

Charles University in Prague

Faculty of Science

Department of Social Geography and Regional Development



**ACTORS AND MECHANISMS OF REGIONAL
DEVELOPMENT
ON EXAMPLE OF THE ÚSTÍ REGION**

Dissertation thesis summary

Petr Hlaváček

Supervisor: Doc. RNDr. Jiří Blažek, PhD.

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Introduction and theoretical framework

Current research of regional development sees themes focused on the institutional context of regional development in the foreground [Rutten, Boekema 2007], regional mechanisms are evaluated, key categories and groups of actors for the long-term improvement of the competitiveness of the region are sought [Breschi, Malerba 2007].

The theory is that regional development operates with various actors concepts. Traditional neo-classic approaches stemming from the individualized concept of an actor in the market environment are often completed with institutional approaches that highlight the understanding of the actor as an entity interwoven by many specific market mechanisms and social structures - production chains, subcontractor relationships and further formal and informal boundaries that define market potential. From the institutional economy point of view, the actor is strongly interwoven through contractual relationships and market mechanisms with other entities (Mlčoch 2005) and organizes networking that optimizes its market position.

From the Czech economy development point of view, the institutional approach in the study of regional development can be regarded as topical because it specifies, among others, new insights into the issues of the social-economic development of the state, the regions and the operation of regional actors within national and international market mechanisms. Depending on the scope, the insight into the classification of the actors can be divided into narrower and wider. To a wider extent, the goal is determining an extensive spectrum of actors covering all elementary sectors [e.g. Rumpel 2002; Pestoff (in Rektořík 2004)], whereas the narrower extent concentrates more on a particular segment of entities specified in more detail compared to others (e.g. Smejkal 2008).

The mechanisms and actors of regional development are formed by rather complex societal systems at different order levels that are difficult to encompass in their wider extent at research. The decision to specify the research so that it encompasses the behaviour of specific actor types resulted in the paper focussing on a selected region, the Ústí Region in this case, which represents quite a specific territory of the Czech Republic with a wide range of structural, social, economic, and environmental issues.

The goal of the paper is an analysis of the actors and the mechanisms of regional development in the Ústí region, which is rather complex with respect to the complex

structure of the social-economic system as well as on a regional level. Therefore, the paper does not aspire to form a comprehensive output covering all mechanisms and actors of regional development in the region but to demonstrate on a sample of selected areas, entities and mechanisms how the actors and their structures can impact the intra-regional differences, develop mutual interactions and co-create conditions for social-economic development at local and regional level.

Hypotheses and structure of the dissertation

The following underlying hypotheses are defined for the thesis:

- There are divergence trends in the Ústí Region that reflect regional differences in the institutional structure and the quality as well as the internal asymmetry of the development level of the Ústí Region.
- The institutional density and regional differences in the structures of the entities are indicators of transformation success and the development potential of towns in the Ústí Region.
- Different actors feel that networking benefits differently depending on the sector citizenship and size.
- The actors with a similar position in the hierarchy of the social-economic system exhibit similar interaction properties in networking.

The thesis is divided into six chapters. Following an introduction to the problems, the definition of the goals and hypotheses, the second chapter assesses the actors and mechanisms from the view of the main approaches in regional development theories.

An important category of the actors for the Ústí Region includes foreign investors and their direct foreign investment accessing in the region.

The analysis of direct foreign investment and investors in the Ústí Region is included in the third chapter and focuses on investigating whether there are regional differences in the inflow of direct foreign investment in the Ústí Region at district level and whether divergence development processes, described for example by Hampl [2005], occur.

The fourth chapter concentrates on the labour market and a quality examination of the actors operating on it. The regional labour market was selected as a specific dimension of regional development with various mechanisms where actor networks from various

sectors are operating, e.g. companies, consulting and re-qualification organizations, non-profit making organizations, state institutions and local government institutions. The research goal of the chapter was to evaluate the importance of selected actors for increased flexibility of the regional labour market and their willingness to participate in the development of networking and these issues were evaluated in the form of a questionnaire-based examination of selected groups of local actors.

The fifth chapter deals with the evaluation and comparison of selected towns in the Ústí Region where regional differences can also be reflected in the different structures of local actors impacting on the development level of the towns. The chapter focuses on discovering if there is an association between town development and institutional density evaluated by monitoring the differences in the concentration of local actors in the social and economic sphere.

The benefits of each group of actors or specific entities for town development cannot really be exactly measured as stated by Kostelecký, Patočková [2006] in the research of the operation of regional government because the impacts of the activities of different actors in the town or regional development are often interwoven. Therefore, the chapter also attempts to measure the aggregate indicator of the institutional development level of the towns in the Ústí Region (the municipalities with extended competencies), monitoring selected categories of local actors from the economic and social sphere and amounts of funds from the state budget obtained by the actors from the towns. The aggregate indicators also monitor the concentration of actors and find the regional differences in their structures and the differences in the economies of territorial local government, especially in the field of investment.

The sixth chapter deals with the assessment of the mechanisms employed in the non-governmental non-profit making sector, which is formed differently from the profit-making sector, depending on the nature of the regional development actors involved. The research goal is the classification of the network of links developed by a specific entity from the non-profit making sector in the Ústí Region (from the geographical and institutional point of view) and the monitoring of their properties and structuring. The chapter also processes the differentiation of the financial resources used for social services in the district to review the development processes and changes to the spatial distribution of the financial resources.

3. Conclusion

Verification of the first and second hypotheses is associated with the research goals of chapters 3 and 5. Chapter 3 reviews the inflow of foreign investment and foreign investors in the Ústí Region. Regional divergence processes are obvious in the case of localization of foreign investors; there is a certain asymmetry in the deployment of foreign investors at the district level of the Ústí Region. The western part of the region contains branches with a higher headcount than average and lower investment per job compared to the eastern part of the region. A stronger impact of the transformation in the western part of the region and above-average growth in the unemployment rate probably resulted in a priority setting for the creation of new jobs at the expense of lower investment for the creation of new jobs in the industrial zones. This approach is the result of many factors in which the eastern part of the region falls behind the western part, e.g. in the quality of human resources, traffic accessibility, presence of universities. Therefore and to a certain extent, the intra-regional development differentiation in the distribution and structure of foreign investors is influenced by the previous social-economic development of the territory with subsequent region-based differentiated conditions for locating investments in the Ústí Region.

Chapter 5 reviews the development level of the towns in the Ústí Region as to whether there is an association between the development of the towns and the institutional density reviewed based on differences in the concentration of local actors from the social and economic sphere. The indicators from these areas were used to calculate the aggregate development indicator for the towns and local actors based on dividing the towns into three groups. Above-average aggregate values were determined for Litoměřice, Roudnice nad Labem and Ústí nad Labem. The group with an average aggregate indicator level includes Děčín, Chomutov, Kadaň, Louny, Lovosice, Most, Rumburk, Varnsdorf, Žatec, Teplice, and Podbořany and a lower than average aggregate index level was indicated for Litvínov and Bílina. These towns fall behind in many social-economic parameters and report a lower concentration of actors. It can therefore be said that for the towns in the Ústí Region, a higher density of local actors is related to the development level of the towns and produces an environment with better development assumptions.

The third hypothesis was verified in the form of a questionnaire-based investigation focused on analysing the actors in the regional labour market in the Ústí Region. The respondent entities were divided by their legal personality or headcount. According to the representatives of the respondent entities, the most important actor for operating in the labour market is the labour offices followed by territorial local governments, businesses, and then consultancy and education organizations. Associations of municipalities at Euro-region level and groups of municipalities have low importance according to the actors, which reflects their neglected potential in the development of towns and municipalities.

The interest of the entities in creating support networks is quite high although the hypothesis on significant differentiation in the interest between the actor groups is thereby confirmed. Organizations with up to 20 employees are most interested in cooperation and on the other hand, organizations with over 500 employees report substantially lower interest in their responses. From the citizenship sector point of view, networking is in the interest of non-profit making entities, which can be justified by their participation and non competitive concept within the environment in which they operate. Also, the financial mechanisms for supporting the non-profit making sector often condition the funding with the development of sector cooperation and partnership.

Interest in joining support networks also differs due to cooperation barriers. Generally, the barriers in the Ústí Region are seen as stronger (compared to the Czech Republic). The respondent entities in the Ústí Region suggest that an insufficiency of suitable partners is the most serious barrier to the networking development, which is more intensive compared to the respondent entities from the Czech Republic. Also, a higher level of the unwillingness of public administration organizations in the Ústí Region reported by the respondent entities co-contributes to worse institutional environmental quality and supports business development to a lesser extent.

The results of the investigation can be regarded as a symbol of an insufficiently developed framework of regional supporting institutions potentially complemented by the lower efficiency of current institutional mechanisms in the regional labour market. The evaluation of the respondents shows the apparent association between regional institutional density and the assumptions for regional development of the territory, thus the relevant actors increasing labour market flexibility in the case of the labour market. For

example Best [1990] refers to the necessity of the supporting institutions for the private and public sector as an important attribute for the success of the so-called Third Italy.

Another background for the analysis of the entities and mechanisms of regional development and verification of the fourth hypothesis was the analysis of the networks and interactions that also create regional development mechanisms for a specific reviewed entity - NGO from the Ústí Region. The system of interaction and networking between the actors was reviewed in a geographical, economic and institutional context. For the network analysis, the research stemmed from three metric levels (micro-region, region and nation) and from the classification of the networks between the actors by Cook [2002].

Certain hierarchical regularities depending on the spatial and institutional characteristics of other actors were observed in the networks created or entered by the actor. At micro-regional level, there is interaction with natural persons (members of the organization, clients, volunteers, employees) and the organizations create interaction primarily based on partnership and supplier relationships at regional level. The interactions at national level are represented by institutions from the field of public administration; the networks are usually formalized and generally, the relationships of the actors with the entities from higher scale levels are formalized to a greater extent. Formal and hard networks prevail in networking and establishing new interactions between actors in the field of interaction of an economic nature. Particularly soft and non-formalized contacts are the key to the development of non-financial interaction. Networking between actors is characterised by the horizontal nature of the associations and the equipollent position of the actors. Verticality in the networks (or superiority and inferiority) is especially apparent at the level of formal interaction of a contractual nature, where a non-profit making organization is contacted, especially by public administration institutions, to provide a contractually defined network of services in the local environment.

Based on learning from the research in each chapter, an opinion can be formed that the development of the local actors and mechanisms in the Ústí Region is not primarily determined by the size of the municipalities involved but by the concentration of actors and their structures.

The interpretation of the results in the context of the hypotheses show certain associations with the theories of regional development of the institutional period

(particularly the theory of learning regions) used as a theoretical background to the thesis. The research of the networking between the actors on the labour markets shows increased demand by the regional actors for other institutions and cooperating entities in the Ústí Region as the region with structural issues compared to the actors from the Czech Republic. For developing quality processes that integrate local and extra-regional actors in regional development, the existence of intermediating and supporting institutions is required [Glaser, Yeager, Parker 2006], to which the theory of producing districts [Best 1990; Asheim 1996] points toward, in addition to the theory of learning regions [Rutten, Boekema 2007; Simmie 1997]. According to the other concept of institutional density [Amin, Thrift 1995], above-average concentration of actors from the profit sectors in the towns of the eastern part of the region (Ústí nad Labem, Litoměřice, Roudnice nad Labem, Teplice) results in an intensified level of contacts, development opportunities, strengthening of development assumptions. An analysis of the location of foreign investors at the district level of the region refers to the path dependence concept where foreign investors with a lower investment complexity of newly created jobs enter the districts with higher structural issues (Most, Chomutov). From the investment complexity point of view, the west-east gradient of the districts of the Ústí Region can be assumed, where - due to previous social-economic development and deeper structural and social issues of the western part (particularly the above-average unemployment level during the transformation period) – the creation of new jobs with a lower emphasis on quality became the priority.

On the other hand, in the case of the Ústí Region, we can refer to the temporary lock-in of its social-economic development because many traditional companies in the region vanished or substantially reduced the number of jobs. These companies had a poor competitive position in the region, suffered from long-term payment insolvency and therefore it was a key role for the region to win as much as possible new (particularly foreign) development impulses (investors) with a competitive edge, with new innovations, market and development opportunities for local actors as well.

The institutional theories of regional development emphasise the importance of inter-regional links for the learning process of local actors [Boekema, Morgan, Bakkers, Rutten 2000] and therefore, further strengthening of inter-sector relations and more effective use of public support to initiate development processes during the development

of knowledge and an open economy will be important for the regional structures of the actors.

In the long-term, it will be necessary to place the emphasis on monitoring the quality characteristics of the regional development processes. For example, an inflow of foreign investment can be regarded as a relevant indicator of regional competitiveness if investments are monitored and subsidized from public support by their quality characteristics, because in this way they will contribute more to the long-term growth of the regional economy and competitiveness.

Based on learning from the research within the chapters the opinion can be formed that the development of local actors and mechanisms in the Ústí Region is not primarily determined by the size of municipalities but the concentration of actors and their structures.

Finally, it can be said that growth in the density of relevant actors can be regarded as an indicator of transformation and post-transformation success of the regions of the Czech Republic, which changes the institutional environment and regional actor network accessed by foreign investors as well, who establish connections between the Czech economy and the European and global market environment. The benefits of restructuring the institutional environment and economy are reflected in the higher agglomeration and location savings in the region, the more effective transfer of codified and especially non-codified knowledge with a positive impact on the flexibility of actors and the development dynamics of the regional environment.

The geographical position of the towns in the Ústí Region and their links to regional, national and international settlement centres are also important. Development of intra-regional interactions in a wider spatial context has recently reinforced regional competitiveness - to the German environment as the main foreign customer of domestic production and the Prague metropolitan area with many companies and centres with branches already concentrated in the Ústí Region. New regional development tendencies should be based on actor networks that integrate local environments into a complex network of inter-sector interactions in the Ústí Region and at international level have a strategically important link to the Central Bohemia area which at national level will serve for local entities in the future, as well as links to the developed markets of the European Union in relation to international integration processes.

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