Business-led mobilisation in rural areas

A simple case of Swedish exceptionalism, or a new model in the making?

Bo Svensson

The Swedish government introduced a new element into industrial policy in a bill on regional policy at the beginning of 1998. Swedish regions were invited to design and negotiate regional growth agreements (RGAs) with the Ministry of Industry, Employment and Communications (hereafter the Ministry of Industry). By the beginning of 2000, the 21 political-administrative regions had turned their RGAs in to the central government. This paper deals with the RGA initiative from a rural development perspective. There are several good reasons for so doing. First, even though the RGA process has dominated economic development activity in the regions over the last few years, rural development issues were clearly peripheral to the initiative. Secondly, there is reason to speculate as to whether the partnership-based processes allow sufficient scope for rural areas and their representation to be brought into the process. Thirdly, the strong emphasis on business involvement in the process may prove problematic for rural areas, where the number of enterprises is bound to be fewer and the enterprises themselves smaller than in other settings.

The first section of this paper presents the key ingredients of the central government RGA initiative. It also outlines a simple analytical framework for the analysis of the initiative from a rural development perspective, partly based on a rather tentative discussion on what one could expect about the treatment of rural issues in a growth-oriented regional strategy. In the third section, some of the findings on partnership formation in the context of the RGAs are presented, based partly on research and partly on existing evaluations of the RGA process. The fourth section presents two cases where business interests have taken a strong role as regards rural development activities, eventually making their voices heard in the RGA process. The cases dealt with here are those of the GGVV region in the county of Jönköping, and Bispgården in the county of Jämtland. The concluding section discusses the strengths and weaknesses of business-led development activity. It further elaborates upon some key characte-

---

1 An earlier version of this article was prepared for the Rural Transfer Network project within the framework of the Article 10 Northern Periphery Programme (see further: [http://www.abdn.ac.uk/arkleton/npp](http://www.abdn.ac.uk/arkleton/npp)).

2 The RGA process is a continuous regional development process, which will, during 2002, enter a new phase under a slightly different name, i.e. regional development programmes.

3 The abbreviation GGVV gathers together the municipalities of Gislaved, Gnosjö, Vaggeryd and Värnamo.
istics of the model and speculates on the question of, under what circumstances business-led development may emerge.

**Analysing the public-private dynamics of the RGA initiative in rural areas**

Scholars dealing with regional development activity often emphasise the importance of close and substantial public-private relations as a vital component in releasing the dynamics of regionalisation. A certain mobilisation is often envisaged as part of the package, where improvement of the region’s economic performance and competitiveness bring together political and economic interests into territorially based alliances (cf. Coleman & Jacek, 1989; Keating & Jones, 1985; Leonardi, 1993; Rhodes, M., 1995; Keating & Loughlin, 1997; Keating, 1998). Within this field of research, the prospects for mobilisation are often conceived of as being linked to the political and economic characteristics of the region, suggesting that politically strong and economically prosperous regions would have more to gain from mobilisation than regions that score poorly in this respect. According to this view, a vulnerable socio-economic base limits a region’s political options, which is why public actors in lagging regions tend to formulate defensive rather than offensive strategies. Moreover, private organisations in such regions may be slower to realise what the “business” of regional mobilisation entails, further explaining why it seldom takes place in such areas (Keating, 1988:11-12; Harvie, 1994: 5; Jones, 1995:291). If this rather deterministic and static view is taken all the way, it would always be possible to predict whether or not regional mobilisation will occur in a certain area, and whether it would bring advantages or not.

The same line of reasoning may be applied at the local level, i.e. the dynamics of public-private collaboration are more obvious in politically and economically strong communities. According to this logic, public-private dynamics are not only less likely to come about in rural areas; they are also less likely to bring advantages in such areas. This paper questions this notion and discusses under what circumstances it may prove to be erroneous. The view adopted here is thus that the scope and potential of public-private resource mobilisation may be just as great in settings where resources are limited, and that mobilisation may make an ever bigger difference in such areas. The logic here is simple. If resources are scarce, the need for mobilisation and for the pooling of resources increases.

Such a view finds some support in the rural development research, where the emergence of partnerships in rural areas has been noticed in many countries for some time now. It is also clear that the voluntary sector usually stands out as an important factor in this context. In a recent study of rural partnerships, one obvious conclusion was that partnerships emerge in an initiative vacuum (cf.
In the cases to be presented here, however, business interests rather than the voluntary sector have decided to “take matters into their own hands” so to say. As will be shown below, local business actors did not seem to have confidence in the traditional actors involved in rural development activity and decided not only to participate but also to take on a leading role for themselves. In other words, they became committed to putting resources into broader development tasks, but as a *quid pro quo* they wanted to remain in control of the process. As will also be shown, these particular instances became examples of how the local mobilisation of scarce resources increases the chance of extracting external resources for rural development activity. The ambition here is not, however, to investigate whether resource mobilisation in rural areas actually makes a difference to economic development, which is a far more complicated matter.

What then are the key characteristics of the RGA initiative and why is it reasonable to suspect that rural areas may find it problematic to make their voice heard in the processing of programmes? First of all, the task of co-ordinating the RGA processes was given to the county administrative boards (*länsstyrelser*) and their equivalents in four regions experimenting with new forms of government. Although introduced by central government, the RGAs should be based on the priorities and measures developed by broad partnerships in the regions, and formulated into coherent regional programmes. Programme contents should thereafter be evaluated by, and “negotiated” with central government before realisation (cf. Svensson & Östhol, 2001). The regions approached the programming process in different ways, while also interpreting the partnership idea differently, even if the central directives applied to all (cf. Östhol & Svensson, 2002b). One particular and potentially innovative feature of the initiative was the strong emphasis put on the involvement of private business in order to make sure that the needs of business were at the core of agreements. As such, the Ministry of Industry noted,

> the participation of the private business community is considered to be a prerequisite for the success of the programmes. Regional public actors are encouraged to enter into discussions with representatives of local and regional business communities to ensure that their views and needs are integrated into the action programmes.”

---

4 During the studied period, models for increased regional self-governance were tried out in four Swedish regions (Scania, Kalmar, Gotland and Gothenburg). Since then the Kalmar model, based on extended municipal co-operation, has gained strong government support and will take over regional development responsibilities from the regional state body (County Administrative Boards) in 7 of Sweden’s 21 regions. Experiments continue in Scania and Gothenburg.

5 Ministry of Industry – *Regional industrial policy and agreements for the promotion of regional growth*. 

207
The strong emphasis on business interest involvement through partnerships seems to imply a will on part of the central government to better match the public and the private sphere in the regions. Bringing business interests into closer contact with public administration and political representation is apparently believed to be fundamental for pooling resources earmarked for regional economic and industrial development, in this case the promotion of centrally defined policy goals.

No additional financial resources were provided for the purpose, rather the intention was to improve and better co-ordinate the use of already existing resources within industrial, regional and labour market policy. Through RGAs, the government wants to achieve greater integration between policy areas and to adopt a regional outlook on the utilisation of those means that regions already benefit from through sector-specific public support.

A certain regionalisation of industrial policy, pre-dating the RGA initiative, was previously discernible though it was not nearly as explicit as it is now. Neither has the emphasis on broad partnerships as the basis for the regionalisation of industrial policy, and the wish for “bottom-up” mobilisation, been as explicit as it now is from the central level of government. These features, however, do not guarantee that rural development issues or rural interests will have a significant position in regional growth strategies. Indeed, there are features of the RGA initiative that can be interpreted as indicating the opposite. These are:

- **Organisation/leadership**: Responsibility for running RGA processes was (except for a few cases) given to county administrative boards, i.e. the regional level of the state. To local level representatives, in municipalities, village action groups or even SMEs in the periphery, that means control and power is still far away.

- **Growth focus**: The strong emphasis on economic growth indicates a narrowing down of broader understandings of regional development in favour of more strictly business-related matters. Given the mainstream ideas (and fashion) of economic growth thinking, with its focus on industrial clusters and innovative systems, rural areas seem less likely to be at the core of such strategies.

- **Business participation**: Strong business involvement was more or less considered a prerequisite for success, as mentioned above. Business Interest Associations (BIAs) as well as larger firms can be expected to be concentrated in regional centres, further underlining the risk of rather centralised regional strategies.

- One might quite correctly argue that the RGA initiative is not about rural development and that future economic growth is unlikely to be found primarily in rural areas, but rather must be assumed to take place in urban areas. Nevertheless, all rural areas are not doomed to be
hopelessly backward in economic development terms. It is therefore sufficient reason to wonder to what extent the RGA processes in Swedish regions take rural development issues into consideration, create opportunities for actors from rural areas, and leave room in the programmes for rural initiatives.

Rural issues in the RGAs – an overview

All 21 political-administrative regions of Sweden took on the challenge of developing regional growth agreements (RGAs), as offered by the central government. Not surprisingly, they interpreted the task differently and adopted different strategies in their processing of RGAs. Before turning more explicitly to rural aspects of the process, a general characterisation of RGA programming serves to illustrate what such work has entailed.6

Thus far, perhaps the most apparent positive result of the RGA initiative seems to have been the co-operation processes it created in the regions. The focus on growth, issue linkages and sector co-ordination stimulated regional mobilization on an unprecedented scale. That is not to say that the RGA processes were smooth and conflict-free, but in most cases they were perceived to be something new in the context of regional development work. In general, co-operation among public bodies improved, as did their awareness of business needs. Respondents often described work as a learning process under way, which is in line with the intentions and rhetoric of the central government initiative.

Even though the process and its dynamic seems new, doubts have been expressed as to whether it leads to very much in terms of new measures, actions, and thus eventually to economic growth. As noted earlier, no new financial resources were earmarked for the system, while the emphasis on economic growth in combination with greater flexibility in the usage of existing resources alone was expected to support innovation in the system. As processing has moved into financing negotiations, the confusion over resources has been obvious and has also created a sense of disappointment in many, despite the fact that no promises on new money were ever made. The most likely explanation for this is that existing resources were not as flexible as was initially presumed at the outset, leaving little room for re-orientations in the usage of already committed financial resources. Moreover, given the impact of a number of other aspects of the partnership-based process, priorities were hard to arrive at due to the need for the inclusion of “many voices”, while a number of accountability aspects remained notoriously unclear throughout.

6 The findings initially presented in this section are drawn from an evaluation of the RGA negotiation process in seven regions and at the national level (cf. Regionala tillväxtavtal. Utvärdering av förhandlingsprocessen i sju län och på central nivå).
It was obvious that business involvement varied greatly between regions, but that it often remained low (cf. Svensson, 2001). In general there was significant reluctance among the traditionally dominant actors within the field of regional development to let go of the initiative and resources to new participants in the process, or new actor constellations, even in regions where new actors were generally invited into the process. The ambition of putting in place comprehensive programmes, which most regions stuck to, meant that the attempt to force programmes together left numerous unanswered questions about the arrangements for implementation and even financing of actions. A programming process where politicians and public officials set the overriding aims and strategy, leaving the later phases of the process to other actors should thus, initially at least, be seen more as an objective than as a realisable goal.

When turning to the treatment of rural development issues in the RGAs the picture simply confirms our initial fears. However, the picture is not completely black. According to a study from the Popular Movements Council, almost a third of the regions can be seen to have thought about the rural perspective. The study does, however, adopt a rather narrow perspective on the matter since it recognises regions that merely mention local or rural development, or the social economy, as priorities. If projects are derived from local or rural partnerships made up of, for example, local businesses in a rural area, this is not registered as being part of the rural perspective. Obviously, the detection of rural concerns in the RGA programmes requires a rather careful reading of the documents and probably also interview studies in the regions as well.

Two successful examples of business-led rural mobilisation

Thus far the impression gained is that rural development issues have indeed made it onto the agenda of some regions, although their treatment is usually somewhat superficial. It seems however that the agents of rural development have had a hard time making their voices heard in the process even where they have been participants in the partnership arrangements and where they have been informed about the RGA process all along. Exceptions do however exist and this section brings out two of them. They are taken from different regions and also stand out as different in terms of the preconditions for economic growth, but they do also share a number of similarities in particular when it comes to private sector involvement.

---

7 According to a study from the Popular Movements Council, these are Södermanland, Gotland, Kalmar, and Örebro, Halland, Jämtland and Västernorrland (Landsbygdsutveckling – Lokal utveckling – Social ekonomi Lokala utvecklingsgruppers delaktighet i tillväxtavtalen).
The GGVV area

The GGVV area is made up of four municipalities (Gislaved, Gnosjö, Vaggeryd and Värnamo) in the county of Jönköping. In the GGVV area there is a strong cluster of small and medium sized enterprises (SMEs), which has long been considered very successful, despite its rural location. Gnosjö in particular has attracted the attention of both policy makers and researchers for more than a decade, being it is argued, a unique case of growth and expansion in rural Sweden. Nevertheless, it became obvious towards the end of the 1990s that continued growth was threatened, not least by the developing labour shortage.

In 1997, businesses in Gnosjö and Gislaved voiced their discontent with the lack of engagement on behalf of the municipalities in business development matters and decided to take on a more active role themselves. A local partnership based solely on business interests was mobilised and started developing a local development action plan. After a while, the partnership was criticised for being “too action-oriented” and for leaving the political sphere behind. As a consequence, the municipalities became engaged in the process. Work is, however, still business-led and is co-ordinated by the IUC (Industrial Development Centre) in Gnosjö. The action plan is made up of four task areas: Education, business development and renewal, infrastructure and communications, and the region as an attractive living area. All together there are eight projects with a wide set of tasks. Over time it has become obvious that the problems relating to the attractiveness of the area are crucial to future developments – people do not move in although the labour market is stronger than in most areas outside the major cities. This reality explains the broad approach outlined, where one might expect a somewhat narrower and more business-focused approach.

When the RGA initiative was launched from the central level with responsibility being given to the regional level (County Administrative Board), it was immediately seen as something rather disturbing for the GGVV area. The obvious position of the GGVV area was that their local growth agreement was already in place and ready to be implemented. Moreover, it was suggested that it was not possible for public administrative bodies to “induce” development if a strong connection to existing business structures did not exist. The message was sent both to the central government and to the regional level, winning acceptance at the latter level quite early in the process. However, half way through the process, national evaluators questioned the territorial fragmentation it lead to which resulted in a reduction of the sub-regional content of the RGA document. As a consequence, a case of business-dominated sub-regional mobilisation and development activity was kept at bay in the RGA process, which caused a signi-

---

8 Interview with representatives of the Municipal Executive Board and the Industrial Development Centre in Gnosjö.
ficant amount of frustration in the local partnership. Accusations of both centralisation and bureaucratisation were directed at the County Administrative Board for their way of handling the process, not only from the GGVV area but also from other parts of the county.

This brings us to some of the characteristics of the RGA process in Jönköping. It is now clear that work never amounted to a comprehensive programme, which was one of the central ideas behind the original central government initiative. Instead feasible and prioritised projects were collected and placed in the document if their proponents considered it an advantage. Limited public financing for development activity of this kind is a probable explanation and meant that each potential financial supporter only took a decision on concrete projects, and not on broader initiatives housing a number of unspecified projects. It seems then that the scarcity of public funding in the region ruled out programming in a real sense. During the process of the RGA work, business involvement was handled primarily through a few business associations with a more passive role for business actors more broadly defined. If we look into the realm of public-private linkages in the context of RGA processing, it is obvious that the Chamber of Commerce (CoC) has been the dominant private actor at the regional level. The CoC has a long tradition of close cooperation with the County Administrative Board and was naturally invited to take an active part in the process. These two actors made up a secretariat that constituted the core of RGA, carrying out much of the work during the early stages of the process, while CoC participation was even partly funded by the County Administrative Board. Throughout the process significant criticism of this organisational solution could be heard from both public and private interests because of its tendency to exclude other important actors from the inner circles of development activity design. As RGA work has moved into its implementation stages however, new working committees have been established at the regional level, some of them dominated by private actors.

Important to acknowledge here is the fact that despite the complications and conflicts of the RGA process, or perhaps thanks to these, the GGVV area eventually got three out of their eight projects accepted in the final RGA document.

The Bispgården project

Bispgården is located in northern Sweden, more specifically in Fors congregation, in the municipality of Ragunda, which is in the county of Jämtland. It has a decreasing population of 1,600 inhabitants and suffers from declining public and commercial services, and infrastructure. In this small place, there is a relatively strong tradition of small scale manufacturing industry. In 2000 the eight largest manufacturing industries employed 363 people. Nevertheless, skilled

---

9 This opinion is more or less clearly expressed by all respondents in the interviews.
labour is a resource in short supply, a problem that commuters from surrounding municipalities cannot solve. The situation is described by the local partnership as unique, given that it is in rural Sweden. The basic idea behind the project was that if there are sound and healthy industries in the area there is a foundation on which the community’s development in a more general sense can be built. In other words, the preconditions for a positive change were considered to be better than in many parts of rural Sweden were healthy industries may be lacking.10

When the RGA initiative was taken, businesses in Bispgården had already begun to take greater interest in community development. The initiative was co-ordinated through the local business association (LBA), which urged the municipality to take greater responsibility for improved public services, infrastructure and labour supply. The LBA had recognised that something would have to be done, but also that the municipal finances were not strong enough to handle the situation and thus they suggested the mobilisation of both public and private resources in order to improve community attractiveness and business development. Since 1997 Bispgården has managed to gain a footing in the regional development programmes of Jämtland as co-ordinated through the County Administrative Board. Apart from the RGA of Jämtland, in which Bispgården is present with a local growth agreement, further financing has already been attained from the Territorial Employment Pact (Sysselsättningspakt) of Jämtland11 while an application to the new Objective 1 programme of the EU Structural Funds was being completed at this time of writing. The current and future activities of the local partnership are gathered together under the label Tillväxtregion Bispgården (Growth region Bispgården).12

What is striking in the documentation of activities is the broad approach taken. Themes with immediate business relevance include the development of new enterprises, marketing, and tourism. Apart from these, however, culture, public services, living conditions, education (at all levels), youth and gender issues are on the agenda, and all with their own activity groups. Clearly, the drive for future growth entails the consideration of a large number of factors in the local environment. Given the original problem identified, i.e. the problem of shortages in the skilled labour supply, this seems only logical. At the same time, however, one might wonder if the all-encompassing approach will lead to the thinning out of resources within each of the priorities.

---

10 Sources in this section: Bispgården på frammarsch and Tillväxtregion Bispgården. Also phone conversations with representatives of Ragunda municipality and the Fors Business Association.

11 The establishment of Territorial Employment Pacts is a European Commission initiative designed to encourage the production of more efficient and better co-ordinated initiatives at promoting employment in regions and local communities, and within the framework of the Structural Funds. There are 89 such pacts in Europe.

12 For a more detailed analysis of development work in Bispgården, see further von Bergmann-Winberg & Skoglund, 2001.
The municipality now participates in and supports the project with administrative capacity, but still takes a rather passive role. Work has been, and still is, driven by business actors. In general, the response from public bodies outside the community has been very positive. Supporters include the regional bodies such as the county administrative board (responsible for regional strategic planning), the county council and the county labour board (LAN). Other organisations with an active involvement include the Swedish National Board for Industrial and Technical Development (NUTEK), the regional university college (Mitthögskolan) and the Swedish Employer’s Association (SAF), all of which take part in developing the project. From the perspective of the LBA, the significant level of interest shown in the project from these bodies can be explained by the fact that development work was a business initiative and that it remains business-led even though the partnership at the board level is a more mixed constellation of actors. The LBA is also careful to point out that “Growth region Bispgården” is not an example of “the village” movement or politics, but should be seen as a concern for a larger area, including the surrounding municipalities, because of the number of people commuting to work in the area.

Conclusions – towards a model of business-led mobilisation for rural growth?

This paper has taken a rural development perspective on the Swedish government’s Regional Growth Agreement (RGA) initiative. The initiative entails a certain regionalisation of industrial policy, where the main idea was to achieve better co-ordination between different sector politics on the basis of suggestions processed by regional partnerships. In general, the suspicion that rural areas might face difficulty in making their voices heard in the process seemed justifiable. Indeed, in most regions, rural development issues did not really make it onto the agenda. Three factors militated against the inclusion of rural issues in the RGA initiative, namely, the organisation of work, the strong focus on economic growth rather than development in a broader sense, and the keen emphasis on business involvement in the processing of programmes. The limited acknowledgement of rural issues in the regional programmes thus seems to confirm these fears. There are however exceptions to the rule, with two such cases being dealt with in this paper. Whether it is more likely that these are simply unique exceptions that prove the rule, or a new model in the making will be discussed in brief below.

Both cases investigated in this paper, namely, GGVV and Bispgården, are models of rural development where business actors have taken a leading role in local rural mobilisation. They have done so even though their own businesses were successful, as such, actor motivations were based primarily on concern for
future growth possibilities. Problems with the supply of skilled labour and a concern with the attractiveness of the community as a living space have triggered activities in both cases. There was also dissatisfaction with public bodies, most notably the respective municipalities, and their method of handling such issues. Though the local municipalities were hesitant to begin with they eventually upgraded their engagement levels to create better public-private dialogue over time. Despite the fact that much of the activities are financed by public sources, among them the EU, private actors still play a leading role with public bodies taking more of a supporting role.

Although mobilisation was already under way in both regions before the RGA initiative was launched, it seems that both projects were able to draw significant advantage from the outspoken intention of central government to bring business into the process. It seems, particularly in the Bispgården case, that the leading role taken by business actors in the community is a viable explanation for the interest devoted to the case by public authorities both at the national and regional levels. GGVV is somewhat different since the area had already attracted a lot of attention because of its prosperous industries. In this case, first and foremost the region’s municipalities have increased their attention on the local development activities of private actors and have realised the urgency of taking measures to secure future growth. In both cases, the concern shown by private actors for local development in a broader sense has served as an “alarm call” for local politicians and public servants, which may prove important in the long run. Private sector engagement in development issues has definitely increased the urgency of improving the conditions for rural growth.

Both cases also show how discontent primarily with local governments and their treatment of local development issues of crucial importance to the survival of business triggered private actor engagement. It seems obvious that public activities did not satisfy business interests in the regions and necessitated their initiatives. While research on rural mobilisation usually pays attention to, and registers the important role of voluntary organisations, in filling the initiative vacuum, business took responsibility in the two cases presented here. When in motion, however, public bodies played important roles as supporting actors, though traditional planning processes were not to the fore in this rural development perspective. The limited involvement of voluntary organisation should be understood as an expression of their marginalisation in issues relating to economic growth, where leading actors in the partnerships did not consider them key actors in this context.

When it comes to legitimacy, it seems the legitimacy of rural development process rests both on public and private sector, engagement. Our cases clearly show that the business-led character of the processes gave them a special status, also among public financing bodies. On the other hand, it also seems likely that
societal distrust would be quickly manifest if not for the participation of public bodies, most notably the municipalities with their popular mandate.

Is it then fair to say that private sector engagement can now be forwarded as a solution to rural development problems in a more general sense? Before arriving at such a conclusion, which certainly is tempting, some of the particular circumstances of the two cases in question require attention. It should be remembered that both are cases where enterprises were relatively successful in terms of rural Sweden. Enterprises also identified severe threats to future prosperity and decided to become involved in problem solving beyond the immediate mending of their own businesses. These circumstances may be hard to find in many rural areas that limit the scope of the model. Nevertheless, business-led mobilisation for rural growth appears to be a model that is efficient in drawing attention to development activity in rural areas. Whether it is also an efficient way of turning negative developments into positive ones is however a completely different matter on which repeated observations on the two cases used in this paper might give only a hint. However, since successful businesses can be seen as a prerequisite for positive economic development in any area, the active participation of business actors in the broader development process may increase the chances of arriving at purposeful development strategies from an economic growth perspective. It is also usually understood that private enterprises are more conscious of the importance of management issues than public bodies, and this is why their active involvement in development projects may prove to be pivotal in their successful implementation. In addition the very general observation that the involvement of key actors is always an advantage at least indicates that these cases have overcome one important obstacle in the development process.

References
