Innovative Behaviour of Rural Small Enterprises

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ABSTRACT

Small enterprises play an important role in developing sustainable employment and economic growth in rural areas. The role of innovation that can mobilise to render enterprises more dynamic and competitive is well known. The purpose of the study is to assess how responsible owners/managers of SEs relate to innovation. Managers were sampled from two categories: size and sector of rural SEs. The authors proposed a research model that suggested five factors that were found influential in previous research in the perception of innovative activity in rural SEs relating to product and process innovation development, market product, marketing methods, process technology and innovation, and ICT use. Empirical evidence is drawn from a survey of 40 SEs in Sweden. The research discusses implications emerging from the research factors and portrays a course for future research.

Keywords: Adoption, Information and Communication Technology, Innovative Behaviour, Rural Small Enterprises, Sweden

INTRODUCTION

There are differences between the regions, small enterprise (SE) are generally more common in sparsely populated areas. Rural people and communities in Sweden are engaged in and depend upon a wide range of economic activities - from manufacturing to mining, from recreational services to agriculture and everything in between. The number of micro-enterprises (up to nine employees), and in particular the number of self-employed people (sole proprietors), is considerably higher in rural areas than in urban areas in Sweden (Table 1).

Traditionally, many people at the northern coast of Sweden live on the forest industry directly or indirectly, which could ultimately be threatened by closures and high unemployment. One reason for setting up businesses in rural areas is to contribute to community development and increase opportunities for themselves and others that live on in the region (Sandberg, 2003a, 2003b). Development can only be achieved through the local community’s ability to maintain and create wealth and improve living standards and reduce dependence on outside suppliers. The base of local development is the diversity of small business, investing and long-term care for their local communities. Swedish municipalities and different authorities have recognised the need to invest
in rural areas and develop new sources of income. Companies are confronted with rapidly changing market situations, new technologies, and almost worldwide markets.

Local development is dependent on community planning and infrastructure. Small enterprises that play an important role in developing sustainable employment and economic growth in rural areas must be addressed (Friis-Hansen & Egelyng, 2007; Wahlberg & Sandberg, 2005).

While the importance of innovative SEs for economic successful in rural regions remained an open question, how exactly ought this goal to be reached? Rural people are observing, adapting, experimenting and innovating as part of their daily work and in response to changing economic and social situations. Local innovators have played a crucial role in the evolution of knowledge and practice. Dynamic local communities are characterized by an interaction between innovators and users or adaptors of technologies through a series of learning cycles (Sandberg, 2003b; Sandberg, Wahlberg, & Pan, 2009).

Cosh and Wood (1998) and Öhman and Sandberg (2009) have investigated and summarised following factors as important to scale, objectives and constrains of innovation in SEs that have a high relevance in present study:

- The proportion of companies who had introduced a product innovation was greater the larger the company.
- Fewer companies had introduced a process innovation.
- Larger companies and faster growing companies were more likely to be process innovators.
- Logistics innovations, particularly those new to the industry, were far less common than other types of innovation. The size and growth of companies were again positively associated with this form of innovation.
- Larger companies had normally higher innovation activity, a greater proportion of their sales derived from mature products or services.
- SEs generally regarded all objectives as less important than larger companies; the relative importance of the various objectives of innovation was much the same across the size groups.
- Companies regard internal sources of information as the most important source of innovation.
- Small enterprises are more concerned about finance and cost constraints, but less troubled by organisational rigidities, or lack of skilled personnel.
- Non-innovators are more concerned by organisational rigidities and lack of technological opportunities than innovators.
- The proportion of companies engaging in research and development rises with company size and growth.

This paper takes a look at innovation and the adoption of new technology in rural SEs in Sweden using evidence from a study by North and Smallbone (2000). A key objective of the study was to investigate the innovative behaviour of rural SEs. The specific aim of this paper is: To study the degree rural SEs in different sectors (manufacturing and service) and size of SEs (1-9 and 10-19 employees) are innovative and adopt new technology (e.g., ICT).

<table>
<thead>
<tr>
<th>Sector</th>
<th>Rural area</th>
<th>Urban area</th>
</tr>
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<tbody>
<tr>
<td>Self-employed</td>
<td>65%</td>
<td>48%</td>
</tr>
<tr>
<td>Micro enterprises</td>
<td>94%</td>
<td>85%</td>
</tr>
</tbody>
</table>

Table 1. Difference in small business structure between rural areas and urban areas (Rural Development Agency, 2007)
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