked to local politics and infrastructural investments.

The findings of other studies also indicate that entrepreneurship within existing companies and organizations can indirectly widen the scope for regional development. Thus, research on CE has verified that the core characteristics typical of entrepreneurs, such as specific strengths and talents in risk-taking, innovative behaviour and proactive attitudes, are also strategic factors in large organizations and the triggers for change

and development. The material from this study exhibits a number of examples of active CE. Some of the directors of the support agencies are strategic actors in cooperative activities, such as network construction, responsibility for the management of strategic projects and ‘watchmen’ for the fulfilment of agreed tasks in the networks. A couple of local politicians can also be classified as entrepreneurs with a proactive attitude and a pragmatic view of how to realize the agreed development prospects.

### **Conclusions and Policy Implications**

To use the concept of CE at a regional level and involve different organizations with various attitudes towards radical changes could offer regional organisations and other stakeholders a better understanding of the processes needed for organisational renewal. The study shows that the regional context and the regional awareness of ongoing structural changes in society influence the choice of strategy. The aim of the policies of Swedish regional government is to empower local initiatives in stimulating local entrepreneurial and innovative activities, in order to meet radical change and a globalized economy. The municipalities in the study show different preparedness as regards how to tackle these changes. The consequence of this is that governmental supportive structures and the means to stimulate entrepreneurship and innovation have to take different shapes depending on regional cultural inheritance and business structure.

We argue that the use of a CE approach at a regional level could serve as a model for the development of proactive strategies in times of radical change, as CE is a process of organisational renewal. It could help policymakers to make entrepreneurial activities happen in times of radical change when productive and supportive resources have to find ways to make new combinations. As corporate activity often demands radical change to internal organisational behaviour patterns, the regions’ desire for different models is obvious. Previous studies may, along with the results of this study, form a basis for looking at CE from a regional perspective; a perspective that will leave obsolete models behind in favour of the creation of new contemporary models that embrace a number of actors. It seems that in order to stimulate regions to take steps towards a more differentiated business structure, the public sector has to subsidize supportive organisations and active networking arenas.

A number of policy implications can be drawn from this study. Regions with a reactive, and sometimes even inactive, behaviour when con-

fronted with a radically new context can result in situations with 'wait-and-see' responses. Dependence on large organisations and on old, established structures can produce a passive attitude, and sometimes decrees are established so that no one 'rocks the boat.' Instead, an implicit culture recommends that they should wait for the government (and others) to decide on subsidies, compensation and suchlike. In these situations it is important to stimulate the production of proactive strategies that involve many partners from many categories in open networks, in order to create a dynamic environment.

Patterns in the material indicate a slow but powerful momentum in which old and rigid structures are slowly dissolving and being replaced by more dynamic sets of various business actors and different network constellations. An important issue for policy makers is investment in dynamic arenas where representatives from small and large companies, support agencies, venture capital companies, political groups, local authorities and universities can meet and cooperate.

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