

CONTACT NETWORKS AND REGIONAL MILIEUX IN RURAL AREAS

Contribution to the Concept of the Regional Milieu and Empirical Experiences
from Baden-Württemberg/Germany

With 5 figures and 2 tables

BARBARA LENZ and KLAUS KULINAT

Zusammenfassung: Kontaktnetze und regionale Milieus in ländlichen Gebieten. Ein Beitrag zum Konzept des „regionalen Milieus“ und empirische Erfahrungen aus Baden-Württemberg/Deutschland

Das „Milieumodell“ ist Teil einer Serie kürzlich formulierter theoretischer Modelle, die darauf abzielen, die Bedeutung regionaler Beziehungen im Prozeß wirtschaftlicher Entwicklung zu verstehen, um einen Ansatz für die Diskussion der Regionalpolitik bereitzustellen. Wechselwirkungen zwischen Firmen, Institutionen und der privaten Sphäre lassen ein positives Milieu entstehen, in dem wirtschaftliche Entwicklung begonnen und erhalten werden kann, vor allem durch Synergieeffekte und innovative Tätigkeit. In der theoretischen Diskussion ist den Kontaktfeldern außerhalb der direkt aufs Geschäftswesen bezogenen Sphäre noch verhältnismäßig wenig Aufmerksamkeit gewidmet worden, und es gibt nur wenige empirische Studien, die hinsichtlich Akteuren und Kontaktfeldern unterscheiden.

Deshalb wird hier die theoretische Diskussion auf den Bereich der Kontakte und Netzwerke von Akteuren ausgedehnt. Dies erscheint bei einem auf den Akteur konzentrierten Modell, das anfangs nichts mit regionalen Beziehungen zu tun hatte, sowohl vernünftig als auch notwendig.

Die nahezu einzige Aufgabe der Netzwerkbeziehungen außerhalb der direkten Firmenkontakte ist, die Information und Kommunikation zwischen Akteuren verschiedener Gruppen zu vermitteln; dadurch können zusätzliche Synergieeffekte geschaffen werden, die ausgeblieben wären, wenn die Akteure ihre Interaktionen auf ihre eigene Gruppe beschränkt hätten. Es kann daher angenommen werden, daß ein zusätzliches Potential auftaucht, das auf Kontaktmöglichkeiten dank persönlicher Bekanntschaft beruht, und von besonderem Interesse für die Entwicklung ländlicher Räume sein könnte.

Den empirischen Ergebnissen liegt eine Untersuchung von 454 Firmen in sechs ländlichen Gebieten Baden-Württembergs zu Grunde; sie konzentrieren sich auf das Problem der Synergieeffekte zwischen Wirtschafts- und Privatsphäre. Es werden beträchtliche Abweichungen der Kontaktqualität und -intensität bei verschiedenen Kontaktfeldern aufgezeigt. Andererseits war es nicht möglich, eine Typologie herauszuarbeiten, die das Modell des regionalen Milieus bestätigen könnte. Nichtsdestoweniger wäre es sicher falsch, daraus zu schließen, daß die aufgetauchten Zweifel am Milieumodell bedeuten, es habe keinen Sinn, sich politisch oder institutionell um die Schaffung von Verbindungen regionaler geschäftlicher Aktivitäten zu bemühen. Die empirischen Ergebnisse haben deutlich gezeigt, daß die Firmen selbst dies als notwendig empfinden.

Summary: The milieu model is one of a series of recent theoretical models aimed at understanding the importance of regional relationships in the process of economic development so as to provide a starting point for regional policy discussion. Interaction between firms, institutions and the private sphere results in the emergence of a positive milieu in which economic development can be started and sustained, above all through synergy effects and innovative activity. Within the theoretical discussion the contact fields outside the directly business-related spheres have still received comparatively little attention and few empirical studies exist which differentiate with respect to actors and contact fields.

Therefore the theoretical discussion will be extended here to the area of the actors' contacts and networks. This seems to be both sensible and necessary in an extremely actorcentred model which initially had nothing to do with regional relations.

In fact almost the only task of the network relationships outside the firms-to-firms contact field is to channel information and communication between actors in the different groups; but thereby additional synergy effects can be created which could not have come about if the actors had confined their interactions to their own social groups. So it can be assumed that an extra potential emerges consisting of contact possibilities based on personal acquaintance, which might be of special interest for economic development in rural areas.

The empirical results are based on a survey of 454 firms in six rural areas of Baden-Württemberg/Germany and focus on the problem of synergy effects in particular between the economic and private sphere. Considerable variances of contact quality and contact intensity within the different contact fields can be demonstrated. On the other hand, it was not possible to work out any typology which could confirm the model of the regional milieu. Nevertheless it would be certainly wrong to conclude that raising doubts about the milieu model implies that there is no point in making political and institutional efforts to establish linkages among regional business activities. The empirical results have clearly shown that the firms themselves see these as necessary.

1 Introduction

The *milieu model* is one of a series of recent theoretical models aimed at understanding the importance of regional relationships in the process of economic development so as to provide a starting point for regional policy discussion. Relationship between firms within a region, which relate directly to their business activities, clearly play a fundamental role here. However, contacts between firms and institutions are also important as are those private contacts which help to integrate firms into their regional environment. According to the latest studies using the milieu model, interaction between firms, institutions and the private sphere results in the emergence of a positive "milieu" in which economic development can be started and sustained. This is brought about mainly through synergy effects and innovative activity. The importance of network relationships between firms and between firms and institutions directly related to the firms' business activities have been described many times. By contrast, network relationships in other contexts have received comparatively little attention. The content and functions of the social, political, and private sectors of the firms' overall environment are, in several respects, still not clear because there has been little theoretical discussion and few empirical studies which differentiate with respect to actors and contact fields. This is the reason why we want to extend the theoretical discussion to the area of the actors' contacts and networks.

2 The milieu model and its theoretical background

The milieu issue, which continues to be a topic for discussion in scientific circles, is part of a more general discussion in which the idea of *industrial districts* and elements of *endogenous regional development*, especially *networks*, also play a role. The network concept primarily implies a rejection of hierarchically or geographically based connections between firms. In networks these are replaced by a form of organization in which the component firms see economic success flowing as the product of an environment based on the principle of reciprocity rather than as the result of exchange relationships based on the equivalence principle associated with the market. This means that instead of equal value (goods or services in exchange for money) having to be generated in every single transaction, it emerges within a context of long-term exchange relationships based on trust (GRABHER 1993).

Other advantages that have been associated with networks relate to the realization of common principles instead of the individual cost-effective use of one or more factors of production (FRITSCH 1992), to the increase in joint efficiency and joint competence, to the opportunity they provide for strategic action by small- and medium-sized firms (SENGENBERGER a. PYKE 1992), and to their contribution to the reduction of uncertainty in firms' planning and operations.

The question of the importance of regional proximity is still a controversial issue in this discussion. Some authors consider the proximity of firms, individuals and institutions to be very important for the efficient functioning of the network and argue that the exchange of information, and thus co-operation between the firms, can only take place when the network's members are located close to one another (SENGENBERGER a. PYKE 1992). Others are critical of the assumption that there is a simple direct relationship between proximity and networks. They argue that the local context is only one of several possible contexts in which networks can operate effectively (STRAMBACH 1993). However, both sides recognize that the questions of how, and in what setting, a network is established is an important one.

Because of the view that networks must not necessarily be connected spatially, the main advocates of the milieu model, which can be traced back to KEYNES (1936), were at first cautious about commenting on the question of the spatial aspects of networks. In the standard papers of the GREMI group on this topic too, network relationships are seen as relationships between firms, or between firms and organizations, which are established without regard to proximity considerations, and whose function is derived solely from the entrepreneurial-operational context. This particular character is primarily an expression of the orientation of the main aim of the network relationships towards the innovative activities of the firms, where, as seems plausible, the components are by far the most important cohesive elements within the network. MARTINA FROMHOLD-EISEBITH is mainly responsible for the placing of more emphasis on the spatial aspect of the milieu and thus on greater attention being given to it on the geographical side. She suspects that the members of GREMI have undervalued the regional components (FROMHOLD-EISEBITH 1995), but nevertheless recognizes that a milieu is an open system. At the macro-level of the region the milieu is thus defined as a sphere of joint perception, joint behaviour, and joint know-how, that is, as a sphere which is characterized at the organizational level by linked activities and learning in exchange

relationships, between organizations. On the other hand, FROMHOLD-EISEBITH stresses that the various informal social relationships, that is mainly personal relationships can essentially only be maintained within a geographically limited setting. In fact, this appears the more obvious because the nature of these personal relationships is "to large extent of a loose and not binding kind" and relationships therefore exist which can be activated even though they are not in continuous use.

A particular problem arises here, as it does in both the industrial district and the network models. It is that the separation between private and public/firm activities is still too strong, although in her discussion of the milieu model, FROMHOLD-EISEBITH does clearly consider the connection between the business and the private levels. This seems to be particularly important for small firms, given that a relatively close relationship between firm and household can reasonably be assumed in their case. Incidentally, it would appear useful in this connection to look at different models of the relationship between firm and household in the agricultural sector (e.g. SCHMITT 1992; HAGEDORN 1992). It is all the more surprising that such relationships have received so little attention because the non-economic goals of firms have been included in micro-economic theories for quite some time.

3 *The actors in milieux and their contact fields*

CAMAGNI, one of the leading representatives of GREMI, has shown recently that innovation rates and synergy effects are the two main factors which define the Regional Milieu (CAMAGNI 1995). A characteristic of backward regions is that these factors are biased, incomplete, or quite undeveloped. He suggests promoting the Innovating Milieu as the normative model for getting development started. This, however, assumes that explanations yielded by the model are conclusive and allow types to be set up which can provide the basis for a regional policy model. In our opinion, however, there are still some open theoretical questions to be answered, particularly with regard to the functions of the different actors in the milieu. This is all the more important as the empirical evidence for the "innovative milieu" does not seem to be as solid as CAMAGNI suggests.

We therefore begin by extending the theoretical discussion to the area of the actors' contacts and networks. This seems to be both sensible and necessary in an extremely actor-centered model, which initially had nothing to do with regional relations.

A regional connection can only be made by having as many as possible of the formal and informal (face-to-face) contacts needed to generate the milieu. The connection is based on the exchange of information and thus generates an information base which is seldom otherwise accessible to firms in the region – particularly small firms. Information is, however, necessary if co-operation is to take place. The synergy effects, already mentioned, between firms that are close to one another in the region are also associated with the regional connection. These effects include customer-supplier co-operation, horizontal subcontracting, the spread of knowledge through the mobility of skilled workers, and the rapid dissemination of successful technologies (CAMAGNI 1995). At the same time, the resulting entrepreneurial dynamism finds expression in the establishment of an above average number of firms. These are particularly promising for future development as their founders have access to the existing networks (SENGENBERGER a. PYKE 1992).

The model assumes that it is not only the firms which participate as actors in the process of milieu creation. Political decision makers, institutional decision makers, and (skilled) workers also make up more or less homogeneous groups of actors. The relevance of the groups of actors for the milieu is shown by the features through which they, in their different ways, influence the emergence and functioning of the milieu. The firms must be regarded as the key actors because it is only through their actions that the milieu comes into being and is thus able to be observed. At the same time, the extent of their ability to perceive and use other elements of the milieu permits, or limits, the possible effect of the other actors. The political actors are mainly responsible for setting the framework within which entrepreneurial activity can take place, the institutions act primarily as intermediaries in the change and development processes, while the more skilled workers store, accumulate, and spread know-how. When it became evident that the networks in which firms participate overlap with their private spheres in some areas, it seemed increasingly plausible to look for important actors, or groups of actors, in the firms' private spheres (cf. FROMHOLD-EISEBITH 1995). What is significant now are the circumstances in which it is possible for firms to make contracts with important actors or groups of actors.

Meetings of these groups take place in the contact fields where the differing aims and strategies are provided by the actors (for this cf. HABERMAS 1987). The criteria which can be used to differentiate the contact fields are:

Contact field („Long-time relationship“)	Characteristics of the interactions within the contact field	Contact form
firms - firms	voluntary success-orientated non-social ¹⁾ topic-related	<i>predominantly formal also informal</i> - links with suppliers - functions - sales relationships - receptions - cooperation - societies - subcontracting - private meetings - services
firms - authorities	compulsory or voluntary success-orientated or communication-orientated non social ¹⁾ or social ²⁾	<i>formal and informal</i> - registration - functions formalities - receptions - building permission - societies - business problems - private meetings - membership - information - market assistance - active collaboration
firms - institutions	topic-related or region-related	
firms - private sphere	voluntary communication-orientated social ²⁾ region-related	<i>predominantly informal</i> - functions - receptions - societies - private meetings

¹⁾ „non social“ in the sense of relationships with certain persons or groups that are not wanted for their own sake

²⁾ „social“ in the sense of relationships with individuals or groups that are wanted for their own sake

Fig. 1: Types of contact fields in a milieu

Typen von Kontaktfeldern in einem Milieu

- generation of contact field (forced *versus* voluntary);
- orientation of activities in the contact field (success *versus* communication);
- situation in which action in the contact field takes place (social *versus* non-social);
- relation of the contact field to the region (direct/regionally related activity *versus* indirect/topic-related activity).

Different kinds of combinations of features characterize the interactions which take place within the contact fields. These stem primarily from the firms' central positions as actors in these fields. If it is accepted that groups, or at least subgroups, of firms act collectively, then it is plausible to assume that these collective actions and the motives associated with them will create linkages with other contact fields, too.

The contact fields themselves are related to the different long-time relationships between the actors. These relationships can be purely business related, business related-public, semi-public, or private. In principle, every contact field has a formal level and an informal level. In the firms-and-firms contact field,

the formal level is by far the more important, in the firms-to-private sphere contact field the informal level predominates.

We accordingly distinguish four types of contact fields in a milieu (Fig. 1): It is obvious from this that two-way linkages are both possible and necessary. These can occur, on the one hand within the contact fields themselves and, on the other hand between the contact fields. Linkages may occur only at the informal level or may proceed from the informal to the formal level or vice versa. In each case the multi-dimensional actors create the links by participating in network relationships in several contact fields.

The most important, and in fact almost the only, task of the network relationships outside the firms-and-firms contact field is to channel information and communication between actors in the different groups. In the process, however, additional synergy effects can be created which could not have come about if the actors had confined their interactions to their own social groups. An extra potential emerges consisting of contact possibilities based on personal acquaintance and this encompasses because it is based on contact

Level	Innovative capacity	Synergy effects	Order of scale
-Micro level	↓ increasing	↑ increasing	local dimension and surroundings, e.g. municipalities and neighbouring municipalities
-Meso level			smaller and medium sized functional areas, Landkreise, areas serviced by Labour Offices, regional planning areas, government administrative districts
-Macro level			larger functional areas, e.g. Euro-Regions, nations

Fig. 2: Scales of levels for regional milieux
Maßstabsebenen im „Regionalen Milieu“

field features that have longer term effects. We are concerned here in particular with communication-orientated activities directed towards other individuals or groups which take place under region-related conditions. These features, which are not only advantageous but themselves constitute the milieu in the firms and firms contact field, are the very ones that are the rule in the firms-and-authorities contact field; in the firms-and-institutions contact field they can to a large extent be promoted by the appropriate activities.

In this sense the contact fields between firms and authorities, institutions, and the private sphere are complements of the firms-and-firms contact field. It can therefore be assumed that the complementary function will be more important for regional development when the firms-and-firms contact field is very heterogeneous and/or when it contains relatively few firms. It is precisely this situation that is found in many parts of the rural area. Here a complementary function becomes a compensatory one.

The value of the compensatory function is related mainly to the possibility of realizing local and regional synergies, because these are, in fact, locally or regionally based. Regional proximity is directly important here because it favours the emergence of synergy effects and thus expands the range of possibilities. With innovations, on the other hand, for both the rural and backward regions networks outside the region are normally more important. Examples here include technology transfer organizations, research establishments, association and branch specific organizations, suppliers of knowledge intensive services, and private sources of knowledge such as friends and acquaintances.

Here we also see a significant indicator of the fact that the scale-level at which the milieu is observed is directly correlated with its possible effect. To put it simply – regional proximity can have a greater effect at the micro regional level than at the macro regional level. This applies especially to the synergy effects and in particular to the private sphere. This is why we believe that, in the discussion about the milieu precise distinctions need to be made (Fig. 2).

4 Empirical section

Our empirical contribution to the milieu model is based on a research project carried out in selected rural regions in Baden-Württemberg/Germany. The results, however, relate only to the synergy aspect for a section of the actors involved. For a variety of reasons we have limited ourselves to entrepreneurs whose firms were established no more than 15 years ago and produce manufactured goods or business-related services.

Six rural areas in Baden-Württemberg were selected for the survey (Fig. 3). These areas are similar with regard to their general economic situation but differ in terms of the locational aspects. The basics of the selection was work carried out in 1993/94 at the University of Stuttgart on the classification of rural areas by type (WINKELMANN 1994). Firm owners and managers – the key group of actors in business-orientated milieux were asked about their contact fields within their micro- and macro-regions. The administrative districts of the Labour Offices were taken as the statistical units. Between two and five of these districts make

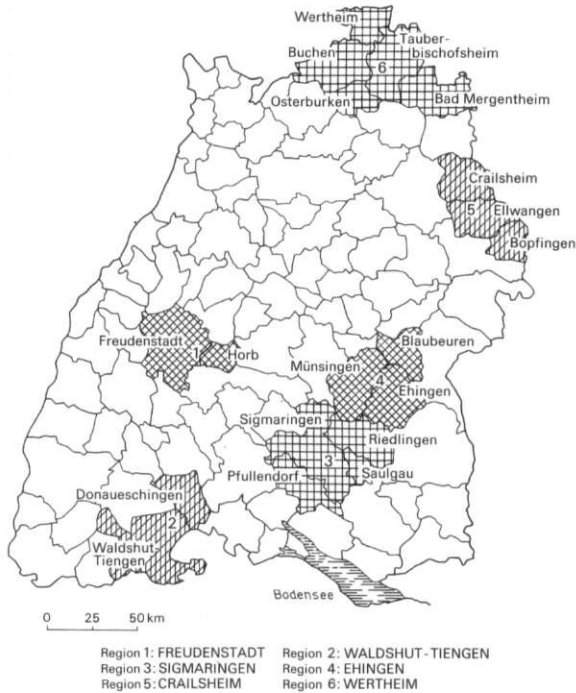


Fig. 3: The regions surveyed
Untersuchungsregionen

up a meso region. It should be noted here that the Labour Office administrative districts correspond almost exactly to the middle level administrative area or Landkreis sizes before the administrative reforms of 1972/73.

The first step undertaken in the study was to record all the regional-specific locational factors, that is, all the hard and soft factors including the milieu factors. It was assumed that doing this would provide a nucleus of results (core finding) that could at the same time be used as the basis for differentiating between the regions. Because, if regional-specific milieus really do exist, these should show up as differences in the core findings, initially mainly at the firm-and-firm, firm-and-institutions, and firm-private levels laid down for the survey. Assuming that such contacts have definite economic effects, the different contact and relationship patterns would also show up as different patterns in the networks of firms.

The study showed that although the firms generally very much wanted to have contacts in all the contact fields, in most rural regions they have relatively few business type contacts with one another. The firms certainly have a great many contacts with their regional suppliers, but these do not often meet their need for high quality contacts. Only in about half the cases these connections were longer-term ones.

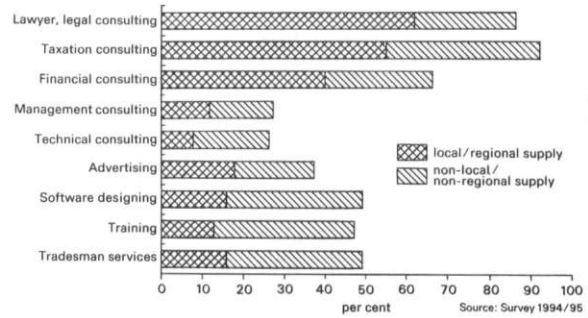


Fig. 4: Use of external services by the firms surveyed
Inanspruchnahme fremder Dienstleistungen durch die untersuchten Unternehmen

With regard to sales relationships, it is mainly small and new firms that are strongly orientated towards the region in which they are located. This applies particularly to new firms supplying business-related services. There are clearly more potential customers for these firms in the region than for firms engaging in manufacturing. Accordingly the demand for the services needed (banks, lawyers, advertising, etc.) in the rural regions is higher than we would have expected (Fig. 4). Only in the case of software and employee training is a large percentage of the demand met outside the region. The question that arises here is to what extent do demands of this kind have a milieu character.

There is virtually no horizontal co-operation between the new manufacturing firms in the regions we studied. The major type of co-operation represents an exchange rather than collaboration and occurs by reciprocal expansion of production. A third of the firms surveyed had been involved in this kind of co-operation (Tab. 1).

In by far the largest number of cases co-operation took place by means of previously established connections. Private acquaintances and existing business

Table 1: Regionally-close co-operative relationships among the firms surveyed (n = 188 firms)

Art der regionalen Zusammenarbeit zwischen den untersuchten Firmen

Frequency and type of co-operation (multiple mentioning possible; 202 = 100%)					
special contract production	reciprocal expansion of production	sales	advertising	training	social organization
27%	47%	10%	11%	2%	3%

Source: Survey 1994/95

contacts proved to be particularly important here. These were said to be the source of the co-operative relationship in up to 34 % and 24 % of the cases respectively. That regional proximity alone was not sufficient to initiate such a relationship was confirmed by the fact that the partner's proximity was the deciding factor in only 4 % of the cases.

The firms' relationships with authorities and institutions, such as Town Halls, Landkreis Offices, Chambers of Industry and Commerce, and professional associations, are predominantly formal ones. That is, these relationships are essentially forced ones because they relate to the responsibilities of these institutions. These forced contacts, like the other contacts the firms have with these bodies, are orientated more strongly towards the Town Halls and the Chambers of Industry and Commerce than to the Landkreis offices or the professional associations. Nevertheless, 13 % of the firms report that they have exceptionally good contacts with the mayors and almost three quarters of them have private contacts with the Town Halls in addition to their business ones. In these cases, the form the contacts take are rather general discussions at the local or regional level.

Major possibilities for making contacts that owners and managers of firms also use occur during receptions held by the municipalities, on particular social occasions, or with other opportunities that show up within the business environment. Contacts are made, too, at the Chambers of Industry and Commerce and at the associations. Those contacts made through regular visits to the firms by the mayors are especially worth mentioning (51 mentions from 275 interviews, i. e. 18,5 %).

If no social efforts are made, or if they are unsuccessful, the reasons are usually that there is a lack of interest among the potential actors, that the municipality is too small, or that there is no one to initiate them. Apparently there are considerable difficulties in this respect in small commercially weak municipalities.

As was to be expected, the firms in the survey in principle reserved the private contact field for their private spheres. However, a surprisingly large number of business interests come into play when such contacts occur. This is shown, for example, in the motives the business men give for joining societies, associations, and clubs (Tab. 2).

Private connections play a role in choosing the firm's location at the time the firm is set up. The private social sphere also influences subsequent chances of acquiring business partners. Integration in the private sphere also has large advantages in relation to the labour force. Some of the smaller firms stay at

Table 2: Motives for memberships in societies, clubs and business associations (n = 326 firms)

Motive für die Mitgliedschaft in Vereinen, Klubs und Verbänden

Membership in (cases)	Motive for membership		
	mainly private	private and business	mainly business
Societies (304)	73%	24%	3%
Clubs (23)	28%	68%	4%
Business Associations (77)	9%	25%	66%

Source: Survey 1994/95

their present location for this reason although they would be closer to their customers if they moved to the nearest larger town.

If the results for the rural areas in Baden-Württemberg are broken down according to region, in the six regions surveyed no uniform pattern in the milieu model sense which could confirm the model emerges in the individual contact fields. What can be said with certainty is that there are differences in the frequency and quality of contacts in the regions surveyed, and even that different types based on differing intensities could be identified, but it is very difficult to continue following this pattern through in the regional context we have chosen. Significant regional differences in the sample are more likely to be branch-related or dependent on the age of the firm than to correspond to the relationship pattern. The results of the study at no point allow us to state that, in regions where the contact fields with the administration, the institutions, or the private spheres are the best developed, the best contacts for concrete business collaboration have also been established. That is to say, there are rural regions where the regional business links are well developed but where levels of quality and quantity in the informal fields are not yet very high. On the other hand, there are regions where the informal levels present a very positive picture but where the synergy effects at the business levels can in no way be said to be adequate.

The result also showed up when attempting to classify the areas sampled. The quality and intensity of contacts between firms and authorities or institutions provided a starting point here. The particular importance of such contacts continues to be recognized both in theoretical terms and in empirical studies. In our survey sample there were areas where the experiences with contacts was extremely positive and

Region	Contact fields				Cooperation of firms
	Firms - firms	Firms - administrations	Firms - institutions	Firms - private sphere	
Freudenstadt (1)	++	-	-	∅	∅
Waldshut-Tiengen (2)	∅	+	+	∅	++
Sigmaringen (3)	∅	+	+	++	∅
Ehingen (4)	-	+	-	∅	-
Crailsheim (5)	++	∅	∅	∅	∅
Wertheim (6)	-	++	++	++	-

Classification on a qualitative level regarding only those cases with evident differences from the overall averages: ++ contact intensity very strong; + contact intensity strong; - contact intensity weak; ∅ contact intensity on an average level

Source: Survey 1994/95

Fig. 5: Intensity of the contact fields in the regions surveyed
Intensität der Kontaktfelder in den untersuchten Regionen

others where it was rather negative. But no general types were evident which could provide additional confirmation for the concept of the regional milieu (Fig. 5). It should be mentioned here that the classification which is shown by figure 5 represents a qualitative level. It considers only those cases which can confirm evident differences from the overall averages. This means that "gaps" are left where there is not any significant divergency to the average in a positive or a negative sense.

What conclusions can be drawn from these results for the question of the existence and value of regional, or even regional-specific, milieux? Basically, in our opinion, there is certainly justification for recognizing milieu factors in the interplay of firms' contacts with business-public, business-institutional, and business-private contacts. These factors arise from a "getting-into-contact-and-becoming-informed" process which differs between the regions and where the differences mainly result from the intensity of the relationships.

However, what shows up within the individual contact fields is that the actual range of the contacts, co-operation, and utilization of local suppliers of services always covers only some of the firms surveyed. This means that actually giving preference to regional partners may often not be possible or that, in other cases, attempts to do so may be rather limited. This is not to question the existence of regional milieux in any basic sense, but it shows that, in terms of their economic effect, these milieux can be little more than starting points for region-related activity. On the other hand, regional milieux certainly cannot be said to make any major contribution to the economic

development of any one of the sample areas. This observation allows us to make two points. One is that the effect of the regional relationships should not be overestimated. The results show that, for the majority of the firms, the firm's own interests are far more important than regional interests - which is quite understandable - and that the two sets of interests are not linked. If firms are to take account of the interests of the region in which they are located, they must be made aware of the advantages that can accrue to the individual firm, even if these advantages can only be realized in the medium term. The second point is that it is evident that firms see a need for contact in the region and do want to become integrated into it in both a business and a private sense.

This fits in with the finding of the survey that basically all firms regard the economic climate of a region as important or even very important. For some of the firms, the awareness of their own role in this general regional integration can be taken as given, even if, ultimately, firms focus primarily on their own growth prospects when entering into the relationships. Particularly important here are those contacts which can be set up and maintained primarily as a result of firms' proximity to one another. For this reason there is integration of the firms into the region in a certain sense, without this necessarily being associated with a region-orientated way of thinking.

The study has shown, in addition, that there are certain groups of firms which are dependent on regional integration or which see proximity to suppliers, customers or collaborators as a locational advantage. Among these are, for example, suppliers

of business-related services, who, in their relationships with both suppliers and customers, are more concerned with the region than most other firms.

The direct opportunities associated with integration into existing networks plays a far smaller role in the establishment of firms than their wish to remain in a familiar environment. This clearly confirms the results of the survey which showed the significance of the entrepreneurs' private connections with regard to the setting up of firms and the membership of clubs and local or regional bodies. This shows up in so far as local or regional thinking or acting is aimed at maintaining social relationships formed in the entrepreneurs' original environment. It applies also to those founders of firms who were educated outside their own region and to those who were working outside these regions. In this respect, no regional differences between the areas studied can be determined. Rather, there is a fairly uniform picture over the whole sample for behaviour associated with the founding of firms. Apparently decisions about the location of a business can to a certain extent be subordinated to private locational requirements. If the location meets the personal preference of the founder with regard to his or her private life, it is very likely that the same area will also be chosen as the location for the new firm.

5 Conclusion

Thus, it was possible to show empirically that there are differences in the frequency and quality of contacts in the different regions. However, in the regional contexts we chose, it proved to be very difficult to follow these patterns further. In the sample the major differences were branch-related or dependent on the age of the firm and did not fit the relationship pattern very well. To this extent, therefore, it is still an open question whether the existing informal milieux can really contribute to stimulating business since there is no evidence of success in these regions.

Incidentally, the concept of the regional milieu has proved to be exceptionally difficult to pin down with empirical methods. For this reason the question of the applicability of the regional results cannot be satisfactorily answered by the present study. Rather it is evident that WINKELMANN's regional typology, which was used as the starting point for the choice of the regional samples, cannot also be used for projecting the results back to the region types. A major reason for this comes from the observation that the small scale locational decisions, which could be demonstrated

at the level of the different networks in the regions studied, are qualitatively different from the inter-regional economic potentialities that WINKELMANN assigned to these regions. At the same time, it can be shown that evaluation of the potential from the outside applies standards which are quite different from those used by owners and managers, who also make no distinction in terms of scope (intra- or inter-regional) when evaluating the situation as they see it. In addition, the survey showed how very much the establishment of the corresponding networks is dependent on particular individuals in the firms or the government and non-government institutions.

Nevertheless, we believe it would be wrong to conclude that raising doubts about the milieu model implies that there is no point in making political and institutional efforts to establish linkages among regional business activities. Our empirical results have clearly shown that the firms themselves see these as necessary. Possibilities for making contacts, for linking the activities or firms, and for regional or local marketing should, as soft locational factors, be considered more widely so that they can contribute to the functioning of a regional economic system of which they are elements.

The concept of the milieu clearly has potential here and this potential is the greater the more closely linked the relationships between all the contact fields are. This would then mean that the networks within a milieu would not always need to be fully activated. What matters is that they can be activated when a need arises, for example if there is a major change in demand, or when the higher level economic or political conditions change. If this is the case, it can be concluded that whether the connecting points in the network relationships are in the purely private or purely business fields is of secondary importance. Above all, these perspectives would provide an important starting point for regional policy in the rural area – one which deserves to be taken seriously.

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