

# The Social Construction of Regional Capabilities. The Case of Bourges

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## I.

An economic region can be analysed as a societal field which is shaped by regional companies, regional institutions and identities and individual actors. The capabilities of a region are anchored in its organisational capabilities (in its companies, its industrial structure and its patterns of specialisation) and in its institutional structure. These structures are the “memory“ of a region, the result of path-dependent experiences of cooperation and conflict. These institutional structures can be described as regional orders, as *conventions*, as taken-for-granted mutually-coherent expectations, routines, and practices. Regional governance structures are crucial for the innovative potential of regions and regional firms, because they regulate the organisational patterns of work, management and innovation, and shape the interorganisational patterns of cooperation and competition and because they regulate the relationships between businesses, science, technology, education and politics.

But the capabilities of a region are no static achievements; they cannot be reduced to regional institutions. Regional capabilities are not a mere consequence of governance structures developed over the course of time, but are constantly recreated and reinvented. They are created in social processes and in interpersonal and interorganisational networks in which organisations and institutions are discovering new opportunities and possibilities for action. Regional capabilities depend not only on the discovery of the adequate institutional framework but on the capability and creativity of regional actors and organisations to learn and to discover new ways of communicating, inventing, developing, producing, organising and marketing.

Three questions are useful in analysing the social construction of regional capabilities (Salais/Villeneuve 2004):

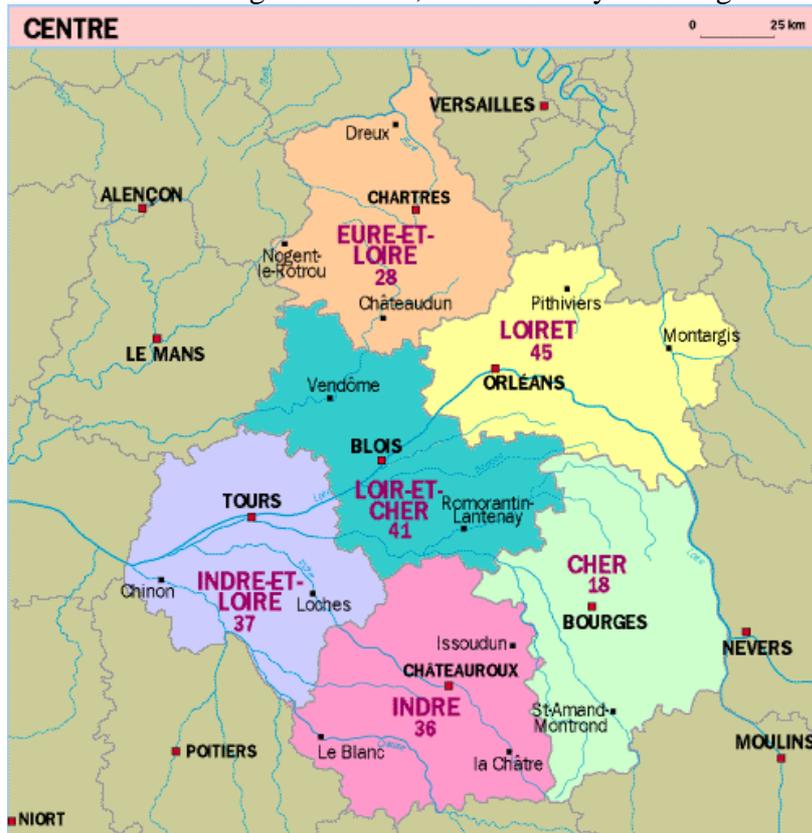
1. What are the relevant descriptions of the situation, the conventions and the social identity of the region and in which arenas are these identities manufactured?
2. How does the regional governance structure work? This question refers to the design and effective operation of procedures of deliberation, coordination, agreement and decision on a regional level.
3. How effectively are public resources converted into valuable outcomes? This question points to the crucial role of regional actors and networks in creating a regional “dynamism”.

The French city of Bourges is an extremely interesting case for demonstrating the achievements and strategies of national and regional, public and private actors endeavouring to recreate and reinvent the capabilities of this town. Before we summarize the respective initiatives, we will describe in brief the challenges faced by this town. These analyses are based on different papers and internet sources provided by the regional actors themselves (for example on the “Diagnostic du Bassin d’emploi de Bourges”; cf. Chapter III).

## II.

Bourges is a town in the centre of France with about 100.000 inhabitants. It is the administrative centre of the Département Cher and part of the French Région Centre (see map). The gross domestic product per inhabitant of this town is about 84 % of the French and European (EU15) average. In march 2003 the unemployment rate of 8.9 % was slightly below

the French average of 9.3 %. In the following, the term “region” does not refer to the administrative “Région Centre”, but to the city of Bourges and its surroundings.



The town is an important centre in national and international production – especially in the defence sector. Its economic structure is shaped by larger global and national, mainly public companies (MBDA - aviation, armament, 1 583 employees; Michelin at St Doulichard – tire production; 1288 employees; Giat – armament; 986 employees; DGA - La Direction Générale de l'Armement with many local employees and technical and training centres; Auxitrol – measurement systems and sensors; with 442 regional employees). The town and its 66,842 employees (1999) are therefore strongly dependent on defence-related sectors. The strong position of the armament sector is reflected by the leading role played by mechanical industries in Bourges: In 1999, 4,868 of the 14,861 industrial employees were employed in this field.

The town cannot be regarded as the focal point of a regional innovation system,<sup>1</sup> because the local companies are mainly oriented towards external actors. They are in general dependent on external, often national decisions. Currently, the national R&D infrastructure seems to be more important than the regional one for regional technological capabilities. The big national and multinational companies located in Bourges are strongly embedded in national production, customer and supplier networks. Currently, Bourges is a regional centre of the French national innovation system but not a relatively autonomous economic region characterized by a distinctive economic identity, integrated regional clusters and supporting regional institutions – despite the strong role of the defence industry. There are some indicators of a dual industrial structure: The dynamic, technologically-advanced sector is

<sup>1</sup> A regional innovation system can be defined as follows (cf. Cooke et al. 2004): „Regional innovation system denotes regional clusters surrounded by `supporting` organisations. Basically, a regional innovation system consists of two main types of actors and the interaction between them (...). The first actors are the firms in the main industrial cluster in a region including their support industries. Secondly an institutional infrastructure must be present, i.e. research and higher education institutes, technology transfer agencies, vocational training organisations, business associations, finance institutions etc., which hold important competence to support regional innovation.“ (Asheim/Isaksen 2002:83)

strongly dependent on external decisions, while the small and medium companies in the regional SME are rooted in the region – but they are at least technologically less dynamic.

The strong regional dependence on the national value chain has become increasingly problematic since the beginning of the nineties, because the armament sector has been fundamentally reorganised: The downsizing after the end of the Cold War and the Europeanization of the sector hit the town quite hard (see the contribution of J. Allain). Therefore, the public authorities decided to analyse the situation and to improve its economic capabilities.

### III.

The first step on the way of reinventing the region and strengthening its regional capabilities was the collective elaboration of a common diagnosis of the region and its strengths and weaknesses. On the initiative of the trade unions and the « Interdepartmental Delegation for the Restructuring of the Defence Sector » the prefect of the Cher region established a local committee and charged it with the task of elaborating a common analysis of the region. Since June 2002, 170 persons from different national and regional bodies (State, local authorities, social partners, agencies for development, Chambers of Commerce, associations, experts, etc...) have participated in this process which, one year later, led to a shared diagnosis of the situation. This diagnosis was divided in three parts (human resources, the productive apparatus of the region, territorial dynamics). Some of the problems mentioned in this report were the aging of the population; the difficulties of offering attractive jobs to younger people; the fact that the demand for higher-qualified technical personnel cannot always be met; the decline, relocation and Europeanization of the armament industry, the gap between technically-advanced larger national companies and more traditional regional SME and the fact that Bourges is a fairly small and relatively isolated town.

On this basis, the regional actors defined six different strategic goals (to attract and retain young active people; to promote the local management of employment and competences; to develop and coordinate the training apparatus; to continue economic diversification, to develop corporate networks; to develop the technological areas of activity). Four working groups were set up to achieve these objectives. These groups were coordinated by a trade unionist, by the director of the biggest regional company, the regional innovation and technology transfer agency and the vice-president of the regional employers association.

At the beginning three different aspects of the (re-) creation and (re-) invention of regional capabilities were distinguished: The recreation of a regional identity, the redesign of regional institutions (or governance structures) providing regional collective competition goods (Crouch et al. 2001) and the creation of regional dynamics. The common diagnosis of the situation was a crucial step for redefining the *regional identity*: The regional actors were able to develop a common understanding of the regional weaknesses and strengths. The redefinition of the *regional governance structure* has already been started: In order to diversify its technical and economic structure, Bourges has defined four different fields of technological excellence and has created research, development and technology transfer initiatives in the following domains: sensors and automation (for example by a resource centre, which brings together the University laboratories and the interested companies and gives support to local companies), industrial risks (for example by the development of a technological centre specializing in industrial risks management); a materials and mechanics cluster (for example by a Technical Centre for Mechanical Industries) and a propulsion cluster (for example by fostering research on new propulsion technologies). It is too early to say anything about the creation of *regional dynamics* as many pilot projects defined by the regional actors in the course of the formerly-mentioned diagnosis and transformation process have yet to be approved.

## IV.

It can be concluded that the regional actors – with the help of state agencies – were able to create a common vision of the region and to start the redefinition of its institutional structures. In this way, the regional actors, who presented their case in an extremely stimulating and coherent manner at the Warsaw conference in June 2004, may be able to “reinvent” the Bourges region and to transform its economic position from a local centre in the national defence sector into a region which is characterised by a strong position in national and European advanced technology production.

An essential prerequisite for this will be the careful management of regional networks because every network has to create a common goal, to select and to integrate the relevant partners, to regulate the relationships between the different participants of the network and to motivate the members to provide the resources required for the chosen goal (Sydow and Windeler, 1997):

- Negotiations conducted since June 2002 have already produced a common goal. Such a common goal (or “vision”) is an essential prerequisite in motivating the participants and to co-ordinate, orient and legitimise the network activities.
- The selection of the relevant partners is another condition for the success of a regional network. This also implies the involvement of regional companies. It seems that Bourges has overcome a crucial barrier for most network projects – the involvement of private and public, small and big companies.
- A requirement for the regulation of networks is the avoidance of free rider behaviour, that is, a strategy aimed at maximising the participant’s individual utility. In particular, the decision to disclose sensitive economic and technological information requires a level of trust that does not always exist. This is a central problem, because the technological competencies of the firms and institutes involved are the outcome of enormous investments in terms of time and money. Rational actors have no interest in losing their competitive edge through an unconditional disclosure of relevant information. Such willingness cannot be taken for granted from the outset; it can only emerge as an outcome of positive experiences. It is, however, an essential condition for the creation of regional networks between companies.
- The allocation of resources and the sharing of burdens can be facilitated by public funds, but it is also important to convince companies to take over a share of the common projects in order to avoid wasting public resources. Potential legitimacy crises for trade unions are another aspect of this burden-sharing because regional restructuring processes may sometimes be accompanied by decisions regarding downsizing and relocation. This may also endanger their participation in regional reorganisation processes. The aim of stabilizing regional networks may therefore require attempts to buffer these decisions.

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