

THE ROLE OF INNOVATIVE ENTREPRENEURS IN RURAL DEVELOPMENT

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Abstract

One of the determining factors of the countryside's competitiveness are innovative ventures. Through their development programmes they generate the use of the countryside's resources and reprogram knowledge bases that by building on countryside traditions open new development spaces. The innovator is a key factor in this process. The innovator is capable of realising the need for change, is capable of renewal and holds the competencies that determine the success of his enterprise and thereby the competitiveness of his environment and that of the countryside.

Keywords: Innovation, rural development, entrepreneurial competencies, innovation networks, competitiveness

There are many factors that determine the success of a region, a subregion and their companies. Among the many, innovation, reformation and constant development have an outstanding role. These factors are of special significance nowadays when reactions of an entrepreneur to the fast development of science, when smart investments that help access to EU funds are crucial.

The article gives a wide but not complete overview of literature that emphasises the significance of innovation in the success of an enterprise.

The capability of reformation: a determining factor of the competitiveness of the countryside

The idea of development is a core issue since man positions himself and the known world in the centre of things and feels personal responsibility for his own development and the development of his environment.

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According to *Alvin Boskoff* one can talk about development or progress if there is a case of transformation. He says that a thing, a phenomena, a process does not simply change, but changes in a way that to be able to understand the change and its the practice, at least one additional factor has to be considered. A “dimension winning” transformation can be called development (*Vitányi, 2007*).

Development thus is triggered by newly added dimensions. This idea is also supported by an OECD research project that highlighted the fact that with the growth of the knowledge factor innovation also develops linearly. According to OECD estimates, between 1970 and 1995 more than half of the growth of production of the developed world was due to innovation. This rate – parallel with the knowledge content of the economy – is constantly increasing. Freeman (*Freeman, 1994*) supports this with the help of numbers that show that in developed countries the growth of productivity accounts for 80% of GDP growth, and innovation accounts for 80% of productivity growth. Thus innovation has a determining role in economic growth, in the growth of competitiveness and in the growth of employment. Innovation in enterprises is the key to economic development (*Barta, 2006*).

Vecsenyi (Vecsenyi, 1999) emphasises in his researches of the success factors of entrepreneurs that besides experience and a professional background *innovation*, that is the capability of development is of great importance in the success of entrepreneurs.

For the addition of new dimensions and the interpretation of their context the entrepreneur needs experience about new technologies, about the environment, the economy, relations, modes of (state) support, EU funds and tenders and also up-to-date knowledge and other competencies that enable him/her to realise the need for changes and the direction of changes, as ventures are the seeds that continuously feed the development and the competitiveness of the region.

What leads to, what triggers increased development, why should an entrepreneur leave his daily routine and open towards new areas, new approaches, new methodology. What is the real starting point of innovation?

G Fekete (G Fekete, 2001) gives an answer to these questions. She says that the fight against some kind of shortage or the feeling of the lack of something is what indicates efforts of innovation. The lack of something is expressed in the people who live in the area and this leads to a kind of emergency action which at best leads to the beginning or launch of an innovation process. The feeling of the lack of something itself is definite, but behind it lies the social-economic backwardness, inequality, crisis situation, the effects of global impacts in our every days' life in the operation of an enterprise.

A shortage can appear in many areas, among others in the transport networks, in the lack of capital or other resources, relationships or knowledge. The creator and executor of innovative processes is always a person, that is the human capital, the innovator, who is the key player of the whole of the process. Shortages are more intensive in the case of those entrepreneurs who operate their ventures in underdeveloped areas or regions.

According to the concept of regional innovation systems the following factors are responsible for the less effective operation of innovation systems disadvantageous regions (*Inzelt, 1998; OECD, 1997*).

- Companies cannot identify their need for innovation, or they are not familiar with the new technologies and processes that can cure their problems.

- The financial institutional system in the region is underdeveloped, there is no regional innovation fund.

- There are no “bridge” institutions that are capable of identifying the innovation needs of companies of the region and bring them together with R&D institutions, that is bring supply and demand together

- Low-level cooperation between the public and the private sector, the lack of company culture to enhance cooperation.

- There is low inclination towards innovation because of the dominance of traditional industries and small and family enterprises; low inclination towards participation in international R&D co-operations for the same reason. (*Rechnitzer, 2006*)

What is innovation, how can innovation be defined?

In our every days’ life under the expression innovation people understand a kind of renewal; in professional language innovation more often applied to technical development (*Schumpeter 1980*). “Innovation can be defined as the development of a new form of production. Innovation includes the invention of a new product just as the exploration of new markets or a new organisational structure...” (*Schumpeter, 1980*).

Perhaps even more important is the methodology of approach. In the area of rural development – according to among others G Fekete (*G Fekete, 2001*) –innovation in the development of subregions can be approached in two major ways:

1. Innovation is a process that covers the spatial or geographical appearance and diffusion of local technical-technological innovation.

2. Innovation is defined as the local development activity itself.

Bottom-up processes that build on the special features of the area play a significant role in the development of the countryside and in the birth of renewable investments. But if one examines the context of their

development and their cultural situation one can see that the operation of the society hinders bottom-up initiatives.

“Though ideas of the European Union emphasise the significance of bottom-up processes, our cultural relationships are well-characterized by the fact that we prefer inorganic development. Development does not start at the bottom, so it is not organic, but the role of state or high-level intervention is large. Bureaucracy is large. The part of the society that gets in a marginal position is large” (*Vitányi, 2007*).

The creativity of the society requires free, independent thinking, where an entrepreneur can build on and redefine old traditions to be able to change and renew them to meet new challenges. The society cannot operate as an innovative society if creative powers cannot unfold, if creative work, creative ideas are hindered. The suppression of the freedom of independent creation, the success of the individual, creative endeavour, of active participation and a will to act can result in a passive society.

Hoványi (*Hoványi, 1995*) also emphasises the significance of innovation among the factors of rural competitiveness. He writes that today traditional resources (natural, capital technological and human resources) are not enough to make a small area competitive: their existence is not an advantage but a basic requirement. He has extended the true factors of competitiveness of companies to the following six factors. An adoption of the factors to rural development can extend the list. The factors are:

1. Information, communication
2. Management-organisational system
3. Participating in networks
4. Time, as a resource
5. Image, as a regional attraction
6. The capability of innovation: “Staying in competition is an essential criterion of accelerated technical and economic development. In the case of the countryside it is often the condition of survival.” (*Hoványi, 1995*).

From the point of view of rural development, tolerating change and the capability to change risk- and conflict taking are at least as important factors as the previous ones. The development process has many hindering factors, among them the non-recognition of the need of taking a decision, the disability to take a decision and taking responsibility – things that for many people are a problem. They are a problem especially if the decision is not well prepared, if the decision-maker does not hold the information that is necessary to take the decision and the procrastination of deciding. Often the fear of a decision and its consequences results in no changes. A decision requires awareness, but often *luck* is necessary to get things going – also this requires openness that promotes positive responses. Nevertheless a complex knowledge that helps the entrepreneur to introduce and execute changes

based on the highest-level professional knowledge, strengths and core competencies is necessary. Finally, feedback that initiates further development and acts as self-strengthening processes is necessary from the environment and from partners, feedback that provides adequate control in further activities.

The innovative entrepreneur

Knowledge is a determining input of innovation. Knowledge does not only mean the professional content that is necessary for the successful operation of an enterprise or a subregion but it also means all the competencies that initiate and support innovative processes. These competencies are among others: innovation capability, openness, creativity, initiative, risk-taking capability, cooperating skills, convincing skills, organisational skills, motivational skills, prediction capabilities, success-oriented thinking, strategy development, change-orientation, global view and competitive spirit. These are all competencies of a successful entrepreneur.

According to *Porter (1990)* the ability to cooperate and the possession of a competitive spirit are determining factors. Companies are increasingly innovative if besides cooperating with other local firms they also become rivals. This strengthens the competitive spirit, thus it has an effect on innovation. These competencies form the basis of innovation clusters (*Barta, 2006*).

Stenberg (Stenberg, 2002) emphasises the significance of the ability of unaided renewal. According to his belief a network is innovative if it is able to renew itself without any external help, if it is able to remain creative and open towards new entrants. Innovation networks are forms of economic networks (*Barta, 2006*).

According to *Imre (Imre, 1992)* a successful, winner-type business person must hold the following five characteristics: patience, aggressiveness, ingenuity, sensitivity, strong personality (*Balogh L. et.al, 2002*).

“The key questions of a competitive economy and a competitive region are all related to knowledge, and knowledge has to be examined as a question of collective learning. The emphasis is thus on the local and regional factors that have an important role in establishing innovation.” (*Barta, 2006*).

In a research project led by *Ulrich Hilpert (Archipelago Europe – Islands of Innovation; published in 1992)* researchers investigated 10 European regions. Outcomes were that big cities had an advantage in creating innovation because they concentrate highly-qualified professional labour and quality institutions of education, a wide scale of business opportunities are present, the standard of living is high, they are easy to get to and high-performance means of transport are available.

Innovation assumes certain competencies, abilities and attitudes that support the entrepreneur in the development of his venture and support him in his self-development. These determining competencies can be developed with the help of up-to-date education and training methods. It is a fact that highly qualified professional labour who live in big cities have better opportunities than entrepreneurs who live in an underdeveloped region. One can also assume that high-quality institutions of education offer training programmes among their services that develop competencies and – based on labour market needs – help entrepreneurs and future entrepreneurs that take part in the training programmes.

Development is also hindered in rural environments by traditional conservatism in respect to creating and accepting something new. Entrepreneurs' every-day routine, fixed behaviour and values that do not change easily can be obstacles to changes. Development is mostly not triggered by the difficult situation or conditions they live in but by a newcomer or a group of newcomers who see things with a fresh eye. This is one of the reasons why a foreign direct investment that is capable of establishing and operating an enterprise with a different approach and spirit is important in the life of the area. Successful innovation of an enterprise has an impact on its environment and its business partners. It is capable of acting like a catalyst that pulls its environment and other business units of the area. Businesses of the region can benefit from the opportunities if they work together in a network. Networks are important because it is easiest to plan a development concept to networks.

When talking about the expressions regions, subregions and districts one must not forget about the person who is seeking for routes and relations, points of connection, the person who gives sense to these expressions, fills them with content and who in a given environment, with given resources can act as an innovator. Such a person is a leading personality who has relations beyond the community, with knowledge and authority that helps him/her to implement his/her ideas. Often these not one person holds characteristics but the innovator is a group of creative people who build development on utilising their strengths.

Creating something new and change itself often results in tensions in people. Typically people who maintain a security-seeking behaviour react in a sensitive way but also people who try to avoid failure, who get confused, who consider proposed changes as a personal attack. They cannot give an adequate answer to changes or they need some time to be able to.

According to Lewin, learning changes can be reached in three steps:

1. Becoming motivated to change (unfreezing)
2. Change what needs to be changed (unfrozen and moving to a new state)

3. Making the change permanent (refreezing) (Bakacsi, 2000 cites Lewin)

Goleman (2003) writes that the definition of “ideal self” (My ideal self – who do I want to be?) and building aims on our strengths help the development of the motivation for change.

The innovators themselves are success-seekers and maintain constructive competition and therefore often get surprised in an avoidance of failure or a destructive competing environment.

Table 1: The characteristics of success-seeking and avoidance of failure behaviour

Success-seeking	Avoidance of failure behaviour
Brave risk-taking	Fear from risk-taking
Future orientation	Past orientation
Innovation and system approach	Deductive thinking
Human-oriented	Organisation-oriented
Optimism and humour	Pessimism and seriousness

Source: Bálint János, (2010): Globalitás, regionalitás és lokalitás a vidékfejlesztésben – Térségi versenyképesség és az innováció 2010. 04 February Department For Management And Marketing, Faculty of Horticultural Science, Corvinus University of Budapest <http://www.videkfejlesztet.net/oktatas/videkfejlesztesi-tananyag/globalitas-regionalitas-es-lokalitas-a-videkfejlesztesben/tersegi-versenykepesseg-es-az-innovacio.html>

Table 2: Characteristics of constructive and destructive competition

Constructive competition	Destructive competition
Competitive advantage/victory	Destruction
Equality	His subject attitude
Solidarity	Exclusion
Clean competition	„Dirty” methods
Nuanced thinking	Emotional politics
Rationality	Focus on emotions
Cooperation, enforcement of interests	The lack of cooperation
Opponent	Portrayal of the enemy

Source: Bálint, János (2010): Globalitás, regionalitás és lokalitás a vidékfejlesztésben – Térségi versenyképesség és az innováció 2010. 04 February Department For Management And Marketing, Faculty of Horticultural Science, Corvinus University of Budapest <http://www.videkfejlesztet.net/oktatas/videkfejlesztesi-tananyag/globalitas-regionalitas-es-lokalitas-a-videkfejlesztesben/tersegi-versenykepesseg-es-az-innovacio.html>

If the innovator has developed a strong local relationship background (and possesses significant formal or informal power), he will be accepted fast, the innovation will spread faster, its impact will be permanent, and the probability of its sustainability will be large. A successful project – one that can be made sustainable – can be the source of new innovative ideas and development (it usually is) and this restarts the innovation chain.

In the opposite case – avoidance of failure, destructive environment – the innovation chain is easily broken, innovation is interrupted because of the resistance of the environment. A few more efforts might be made, but most

of them are doomed. The area does not start to develop, it stagnates, and later it will lag behind the neighbouring settlements. Letenyei (*Letenyei, 2000*) quotes T. W. Valentine who explains the diffusion of innovation in the following way: “The diffusion of innovations will always be grasped between the members of a society, the contact between these individuals is itself the social net. The network of contacts determines how fast innovations spread and how quickly they will be adopted.”

One might think that the traditional relations and communities, collaboration and working together of a rural environment act as a resource of innovation. A strong business player of a rural community can easily fulfil the role of the innovator who can act as a role model for other members of the community. In rural societies role models that are not only equal to economic prestige, but also bare human values that build trust between the community and the innovator.

Someone who wants to act as an innovator must hold a number of characteristics. Success-oriented thinking is essential as well as divination and the ability of positioning, and so is creative thinking what is indispensable for creative work.

According to Vitányi (*Vitányi, 2007*), “creativity is not the only characteristic that one has or one has not, it is not simply a summary of characteristics but the essential of all human activities, of all human existence, an inalienable property of all human beings. Individual human creativity makes us humans. The creativity of a person is determined by personal genetic factors and the influence of the social environment. What a person can take in depends very much on what he/she can create.”

According to Gadamer (*Gadamer, 1990*) comprehension is only possible if the “person who comprehends has to bring his own “presuppositions” into play”. If there is no presupposition there is no comprehension. That is the intake of something has an internal context with creation. One can only understand the knowledge, the piece of art, the thought with which one already has a certain “intimate” relation or of which one has a kind of presupposition (*Vitányi, 2007*).

Gadamer's thoughts also indicate that creativity requires understanding and an intimate relation what may mean in the case of entrepreneurs a tight symbiosis with his/her environment, the understanding of the region's typical natural resources and their innovative reproduction in respect to ecological considerations. It is necessary to understand the relations between traditions, traditional production, business-economic culture, nature, land and people, the introduction of organic production technologies.

Presupposition means thus all the complex knowledge that enables an entrepreneur to ask the question: “Where, what, when, in what should he/she

innovate? In what should he/she as an innovator develop? One of the most important factors of innovation is perhaps that the entrepreneur is capable of realising the possibility and the use of renewal, innovation. Bottom-up initiatives that originate from entrepreneurs build up and lead to success a subregion's or a region's renewal. They lay down the building stones that later will show the way for less innovative and creative entrepreneurs.

To summarize, it is important that entrepreneurs, civil organisations and networks of disadvantaged, underdeveloped regions dispose a way of thinking, demonstrate an openness and have a good overview of the macro and micro environment that enables the development of small ventures and the economic, social and cultural development of the region. Regional development itself is competitiveness that is triggered by entrepreneurs and innovative networks that are capable of renewing.

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