From shop fronts to home offices: Entrepreneurship and small business dynamics in urban residential neighbourhoods

Folmer, E.C.

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This dissertation is about neighbourhood economies of urban residential neighbourhoods: it is about the people, the places and the institutions that shape neighbourhood economies. The neighbourhood economy includes shops, offices and also home-based business. As such, these mostly involve small to medium-sized enterprises and a large share of self-employed, i.e. one-person firms. Changes in economic production processes in advanced urban economies have increased opportunities for small firms and the self-employed. A diverse firm population, in terms of sector, size and firm organisation, can be found in residential neighbourhoods. This research is about how different types of firms are socially, economically and institutionally embedded in the neighbourhood. Neighbourhood economies tell us important stories about entrepreneurship, processes of production and consumption, and their spatiality.
From Shop Fronts to Home Offices:
Entrepreneurship and Small Business Dynamics in Urban Residential Neighbourhoods
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From Shop Fronts to Home Offices: Entrepreneurship and Small Business Dynamics in Urban Residential Neighbourhoods

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Emma Catharina Folmer

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Promotores:  
Prof. dr. R.C. Kloosterman  
Prof. dr. J.C. Rath

Overige leden:  
Prof. dr. C.M. van Praag  
Prof. dr. V.A.J.M. Schutjens  
Prof. dr. E.R. Engelen  
Prof. dr. N. Phelps  
Prof. dr. E. Mingione

Faculteit der Maatschappij- en Gedragswetenschappen
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Chapter 1. Introduction

1.1 Introducing the neighbourhood economy

In the 1970s and 1980s many observers feared for the existence of small neighbourhood stores, often labelled ‘mom-and-pop’ stores. It was expected that the bakery, the butcher and the local grocery store would all be squeezed out of the market by large retail chains and multinational companies (Massey, 1984; Shachtman, 1997). The trend of increasing economies of scale, mergers and acquisitions, and the advance of transnational corporations, in combination with a trend of suburbanisation, informed the belief that there would come a time when most economic activities, including shopping and offices, would be located outside of cities, along highways. It seemed that developments in the field of communication and transport would only accelerate this process. In some respects these expectations have become reality. Nowadays we can see large shopping malls on urban fringes and office developments along highways in many places. Yet, small and medium-sized businesses are still around and have even regained importance in the urban landscape, although their meaning, form, and function have changed. Aligned with changes in the economic structure towards new technologies and knowledge-intensive activities, a process has occurred by which the urban environment has become more instead of less important as a locus of economic activities (Scott, 2012).

Not all cities have been equally affected by these developments. Some are still struggling with the effects of de-industrialisation and the transition to a new economy. Yet, also in these cases, small businesses are often seen as bottom-up game changers. In the first stages of processes of ‘urban resurgence,’ new business activities were mainly infused in inner-city districts. However, as de-industrialization progressed, less central neighbourhoods also evolved into convenient sites of economic activity. Seemingly sleepy, mono-functional residential neighbourhoods, increasingly became places of work and business. Also, some of these neighbourhoods emerged as locations for consumption and leisure activities.

This dissertation focuses on the people, the places and the institutions that shape neighbourhood economies. In this study, the concept of ‘neighbourhood economies’ is defined as the collection of businesses in a residential neighbourhood; the shops, offices, and also the home-based firms that we find in residential neighbourhoods. As such, these mostly involve small to medium-sized enterprises (SMEs\(^1\)) and a large number of self-employed people, i.e. one-person firms.

\(^1\) Defined by the European Commission as firms up to 250 employees.
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The study examines entrepreneurial opportunities and behaviours within the context of residential neighbourhoods in advanced urban economies, although it does not include an investigation into labour market dynamics or informal (unregistered) economic exchanges.

Galster (2001) defined the concept of neighbourhood as a nexus of spatially-based attributes. This means that a neighbourhood is not ‘just’ a spatial entity, but a place where social, economic, residential, political and infrastructural characteristics intermingle and form a specific context. At the same time, urban neighbourhoods are not closed systems; they are connected to other parts of the city and to other scale levels, such as that of the city and the urban region, by means of flows of people, money and other resources. Economic and political developments on higher scale levels also affect the configuration of neighbourhood characteristics. With these statements it is clear that the neighbourhood, and the neighbourhood economy, are complex phenomena. In this study, I aim to approach the phenomena from various angles: the viewpoints of people who are entrepreneurs in residential neighbourhoods; the spatial context of the places from which they run their business; and also the local policies that are designed to shape these places and their local economies.

What do we gain by understanding economic dynamics in residential neighbourhoods? On the one hand, we can observe the residential neighbourhood as if it were a sort of ‘microcosm’ of the social, institutional and economic changes that play out on urban, regional and a global scale-level. Neighbourhoods offer us observable places where processes like migration, globalisation, and economic restructuring crystallise. On the other hand, neighbourhoods help us to understand overall urban economics. Although the economic dynamics of residential neighbourhoods have many specific characteristics, they also shape – and are shaped by – social and economic processes on an urban level. In this way, neighbourhood economies may tell important stories about entrepreneurship, processes of production and consumption, and their spatiality.

The main question I will answer in this dissertation is:

*How can we characterise the economy of urban residential neighbourhoods in advanced urban economies, and which social, economic and institutional differences contribute to explaining variegating outcomes in neighbourhood economies?*

To answer this question, I adopt the mixed embeddedness approach (Kloosterman,
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2010; Kloosterman & Rath, 2001; Rath, 2002; Kloosterman, van der Leun, & Rath, 1999). This is a theoretical approach to explaining the ‘what, where and how’ of economic transactions outside of the dominant neo-classical framework of economics. It conceptualises entrepreneurs as rich actors who are confronted with a time-specific and place-specific set of opportunities and constraints. Shaping these opportunities and constraints are the economic, social and institutional dimensions of the context within which entrepreneurs operate. Within this approach, structural elements such as policy arrangements, regulation and market conditions, as well as agency in the form of entrepreneurial behaviour, have a place. The mixed embeddedness approach is thus concerned with the context within which economic In this study, the context within which entrepreneurs operate is the residential neighbourhood. Therefore, I apply the mixed embeddedness approach to a specific spatial context. This study will contribute to our understanding of 1) how the economy of the urban residential neighbourhood is changing as a consequence of macro-economic changes and changes in urban governance. 2) the mechanisms through which economic actions are embedded in the neighbourhood in ‘structures of social relations’ (Granovetter, 1985).

Following the same approach, I will start by outlining the wider changes in the capitalist production system and urban governance that are connected to changing market conditions and economic policies on the level of the city and the neighbourhood. I will outline these processes that play out on higher scale levels, yet crystallise in residential neighbourhoods. Then, I will return to the mixed embeddedness approach and explain how it can be utilised in understanding neighbourhood economies.

1.2. The transformation of urban economies

First, we have to consider how the economy of residential neighbourhoods is connected to contemporary urban economies in advanced capitalist countries. The work of Allen Scott (2008, 2012) has been very important in explaining how the manifold transformations in production systems and consumption patterns have made the city re-emerge as the focal point of modern-day capitalism. The term re-emergence is used by various scholars to indicate that the economy of many cities in the Western world is now seen as ‘resurgent’ after a period of decline that set in during the early 1970s (Scott, 2008, Storper & Manville, 2006). The period before this ‘urban crisis’, which spans the greater part of the twentieth century, was dominated by growth and expansion with the development of mass-production. Characterising the urban spatial trend in this period was an increasing separation of functions in space within individual areas or neighbourhoods.
In the Netherlands, during the period of Post-War reconstruction and economic growth, many economic activities located outside, but close to, large cities. With Fordism unfolding, places of production needed more space, space that was affordable and that could offer increased car accessibility. This could be found on industrial estates at the edge of cities and close to suburban areas. The dynamics of urbanisation were geared towards urban expansion and suburbanisation. Many families from the upper and middle classes moved to suburban areas, leaving lower-middle class, working-class and immigrant inhabitants of inner cities behind. Because urban planning policies in the Netherlands put limits on urban expansion, Dutch cities never reached the stages of urban sprawl that characterise many American cities (Van der Cammen & De Klerk, 2012). Nevertheless, the depopulation of inner cities and the economic oil crises of 1973 and 1979 resulted in urban crises for many Dutch cities that lasted far into the 1980s (Ibid.). This was a time where many cities, especially inner cities, in the United States and Western Europe were struggling with economic restructuring, low-quality housing and declining attractiveness as business locations, and hence, declining employment (Storper, 1995). In the Netherlands, this crisis was partly dealt with by renewed investments in inner-city areas from the mid-1970s onwards, setting the course for a long period of urban renewal strategies (Van der Cammen & De Klerk, 2012).

After the economic crises of the 1970s and 1980s, the Dutch economy started to make the transition from an industrialised economy to a service-based and knowledge-based economy. The Netherlands and other countries that had been thriving under the Fordist system of mass production now faced increased competition for large-scale manufacturing from emerging low-wage economies. At the same time, markets for mass-market consumer products started to become saturated. Macro-social processes like individualisation, women’s emancipation and immigration fundamentally altered consumer markets and concurrently production systems needed to adapt in order to stay profitable. Piore and Sabel (1984) documented the shift from mass production to an economy of flexible specialisation, as characterised by smaller firms, flexible batch production, and a need for skilled labour. Scott (2008, 2011) as well as Lash and Urry (1994) have analysed how this flexible production system has increasingly become dominated by products and services that are infused with symbolic and semiotic value. High-tech and creative economic activities, as well as (financial) services are now the most important sectors of advanced urban economies. Small-scale and flexible production have become more important in a swiftly changing consumer market. The practice of producing large quantities of standardised products has been mostly replaced by the practices of innovation and ‘discovery’ (or creation) of new consumer (niche) markets. These practices are largely based on information processing through digital technology and online communication. In many sectors, niche markets have
taken the place of mass markets – and at the same time, fashions and trends within these niches are changing rapidly, demanding flexibility and continuous innovation from entrepreneurs in production and exchange activities. This is reflected in the emergence of distinct (urban) consumer cultures (Scott, 2010).

Together with a shift in sectors, the tendencies towards vertical disintegration and outsourcing, as well as the erosion of economies of scale, have created new opportunities for small firms and the self-employed (Kloosterman, 2010). Small-sized and medium-sized firms can more easily offer specialised production, adapting their services and inputs to quickly changing consumer demands. They can offer independent, flexible (business) services with relatively low start-up costs and minimal investments in production capital and labour, keeping their prices competitive. The changes in the system of production can be linked to changes in the factors of production: large investments in capital and labour are no longer prerequisites to starting a firm, effectively lowering the barriers to entry for nascent entrepreneurs. These changes culminate in a sort of capitalism that has been labelled ‘cognitive-cultural’ or ‘post-Fordism’ or are simply referred to as the ‘new’ economy (see also Hutton, 2004; Scott, 2012).

How does this relate to the economic resurgence of the city? With the progression of the ‘new’ economy, some researchers initially thought that due to a lessening of the dependence on natural resources as well as the digitisation of production, capital had become more mobile and that location did not matter as much as before. However, the work that builds on agglomeration economies (Scott, 2007; Sassen 1991) has shown that cognitive-cultural activities gravitate to particular cities in order to benefit from the pooling of infrastructure, the proximity of suppliers, and a high-skilled labour force. Moreover, various scholars have argued that the diversity of economic activities in cities make them places par excellence of innovation through collaboration, flows of information and the building of business networks (see for instance Granovetter, 1985; Storper, 1997; Currid, 2007; 2010). Knowledge production and exchange as well as creativity are said to benefit from high-density urban environments, where opportunities for social interaction and networking are abundant (Maskell & Lorenzen 2004). Not all cities are equally successful as production sites for the new economy. Literature concerning global cities (Sassen, 2001; Ancien, 2011) emphasizes the unique and central role that financial centres play in the global economy, and illustrates the diverging economic positions of cities around the world by using a Global Cities Index. In addition, Scott (1988, 2000, 2012) and Hall (1997) have researched how the cognitive-cultural economy has been driving changes within the city. Terms like the ‘Post-Industrial city’ (Hall, 1997) and ‘cognitive-cultural city’ (Scott, 2011) signal that changes in the capitalist production system connect intimately with urban form and function.
One of the main topics of study has been the explanation for, and consequences of, co-location of economic activities and how the exchange of (tacit) knowledge through formal and informal networks relates to business strategy and success. The pivotal role of advanced communication networks and face-to-face contact in successful urban and regional clusters of economic activity has been underlined by several authors (see for instance Maskell & Lorenzen 2004, Storper, 1997; Saxenian, 1994; Piore and Sabel, 1984).

These changes in the capitalist production system and urban economies connect with the economics of residential neighbourhoods in several ways. First, the newly dominant sectors in the cognitive-cultural economy are less nuisance-prone and therefore are easier to accommodate in residential neighbourhoods. Second, the processes of outsourcing and lower barriers to entry have boosted opportunities for SMEs and the self-employed, reflected in a general decrease in terms of the numbers of people employed on average per company (Storey, 1994). Smaller firms are also easier accommodated in residential neighbourhoods where economic activities need to compete for space with residential, infrastructural and leisure-related functions. Third, the smaller business size and customized work practices that characterise cognitive-cultural economic activities allow them to be, at least partially, performed from the home, and this is reflected in the rise of home-based businesses and self-employment in the Netherlands as well as internationally (Mason, Carter, & Tagg, 2011; Mackloet, Schutjens, & Korteweg, 2006). This trend towards being (partly) self-employed is amplified by an increasingly flexible labour market that, on the one hand, allows for combining flexible working hours in wage labour with being an entrepreneur (Sleutjes, 2012), and, on the other, is increasingly predicated on project-based work that attracts independent workers who can mix and match a portfolio of income-generating activities.

Residential neighbourhoods can be conceived of as a type of ‘banal’ urban space in economic terms (Phelps, 2004). Intuitively, they seem unlikely sites of economic activity because they do not offer the prominent location of a central business district, nor do they offer as much space or the connectivity of industrial estates, or indeed the visibility of a location close to a highway. Yet, residential neighbourhoods have certain advantages. They are often relatively close to, or at least well connected to, city-centres. They offer affordable business space, and are often near a variety of urban amenities. Additionally, running a home-based business might offer additional flexibility in combining work and care tasks. It is therefore interesting to unravel the spatial articulation of a changing economy within the landscape of residential neighbourhoods. As Scott (2012: 142) observes: “… in contrast with the sharp and often incompatible contrasts between production space and residential space that typified much of the urbanisms of the earlier capitalist eras, a
sort of continuity or balance seems now to be spreading over privileged segments of the metropolis where work, shopping, leisure, and residential activities interpenetrate with one another in relatively smooth mutual interdependencies.”

1.3 Changes in urban governance: urban entrepreneurialism

The trends and processes outlined above provide a new impetus to the urban environment as an economic ‘growth machine’ (Logan & Molotch 2007). Public as well as private actors seek to increase the attractiveness of the city as a place of work and investment, leisure and residence. Cities compete for jobs and investments, and they have to do so both on a global and a national scale. In order to stay competitive in a cognitive-cultural economy, many cities try to attract the high-tech sectors, creative industries and financial and business services. Considering that these types of industry rely less on ‘classical’ location factors, cities can no longer solely compete on the traditional means to promote trade and industry such as real-estate management, fiscal policies and infrastructure (Blume 2006). The idea of sculpting and shaping the local business environment relates to the notion of the existence of a strongly localised ‘production milieu’ that cannot be easily moved or duplicated elsewhere (Savitch and Kantor 2002). Cities with varied economic histories and bases try to profile themselves as new sites for cognitive-cultural economic activities. Cities have done this, for instance, by investing in high-profile or ‘flagship’ projects that function as ‘icons,’ as well as by trying to attract the ‘creative class’. (Majoor, 2008; Florida, 2002; Hubbard, 1996). This rather general term, coined by Florida (2002) and widely adopted by urban policy-makers, denotes a class of (independent) professionals in creative occupations who pursue a particular urban lifestyle. Various strategies are adopted to create the ‘entrepreneurial landscapes’ that will attract the sought-after industries of the cognitive-cultural economy (Hubbard, 1996). This development started in the mid-1970s in the United States and somewhat later, in the mid-1980s in the larger cities in the Netherlands. Ideas for large urban planning projects like waterfront redevelopment and reusing brownfield sites were adopted by Dutch policy-makers visiting the United States (van Ruyven et al. 2012). The plans formed the onset of a renewed focus on economic opportunities in cities. Inter-urban competition led to the promotion of ‘good business climates’ on the level of the cities and the city regions (Logan & Molotch, 2007; Peck, Theodore, & Brenner, 2009).

Nowadays, the focus on revitalising urban economies can be discerned in cities that have been dealing with the effects of the aforementioned ‘urban crises’ in the United States and Europe as well as ‘newer’ cities like Zoetermeer in the Netherlands, that are competing for jobs and investments. This development is closely connected to a ‘rolling back’ of the state or what, alternatively, has been
called a transition from urban managerialism to urban entrepreneurialism (Doucet, 2013; Hubbard, 1996; Harvey, 1989) or neoliberal urbanism (Peck et al., 2009). This urban entrepreneurialism takes shape in a situation where cities (and city regions) are increasingly competing for investment flows and relying on the market and the private sector to realise urban growth and development. City governments seek out coalitions with private investors to share responsibilities for local economic development trajectories. Critical observers have noted that city governments are decreasingly an actual provider of public goods and services and increasingly a facilitator in an urban market of land and buildings (Logan & Molotch, 2007; Cochrane, 2007). Controversies about these coalitions and their aims are often framed in terms of questions on the distribution of risks, returns on public investment and the representation of the public good (see for instance Peck et al., 2009; Majoor, 2008). The shift to a reliance on market allocation and competition is legitimised by connecting it to economic growth, and in turn equating economic growth with the public good.

The shift towards urban entrepreneurialism and promoting ‘good business climates’ is also noticeable at the neighbourhood level. Urban policy-makers are responding to statements made by authors like Landry (2000) and Florida (2002) who are advocating creative-city policies and planning interventions in order to foster attractiveness of cities as residential places, especially for highly educated, entrepreneurial, and creative workers. In the view of Florida and Landry, specific types of economic activities and amenities on the neighbourhood and city-level contribute to attracting this creative class. Also, firms and businesses are increasingly being seen as key components in a strategy of ‘revitalising’ run-down or deprived urban neighbourhoods. ‘Problem areas’ in the city are assumed to benefit from an inflow of entrepreneurial activity and new businesses, creating a lively atmosphere and boosting employment. Also, in the longer run, successful businesses are thought to attract other businesses, creating an upward economic spiral (Welter et al., 2008). Top-down planning strategies to improve local business climates can be considered a European trend, as the OECD (2003) reports that many European countries are aiming to revive urban districts by attracting investments in local entrepreneurship and shops as well as by improving the local business climate. In the institutional landscape of the Netherlands, the development towards urban entrepreneurialism coincides with a tradition of area-based policies (Peck et al., 2009). This has led to a development in Dutch urban planning and policy where the neighbourhood economy has become a part of urban economic policy in many cities. In the process of upgrading neighbourhoods, the neighbourhood economy is seen as holding part of the solution. This translates into concrete schemes and programs to improve the business climate in residential areas: policy measures targeting the built environment, neighbourhood business dynamics as well as indi-
Individual entrepreneurs. As a result, expectations rise with regards to how local shops and businesses can increase the attractiveness of their neighbourhoods as places in which to live and to invest. In the European context, next to the Netherlands, the neighbourhood economy features most prominently on the urban policy agenda in cities in Germany and the UK (see for instance Welter et al., 2008 for Germany, and Syrett & North, 2008 for the UK).

This interplay of economic and political developments explains why many urban economies have been said to be ‘resurging’ since the 1980s. ‘Resurgence’ is used to refer both to the (inner) city as the focal point of new ways of production and consumption, as well as the increased popularity of the city as a place to live for a wide variety of household types (Boterman, Karsten & Musterd, 2012; Storper & Manville, 2006). Compared to earlier decades, the appeal of city living is growing for upper-class and middle-class households, also for families with children (Boterman, 2012). Perhaps ‘creative class’ is not the most suitable term, but a large part of the urban middle class is involved in highly skilled cognitive or cultural labour (Florida, 2002; Butler & Robson 2001, Scott, 2008). Most research on the economic resurgence of the city focuses on inner-city districts or economic clusters of, mainly, creative industries. However, it is worthwhile to investigate how predominantly residential parts of the city are developing in this context of a shift towards a cognitive-cultural economy and urban regimes characterised by urban entrepreneurialism.

1.4 A mixed embeddedness approach to economic processes

The structural conditions of changing economic opportunities, as well as urban regimes that are promoting particular types of urban transformation, are influencing decisions made by entrepreneurs to set up shop, decide on locations and business strategies, and organise their firms. At neighbourhood level, policy schemes and programs are designed to enhance residential environments and influence patterns of entrepreneurship directly and indirectly. In turn, these structural qualities cannot be viewed independently of changing entrepreneurship practices, and how these practices are in turn shaping political and social institutions. This means that economic processes are socially instituted processes, and we need to take a closer look at how they are embedded in society. Before I explain how the mixed embeddedness approach can be utilised in understanding neighbourhood economies, I will briefly outline the theoretical roots of this approach.
1.4.1 Economic actors and social embeddedness

Concerning the context within which entrepreneurial actors operate, approaches have developed that critique the methodologically instrumentalist neo-classical economic approach to entrepreneurship. Focusing on the individual level of the (nascent) entrepreneur, the neo-classical approach conceptualises the starting of a firm as a rational means-to-ends decision (Watson, 2013a). According to this view, economic actors make decisions that return the highest economic value possible and result in the most efficient outcomes. The approach presupposes (and implicitly promotes) a highly atomised individual whose actions and decisions can be modelled in order to predict aggregate economic behaviour. Responding to this school of thought, economic sociologists formulated a critique of the rational-choice approach to economic action by contesting its main assumption about a lone *homo economicus* solely interested in maximum economic utility (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). This resulted in a ‘new institutionalism’ in economic sociology, one of its main premises being that economic action is not necessarily rational or calculated according to neo-classical standards, but results largely from routines and customs (i.e. institutionalised ways of conduct) that are based on a much broader value system than economic values alone (see for a historical overview Stark, 2009). In turn, this new institutionalism was criticised by scholars who said it presented an over-socialised conception of economic actors who were thoughtlessly following institutionalised scripts, presenting an overly deterministic view of economic action (Mingione, 1991). Granovetter’s (1985) well-known critique of both the ‘over-socialised economic actor’ as well as the ‘under-socialised actor’ in neo-classical economics states that if we want to explain economic processes, we should look at the networks of social relations in which actors are embedded. He argues that the neo-classical concept of ‘rational’ decisions is too narrow, leaving out all but purely economic goals attainable in economic transactions. Instead, economic relations are always social relations and economic actors never operate as ‘atomised actors’ (Ibid: 485).

Following Granovetter, further studies on entrepreneurship took an ‘embeddedness approach,’ showing that economic actors do not operate in isolation, but depend on social relations for access to a range of different resources necessary to start a firm as well as information on business opportunities (Granovetter, 1985; Waldinger & Aldrich, 1990; Zukin & DiMaggio, 1990). This approach conceptualises the economic actor as being embedded in a network of social relations with suppliers, customers and organisations (Welter, Trettin, & Neumann, 2008). Although the importance of the social relations of economic actors in explaining economic processes is irrefutable, the implicit danger in this approach is that it remains one-dimensional by focusing on the properties of a network of social
relations, thereby ignoring the importance of market conditions and higher-level institutions. The mixed embeddedness approach offers a solution by making a connection between the micro level of the entrepreneur and the macro level of the context within which (s)he operates.

1.4.2 Mixed embeddedness

The mixed embeddedness approach (Kloosterman, 2010; Kloosterman & Rath, 2001; Rath, 2002; Kloosterman, van der Leun, & Rath, 1999) combines the social, economic, and institutional dimensions that shape entrepreneurial processes. One of the added values of the mixed embeddedness approach is that it connects individual entrepreneurial action to wider structural conditions. Mixed embeddedness, then, is used to study the social embeddedness of economic actors as well as the wider economic and institutional context within which firms operate. It scrutinises prevailing market conditions and institutional contexts, and does not see these as necessarily static conditions. The building blocks of the mixed embeddedness approach thus consist of social embeddedness, market dynamics or economic embeddedness, and regulation and governance or political-institutional embeddedness (Rath, 2003). These building blocks are operationalised below. By applying the mixed embeddedness approach to the study of neighbourhood economies, it is possible to compare neighbourhoods and cities and see how the economic, institutional and social dimensions of the context within which entrepreneurs operate interacts with the spatial dimension of the residential neighbourhood.

Social embeddedness refers to the interdependencies between economic actors. These can consist of exchanges with direct monetary incentives (traded interdependencies), as well as untraded interdependencies that involve unpaid transactions of knowledge and information. However, these are both socially instituted interactions. An often-stated proposition in relation to the emergence of the cognitive-cultural economy is that the fragmentation of production chains intensifies the need for entrepreneurs to engage in face-to-face contacts with other entrepreneurs. This would explain why cognitive-cultural entrepreneurs would prefer to settle in dense urban areas; in order to maintain business-network relations that benefit knowledge production and exchange (Currid, 2007, Maskell & Lorenzen, 2003). It is interesting to see how this plays out in urban residential neighbourhoods, where business presence is less dense and where it seems less conducive of the kind of ‘buzz’ that is attractive for cognitive-cultural industries (Storper & Venables, 2004). This way of conceptualising the social embeddedness of entrepreneurs stresses relations between individuals or individual firms. It is, however, also possible to look at entrepreneurs as communities. Especially on the relatively small scale of neighbourhoods where a shared space forms an initial
common ground between economic actors, the collective action of associations of entrepreneurs in shaping this shared space seems important. Following this perspective, groups of entrepreneurs might wish to pool their resources in order to gain benefits for the whole neighbourhood economy.

Market dynamics play an important role in the neighbourhood economy. The restructuring of patterns of production and consumption outlined in section 1.2, as well as the change in the socio-demographic composition of urban residential neighbourhoods, are expected to influence neighbourhood market dynamics. It seems likely that processes such as residential gentrification and the proliferation of family households in urban residential neighbourhoods is accompanying a change in the landscape of shops and firms at neighbourhood level (Zukin, 1997).

Also, neighbourhood residents play a role in the supply side of entrepreneurship since they can start a firm themselves from, or close to, their home. The local demand in a neighbourhood is not equally important for all firms; retail and consumer services are more dependent on the clientele of neighbourhood residents than business services. Yet, the socioeconomic and demographic composition of a neighbourhood can be thought to influence the image and attractiveness of a neighbourhood as a business location in several ways. I consider this interplay between the residential composition of neighbourhoods and the supply and demand side of entrepreneurship as characteristic of the neighbourhood economy.

The building block of regulation and governance in the mixed embeddedness approach refers to various forms of regulation and legislation of economic actions on different scale levels (Rath, 2003). Regulation of entrepreneurial actions presents barriers as to what entrepreneurs can (legally) do, while at the same time facilitating them by creating a stable, predictable environment of exchange. On the level of the residential neighbourhood, the Dutch case offers an interesting example of regulation of economic activity. Neighbourhood zoning plans and by-laws form a direct regulatory framework for economic activity. They also represent an institutionalised practice that reveals the struggle between allocating (conflicting) functions to a spatial area. Next to neighbourhood planning practices, a collection of regulations and policies control and stimulate economic activity and entrepreneurship in each neighbourhood. These policy arrangements seem to fit within the rhetoric of creating ‘good business climates’ (see section 1.3). Related to this, governance of neighbourhood economies has changed considerably since 2007 when the neighbourhood economy became one of the central pillars in area-based policies designed to combat social and economic problems in urban areas (Meijeren & Ouwehand 2007). The specific policy arrangements that were designed to target neighbourhood economies differ between cities, and are likely

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2 Next to the pillars of physical restructuring and social transformation.
to have different local outcomes. Next to these formal institutional arrangements, the aforementioned collectives or associations of entrepreneurs can be thought of as informal ways of governing the neighbourhood economy. These communities of entrepreneurs might develop institutionalised practices that function next to formal rules and regulation.

These three building blocks of the mixed embeddedness approach are emblematic of its perspective on economic (trans)actions: individual entrepreneurs as well as firms do not operate in a vacuum; they are embedded in local networks, shaped by institutions and dependent on local markets. Originally, the mixed embeddedness approach was developed to explain ethnic entrepreneurship. I argue that in a highly fragmented consumer market, with a diverse population of entrepreneurs and firms, as well as an institutional environment that is increasingly responding to differences in local business climates, this approach can be utilised to explain patterns of entrepreneurship and business dynamics in a broader sense.

1.4.3 A pragmatic realist approach to mixed embeddedness

The discussion on the relevance of conceptualising economic actors as social actors in the embeddedness approach implies a distancing from the economist instrumentalist approach to economic processes. The neo-classical economic approach to entrepreneurship for instance, is associated with a methodological instrumentalism that aims at predicting entrepreneurial behaviour and choices through formal modelling. Prediction is the goal. Assumptions that are made in order to make those predictions do not necessarily have to correspond with reality (Caldwell, 1980). These assumptions include free entry to markets, market equilibrium and fully informed, rational economic actors (Engelen, 1995). According to Wainwright this approach ‘confuses predictive success with both causation and explanation’ (2000:3). Another limitation of the neo-classical economic approach to entrepreneurship is that it leads to law-like principles that are stripped from context and only scratch the surface of how the ‘real world works’ (Watson, 2013a).

A pragmatic realist approach to economic phenomena seems more fruitful. The term ‘pragmatic’ refers to the Euro-American pragmatist tradition, which offers a productive way of thinking about social reality away from ‘scientism’ as well as interpretivism. In neo-classical economics, the concern with universal principles, as well as predictive success of formal models, represent elements of scientism. Yet, scientism lacks a concern for context-sensitive explanations of social phenomena, which can also include unobservable entities with ‘generative power,’ such as power asymmetries and social structures (Watson, 2013a; Wainwright, 2000:3; Bhaskar, 1989). Moreover, by effectively eliminating context from its object of
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study, scientism leads to an ‘atomised view of human rationality’ (Yeung, 1997:55). On the other hand, interpretivism can be criticised for an over-emphasis on subjectivism by ‘reducing the social world to the representations that agents have of it’ (Bourdieu, 1989). Likewise, Johnson and Onwuebugzie (2004) criticize the strong relativism of the idea of ‘multiple realities’ advocated by interpretive ‘purists.’ They state that one cannot reduce all empirical observations to individual realities.

Pragmatism tries to solve the dilemma between ‘hard scientism’ and ‘soft interpretivism’ by ‘producing theories of social realities which can inform human social practices’ (Watson, 2013a:23; James, 2008). Taking a realist position implies that theories about social processes, while containing abstractions, should always be empirically grounded. The economists’ instrumentalist assumptions about perfectly transparent markets, full information and rational decision making are helpful in making predictions, but they are not very realistic, they do not correspond to ‘real-world observations’ (Zukin & DiMaggio, 1990). Realism contends that the objective of social science is to explain what goes on in the social world. This world is real and consists of observable phenomena, and so some theories correspond more closely to what goes on in this social world than others. This is not to say that proponents of pragmatic realism seek the ultimate explanatory theory; it allows for critical theory-building by ‘constantly seeking fuller rather than ultimate explanations.’ Pragmatists would argue that knowledge is a marriage between old and new knowledge (Caldwell 1980: 189; James, 2008). The emphasis on empirically grounded theories, and incremental adjustments to those theories, resonates with the tradition of developing middle-range theories.

Pragmatic realism only accepts a moderate form of social constructivism, stating that we do not create reality as we go, through speech acts and meaning attribution, but ‘we come into a social world that has cultures, structures and institutions’ as well as languages, that shape our actions (Watson, 2013a; Wainwright, 2000). As Durkheim (1938) and Berger and Luckmann (1967) contended, these structures and institutions are external to the individual and not necessarily observable, but do impose themselves on the individual and his behaviour. These generative mechanisms constitute observable phenomena, and thus can, and should, be part of our theoretical explanations. Conversely, pragmatic realists contend that shifts in the attribution of subjective meaning and social actions also affect these cultures, structures, institutions and languages, thereby creating space for human agency and the possibility of change. Adopting a pragmatist approach means conceptualising structural elements and agency as forming a dialectic, incorporating possibilities for change (Giddens, 1984). Therefore, this study addresses both the structural elements of the local production milieu that exert an influence on economic actors, as well as how entrepreneurs attribute meaning to those structures.
– and practice within them.

1.5 Research area

This study is based on various sources of data coming from five Dutch cities: Amsterdam, Dordrecht, Leiden, Utrecht, and Zoetermeer. These cities participated in an overall research project titled ‘Dynamic neighbourhoods in dynamic urban economies’. The University of Amsterdam, Utrecht University and NICIS₃ (now Platform 31) coordinated the research project. Together, the municipalities, NICIS and the two universities formed a research consortium and discussed preliminary findings twice a year. The project resulted in two dissertations (see also Risselada, 2013). The municipal project participants assisted the research by providing access to data and reflecting on provisional results.

All the research cities are located in the west of the Netherlands. These cities are part of the same national context and located in one urban region (The Randstad Region). There is considerable congruency in the cities’ backgrounds and institutional make-ups. At the same time, they differ in size, physical structure, age, economic orientation, and growth rates. The analytical level of this study is that of the neighbourhood, and in each of these five cities a range of different urban milieus is present. The operational definition of the neighbourhood that is used in this research coincides with administrative boundaries as used by municipal and national government. This results in spatial areas with an average size of 4600 neighbourhood residents, ranging from 1000 –10,000 residents. In terms of square kilometres, the researched neighbourhoods range between 0.3 and 2.5 km². The researched neighbourhoods are all ‘purely residential areas’, and are distinguished from city-centre areas, residential districts with an industrial estate, and purely industrial districts⁴.

Pre-War neighbourhoods⁵, sometimes strongly gentrified, as well as Post-War neighbourhoods, markedly characterised by a separation of functions in space both form part of this study. In each of the five cities, three urban residential districts were selected, in some cases consisting of multiple smaller neighbourhoods⁶.

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₃ Netherlands Institute for City Innovation Studies
₄ The categorisation was made on the basis of postal code areas. First, only areas with more than 500 residential addresses were selected. This group was divided into three categories: neighbourhoods with a city centre function, neighbourhoods that have an industrial site within them, and the residue is categorized as “purely” residential neighbourhoods (Raspe et al., 2010).
₅ Zoetermeer predominantly consists of Post-War neighbourhoods since this municipality (founded in 1935) was designated as an urban growth area for the city of The Hague in 1962 (Municipality of Zoetermeer 2013).
₆ For reasons of statistical inference, the number of neighbourhoods was expanded for the analyses in chapter two and three.
District selection was based on their socio-economic status as well as their involvement in other research projects. In each city a residential district of high, medium, and low socio-economic status was selected. To determine socio-economic status, all the districts of the city were ranked. First, a factor analysis was used to group seven variables indicative of the socioeconomic status of the neighbourhood into two variables. Second, (k-means) cluster analysis was used to rank all the neighbourhoods into the three categories. The socioeconomic status of a neighbourhood implies a specific population composition which plays a role in the presence of local markets, the price range of local business space, as well as the pool of potential local entrepreneurs. The socioeconomic environment of residential neighbourhoods thus functions as the most important comparative dimension in this study. Furthermore, the goal is to grasp the qualitative differences in production milieus that these neighbourhoods represent. Besides the size of neighbourhood economies, this study examines changes in the nature of economic activity and the differences in compositions of neighbourhood economies.

Figure 1 provides some initial information on the share of urban economic activities located in residential neighbourhoods in the five Dutch cities as compared with other urban locations in the period 1998-2008. Public sector activities such as schools and hospitals are excluded from all analyses in this study. The different graphs show that in all five cities, the share of economic activities in residential neighbourhoods is substantial, and on the rise, compared to city centres and industrial estates. In Amsterdam, Utrecht and Zoetermeer, the residential neighbourhoods accommodate a higher share of economic activity compared to the other location types.

7 Herewith we tried to avoid areas that had been included in other scientific or municipal studies in the year preceding the start of the research project.
INTRODUCTION

Figure 1: share of urban economic activity (no. of firms) in different neighbourhood types

Source: LISA data 1998-2008
1.5.1 Data and Methods

With the research design, two main aspects of neighbourhood economies are investigated. Firstly, I examine the patterns of economic activity in urban residential neighbourhoods over the period 1998-2008, and the differences in this economic activity between cities and types of neighbourhoods. Secondly, I explore the institutional, market and social dimensions of economic activities in the spatial context of urban residential neighbourhoods.

To address these two aspects, different types of data and different methods are used. For the first aspect, this study relies on a longitudinal data set (LISA\(^8\)) of company-level data, based on data from the Dutch Chamber of Commerce. The LISA dataset provides information on all the firms located in the five selected cities in the period 1998-2008. A street-level six-digit postal code is available for each firm and, aggregated to the more general four-digit postal code, this allows for detailed analysis at neighbourhood level. The information presented in figure 1 was generated with the LISA dataset. To gain insight into how business settlement patterns have developed in residential neighbourhoods in five different cities over a ten-year period, quantitative methods are being used.

For the second aspect, two different types of data are used. A survey of entrepreneurs in the selected residential districts in the five cities was conducted in 2011. The survey provides detailed data on the characteristics of entrepreneurs covering 370 firms in the five research cities\(^9\). In addition to this large-scale survey, I conducted 27 in-depth interviews with entrepreneurs and policy-makers in the period January-July 2012\(^{10}\). The entrepreneurs responding to these in-depth interviews had indicated in the survey that they were willing to be interviewed. Some of the policy-makers and policy actors I interviewed were members of the research consortium within which my research was embedded. Other policy actors were approached through these initial contacts. Qualitative methods such as these are helpful in gaining understanding of the institutional and regulatory environment and changes therein. Also, they are suitable for studying the effectiveness of policy instruments that are designed to create attractive business climates in urban residential neighbourhoods.

\(^8\) LISA refers to The National Information System of Employment register (Landelijk Informatie Systeem Arbeidsplaatsen)

\(^9\) A total of 1,683 questionnaires was distributed over 15 residential districts in five cities of which 370 were completed, resulting in a response rate of 23%.

\(^{10}\) In total 13 entrepreneurs and 14 policy actors were interviewed (11 policy actors working for municipalities, two from housing corporations and one from the Dutch organisation for Small and Medium sized Enterprise – MKB Nederland).
These three main data sources, the LISA data, the survey data and the interview
data, were complemented with neighbourhood and city-level socio-economic and
demographic data provided by the municipalities of the five research cities as well
as the National Bureau of Statistics (CBS Nederland).

1.5.2 Structure of the book

To answer the main question as formulated earlier, I make use of four sub-ques-
tions organized into the subsequent chapters of this book. Each chapter repre-
sents an article that is either published in, or under review with, an international
peer-reviewed journal. Each sub-question acts as the main research question for
its separate chapter of this book. I will shortly outline each sub-question here, as
well as the data source and the methods that I use to address these sub-questions.

The first sub-question is addressed in chapter 2 and concerns the institutional and
regulatory dimension of economic dynamics in residential neighbourhoods:

*Can we identify different types of economic zoning in neighbourhood land-use
plans, and if so, which of these zoning types are more suitable and which are less
suitable to accommodate local economic activities?*

Local rules and regulations on what type of economic activity is allowed where
form the legal framework within which firms in residential neighbourhoods
operate. The land-use plan is a powerful legal instrument that has always been
characterised by rigidity in the Dutch context. More recently, there have been
changes in policy discourses on how to design and implement land-use plans.
As a consequence, some municipalities have been designing more flexible and
less detailed land-use plans. In order to grasp the relationship between economic
zoning and the formation of neighbourhood economies, land-use plans of 44
residential neighbourhoods in the five research cities were analysed, and compared
to economic developments in the neighbourhoods using LISA data covering the
ten-year period of 1998-2007. Both qualitative and quantitative techniques are
used to see how adjustments on a regulatory level are connected to business set-
tlement patterns at neighbourhood level. Land-use plans, which allocate functions
in spatial areas, are considered as a restraining or facilitating structure that need to
be taken into account before other mechanisms that influence the spatial patterns
of entrepreneurship are analysed.

The second sub-question is addressed in chapter 3 and concerns the intra-urban
geography of different type of firms in residential neighbourhoods:
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What is the relationship between neighbourhood characteristics and entrepreneurship in terms of the level of entrepreneurial activity, growth in activity and type of activity at neighbourhood level?

After considering the relationship between zoning plans and economic activity, this chapter looks at other neighbourhood characteristics that drive the local economy. The main data sources used to answer this question are the LISA dataset containing company-level data of firms in 71 neighbourhoods in the five research cities. Additionally, municipal research centres of the five cities provide neighbourhood-level data on the educational attainment of residents. Other socio-economic indicators of neighbourhoods were obtained from the National Bureau of Statistics (CBS Nederland). In this chapter solely quantitative methods are used to construct an argument for using the classificatory lens of the cognitive-cultural economy to study neighbourhood economies.

The third sub-question is addressed in chapter 4. It zooms in on the organisational strategies used by entrepreneurs in residential neighbourhoods, making a distinction between cognitive-cultural firms and ‘traditional’ firms:

To what extent do cognitive-cultural economic activities occur in residential neighbourhoods and how does their neighbourhood embeddedness differ from ‘traditional’ industries?

Whereas chapter 3 is concerned with how the cognitive-cultural economy is distributed within the city, chapter 4 explores the strategies of cognitive-cultural businesses that are settling in residential neighbourhoods. In most scholarly work, cognitive-cultural industries are presented as profiting best from inner-city locations or by clustering in creative districts that offer a particular kind of ‘buzz’. Intuitively, residential neighbourhoods do not seem to offer an environment amenable to such industries. In this chapter, the survey data are used to explore the extent to which cognitive-cultural economic activities are located in residential areas. Also explored is whether their embeddedness in social relations and local markets differs from more ‘traditional’ firms in the same neighbourhoods. The approach of this chapter is quantitative, yet it incorporates elements from the in-depth interviews with entrepreneurs, aimed at arriving at a deeper understanding of the organisational differences that are observed between cognitive-cultural and traditional firms. Company-level characteristics of cognitive-cultural and traditional firms are compared and utilized to explain their economic and social embeddedness in the neighbourhood.

The fourth and final sub-question is addressed in chapter 5. It starts from the idea of urban entrepreneurialism and looks at how local economic revitalisation
strategies try to create ‘attractive business climates’ in residential neighbourhoods:

How do governmental interventions and the practices of entrepreneurs interact on a neighbourhood level to (re)produce urban commercial spaces?

In this chapter, the institutional arrangements that intervene in the economy of residential neighbourhoods are analysed as well as how they are received by neighbourhood entrepreneurs. I use the extended-case method to examine the qualitative differences between the economies of residential neighbourhoods by integrating the perspectives of both urban policy-makers as well as entrepreneurs. The extended-case method is applied to ‘extract the general from the unique’ (Burawoy, 1998). Every neighbourhood represents a unique production milieu with its own localised conditions of production and consumption. Yet, the analysis aims to identify commonalities in the situated practices of entrepreneurs and policy-makers that occur in Dutch residential neighbourhoods. Data from the 27 interviews with policy-makers and entrepreneurs are used to situate commercial gentrification processes in four residential neighbourhoods. In contrast to the previous chapter, I use the survey data to complement the qualitative interview data that is the main data source of this chapter.

In chapter 6, I summarise the findings from the separate chapters and integrate the different perspectives that were utilised to answer the sub-questions. Chapter 6 also reflects on the mixed embeddedness approach as well as the implications for policy actors concerned with the field of neighbourhood economies, entrepreneurship and urban spatial and economic planning. Finally, directions for future research will be proposed.
Chapter 2.
Planning the Neighbourhood Economy

Land-Use Plans and the Economic Potential of Urban Residential Neighbourhoods in the Netherlands

This chapter investigates the relationship between zoning by-laws, as put forward in governmental land-use plans and the viability of urban residential neighbourhood economies. The Dutch planning tradition has long been characterized by strict separation of functions and top down planning. We argue that profound changes in social and economic structures make land-use planning practices less suitable for the current policy formula of “mixed urban milieus”. Although the residential neighbourhood might not be the location of large firms, it definitely attracts small ones, and facilitates starting businesses whose presence (and potential growth) can be beneficial to the city as a whole. We present a typology of spatial patterns of neighbourhood economies based on land-use plans and describe whether these are related to the distinctive economic development of the neighbourhood over the period 1999–2007.

2.1 Introduction

Marshallian arguments that explain processes of agglomeration economies in inner city areas and industrial districts continue to strongly influence the current debate on urban economies (Phelps, 2004). One of the implications of this is that the bulk of the literature on urban economies has a focus on Central Business Districts (CBDs) or industrial clusters. However, several authors have drawn attention to the (economic) significance of new urban landscapes different from CBDs and industrial clusters, and how changes in the organization of production are related to the built environment in these a-typical places of production (see for instance Knox, 1991; Phelps, 2004; Gospodini, 2006). Phelps (2004) argues that in the light of decentralization and polycentric metropolitan areas, more theoretical and empirical work should be devoted to the economic significance of inner and outer suburbs, or what he calls “banal” urban spaces. The work of Knox (1991) and Gospodini (2006), considers the connection between economic structure and urban form; the changes in the urban landscape that are the result of the transition from “Fordist” to advanced capitalism. Gospodini (2006) describes how the com-

11 This chapter is co-authored with Anne Risselada and is published in European Planning Studies (2012). DOI:10.1080/09654313.2012.722965.
bination of built heritage and new buildings in central cities are especially attractive for "new urban economic activities" in informational, financial and creative sectors. Knox (1991) emphasizes the role of developer companies in designing fashionable office space and trendy warehouses to fit both producers and consumers in the "new urban economy" (McNeill & While, 2001). Knox' (1991) claim is that geographers "have generally failed to come to terms with the emergence and significance of new urban landscapes" (p. 182).

Since Knox' claim, many studies on how economic restructuring and urban shape are connected have proved to be valuable (see for instance Hutton, 2004; Phelps, 2004), but often leave out the intermediary role of the local regulatory framework and environmental land-use plans. We claim that this is a crucial link in the chain that connects economic structure and urban landscape—limiting what is possible and delineating what is desirable in urban space. In this article, we want to address this link and draw attention to the ways in which existing local planning frameworks accommodate or constrain the change towards a post-industrial economy by influencing the built environment and the way it is used. Much like Hajer and Zonneveld (2000) we question whether traditional Dutch land-control oriented strategic planning is effective in the light of a transition towards flexible production systems. Combining this side of the "sociospatial dialectic" (Soja, 1980) with a focus on an a-typical location of economic activity—the residential neighbourhood—we aim to contribute to the debate about the relationship between the urban economy and urban form. We analyse how neighbourhood economies have developed over a period of 9 years (1999–2007) and link this to the urban environment as documented in statutory land-use plans. The main question of this paper is: can we identify different types of economic zoning in the land-use plans, and if so, are there types of land-use plans that are either more or less suitable to accommodate a vibrant local neighbourhood economy?

In the Netherlands, the built environment of both urban and rural areas and their functions are to a large extent controlled by land-use plans. Therefore, these plans offer the best entry to a detailed study of local regulatory frameworks. Land-use plans control which functions (residential, economic, leisure, infrastructure) are allowed where in a very detailed manner. This means that through land-use plans, city governments can influence spatial patterns of economic activity and facilitate or hinder the (re)location of new and existing firms. This strong tradition of regulating use of space offers an interesting contrast to the Dutch' advanced urban economy and its recent liberal views on entrepreneurship.

Our focus on land-use policies is embedded within the framework of increasing attention for governance and institutions and how they influence local economic
development. The importance of institutions for economic systems is rooted in the idea that the phenomenon that we call “economy” or the “economic system” is neither a mechanical system nor a set of individual preferences but rather an “instituted process” influenced by formal as well as informal institutions (Amin, 1999: 367). Within economic sociology, economic geography and institutional economics the idea is now well established that economies are embedded in local social, cultural and institutional contexts (Wood & Valler, 2004). We analyse how the regulatory framework of spatial planning is related to the local economic activity in the neighbourhood. However, this should not be interpreted as a one-on-one relationship. The level of education, local entrepreneurship incentives, and the socio-economic position of residents are prone to influence the composition of the neighbourhood economy as well.

In this paper, qualitative and quantitative methods are used to grasp both the richness of information contained in land-use plans whilst linking it to economic developments on the neighbourhood level. Based on land-use plans for 44 Dutch urban residential neighbourhoods we propose a typology of 4 different types of neighbourhood economies as reflected in those plans. We combine a descriptive and explanatory analysis, hoping to capture the general change that is taking place in neighbourhoods, as a result of economic restructuring and at the same time describe how residential neighbourhoods are distinctive from each other as well as from other urban spaces.

The following section of the paper concisely puts forward processes that influence economic activities in urban residential neighbourhoods. Section 3 elaborates on the development of Dutch spatial planning and on the activity of land-use planning in particular. Next, our method and data are explained in Section 4, leading up to the empirical analysis in Sections 5 and 6. Section 7 concludes and discusses the findings.

2.2 The Neighbourhood as a place of production

Changes in the organization of production in contemporary capitalism have led to what oftentimes has been called a post-Fordist or post-industrial economic structure (Lash & Urry, 1994). Two interrelated outcomes of these changes are of particular interest when studying economic activities on a neighbourhood level: a shift in dominant sectors and a shift in firm size (Scott, 2000). The shift towards knowledge and design intensive sectors that rely heavily on human capital input have tended to erode the importance of internal economies of scale, opening up an important window of opportunity for small and medium-sized firms. The shift towards smaller firm size, less polluting and nuisance-sensitive sectors and
changes in dominant technologies potentially allow more of these firms to settle in residential urban areas.

How the “new urban economy” influences urban landscapes has been theorized upon by both planners and geographers. Gospodini’s (2006) theoretical argument entails that “the locational trends of flourishing post-industrial economic activities, along with the development of new urban governance strategies tend to rearrange the landscapes of the post-modern city” (p. 311). He contrasts the emergence of entrepreneurial and creative “islands” of business activity in the inner city to the “scattered developments” in urban fringes. Taking some of his arguments from Knox (1991), Gospodini states that changing economic structures are primarily influencing the urban landscape. However, Knox’s (1991) argument itself was more nuanced, arguing that “the spatial imprint of capitalism is not a smooth and automatic process in which the ‘needs’ of capital are stamped, without resistance and constraint, onto the landscape” (p. 181). For instance, one might question whether urban residential neighbourhoods are susceptible for accommodating structural changes in the economy. In this sense, the conditioning role of the local regulatory framework might be an important factor, influencing to which degree “flourishing postindustrial economic activities” are located in residential areas. This regulatory framework plays an intermediary role, often not accounted for in the arguments by the preceding authors and sheds light on the other side of the “sociospatial dialectic” between the organization of production and urban form (Soja, 1980; Sheppard, 2002). At the same time, the study of these local regulations brings attention to the potential of urban residential districts as places for “new” economic activity. Especially in the Netherlands, the tradition of top down land-use planning combined with very detailed zoning regulations could easily hinder the adaptation of the built environment to changing needs of today’s entrepreneurs. The above implies that our frame of reference is the formal one. We look at rules and regulations as stated in the land-use plan; we do not look at practices of spatial planners and planning authorities. Since the Netherlands is also known for “tolerance policy”—for example with regard to Dutch policy on soft-drugs use—it might be the case that formal regulations in practice are not as strictly complied with.

Even beyond the question of land-use planning, one could argue that Dutch municipal governments often direct their (limited) resources to (central) business districts or deprived neighbourhoods, while hardly paying attention to the economic potential of “ordinary” suburban-like residential districts. As a consequence, the economic importance of these districts, as sites of both production and consumption, might be overlooked. As a consumer site Dutch cities have, similar to many other advanced urban economies, witnessed significant changes in residen-
tial preferences. Whereas larger cities in the 1960s and 1970s were confronted by an outflow of the middle-classes, the closing decades of the twentieth century have shown reversal of this trend. Instead of leaving the city, many middle-class households opted to live in urban environments again where employment opportunities and amenities are close at hand (Ley, 1996; Karsten, 2003; Florida, 2004). As a site of production, literature on entrepreneurship and location choice also shows that many firms start from home (Schuijens & Stam, 2003). Often these firms’ location needs are very much connected to lifestyle preferences (Mackloet et al., 2006). There is a regained interest in urban living by people that predominantly work in post-Fordist sectors. These jobs are in turn eminently suitable to be performed from within residential neighbourhoods, even from home, without pollution or nuisance of production activities. This leads us to expect a rise in economic activity in urban residential areas. However, it remains to be seen to what extent the existing land-use zoning practices show flexibility with regard to accommodating these economic activities.

2.3 Dutch spatial policy and land-use planning

Very much like the rest of Western Europe, planning in the Netherlands from the 1950s was heavily dominated by functionalism. The dominant doctrine was the separation of functions in space founded on Le Corbusier’s ideas of “spatially autonomous” functions (Le Corbusier, 1933). This resulted in strict land-use zoning practices that controlled what functions could be located where in a detailed manner. During the 1980s, many European countries shifted towards more post-modern urban design and planning, entailing mainly a renewed focus on land-use mixing, as was the norm before the 1950s (Gospodini, 2006). According to several authors, the Dutch planning practice however, remained “stuck” in functionalism (see, for instance, De Roo, 2000; Pols et al., 2009). Although the Dutch policy discourse was following other European countries in emphasizing the importance of “real” and “vibrant” cities, its planning practice lagged behind. As in other Western countries, the “compact city” discourse gained foot in the Dutch policy debate. The Fifth Spatial Planning Memorandum of the Dutch government (Ministry of Housing, Spatial Planning and the Environment, 2000) expressed an ambition towards more mixed and diverse urban environments. The compact city with mixed functions is aiming to facilitate economic development (due to its focus on economic activity and leisure) and at the same time offer a high quality living environment for city inhabitants. Despite this new policy discourse however, the planning practice of detailed land-use zoning and regulations seemed to persist. This persistence has several reasons, partly to do with the mindset of urban planners and local politicians. First, municipalities still attribute economic gain to mono-functional office parks by hoping to attract large (multi)national
companies while at the same time continue to design very detailed zoning plans that do not allow much flexibility when it comes to the spatial mixing of functions (Pols et al., 2009). This might also have to do with the “environmental dilemmas” and clashing interests of users that are more likely to occur in mixed functional spaces (De Roo, 2000). Local politicians often succumb to pressures of “NIMBY” like arguments coming from neighbourhood residents. Second, municipalities can choose between designing a “general” or a “detailed” land-use plan where the former is flexible towards diverse functions that can be interchanged. In practice, the majority of the municipalities opt for detailed zoning plans for legal security reasons or to avoid ambiguity. Legal rights to buildings and land-uses depend heavily on land-use plans, so local governments want to avoid costly and drawn-out conflicts over space. Third, the earning capacity for landowners is often higher for residential functions than for mixed or economic functions. This is due to a longer depreciation period for residential buildings compared to office buildings (Pols et al., 2009). Lastly, the tendency to solidly arrange the (urban) landscape is a highly valued tradition in a country as small and densely populated as the Netherlands.

Dutch urban planning practice relies heavily on environmental zoning, with detailed regulations for the degree of separation between residential and other land uses. Municipalities are obliged to design land-use plans for city districts separately, with a mandatory 10-year revision period. The activity of zoning implies that geographically delineated zones are assigned a certain land use function. Within the neighbourhood land-use plan, assigned functions may vary even within the same property, in which, for example, the ground floor of a building is for commercial use while the other floors are assigned a residential function. These local land-use plans, together with policy plans on different levels (municipal and regional level), are output of a local political process with which urban space is assigned certain qualities, and through which these qualities can be (re)shaped. Over the years, municipal governments have gained more autonomy and control in designing land-use plans. National government guidelines have become less strict, allowing municipalities more freedom in their decisions regarding land-use (Spatial Planning Act 2008). Through land-use plans, local planners have always had the possibility of changing land-use functions by making statements about the future functions of buildings or areas if they were to change ownership. Also, new functions can be ascribed to areas that are being redeveloped or restructured. This policy and planning practice entertains the thought that if urban form is adapted to the changing needs of the organization of production, economic growth will follow. However, urban form, function and its existing legal structures might not share the flexibility that is so characteristic of the “new economy”. We can conclude that the majority of the Dutch land-use plans were created within a top-down doctrine of “high
modernity\textsuperscript{12}: functional and environmental zoning heavily influenced by notions of spatial separation of functions. Although recent views and policies are more oriented toward mixing of functions, local planning practice seems resilient with regard to this policy interest. It seems as if policy ideas and societal developments on a more macro level are not congruent with the implicit rational and functional foundation of the land-use plan. What we will see in the remainder of this study is to what extent the existing land-use planning of residential neighbourhoods facilitates or limits a vibrant local economy.

2.4 Method and data

For our analysis we selected five cities in the Netherlands: Amsterdam, Dordrecht, Leiden, Utrecht and Zoetermeer. The cities of Zoetermeer, Dordrecht and Leiden are medium sized with around 120,000 inhabitants whilst Amsterdam and Utrecht are larger with, respectively, 767,000 and 306,000 inhabitants in 2010. All cities belong to the Randstad region, the conurbation in the West of the Netherlands, which is often considered to function as one regional economy (Figure 2.1). They offer a broad array of Dutch urban environments differing in size, physical structure, age, economic background and growth rates. Zoetermeer can be characterized as a new-town and as a planned centre of urban growth while Amsterdam, Utrecht, Dordrecht and Leiden have been defined by trade and handicraft since the seventeenth century. The research design is a cross-sectional analysis of the number of firms in residential neighbourhoods. We examine variation across neighbourhoods and across time. The outcome variable—the number of firms in the neighbourhood—is analysed between 1999 and 2007.

\textsuperscript{12} “High modernism” refers to the belief that bureaucratic planners can order and control physical space from behind their desks (Scott, 1998).
CHAPTER TWO

FIGURE 1: RESEARCH AREA

Source: CBS/Kadaster Emmen 2008/BWBS.
We selected 44 residential neighbourhoods with a diverse socio-economic status\textsuperscript{13} to assure a heterogeneous research sample. In the selection we included only neighbourhoods that can be categorized as “purely residential neighbourhood\textsuperscript{14}”. We excluded city centre neighbourhoods or those neighbourhoods with a designated industrial estate within its boundaries since these more formal work sites are assumed to have different dynamics. This resulted in a selection of six to eight geographically dispersed neighbourhoods per city. The selected neighbourhoods have an average size of 4600 inhabitants, with a population range of 1000–10,000. The municipal administrative boundaries are used, since the zoning plans are also designed according to these boundaries. In terms of square kilometres, the selected neighbourhoods are very diverse, ranging between 0.3 and 2.5 km\textsuperscript{2}. Economic activity is measured by the number of firms located in the neighbourhood. For calculating this number LISA\textsuperscript{15} data were used, which list all business establishments in the five cities for the period 1999–2007. Schools, hospitals and some public sectors that do not produce for a “market” were excluded from the analysis. Consequently we display the number of firms as a ratio per 100 inhabitants, to correct for neighbourhood population size. The data related to land-use plans was acquired by an in-depth study of the most recent zoning plans of the selected 44 neighbourhoods. To get an idea of the research area, Figure 2.2 shows the selected neighbourhoods in Dordrecht and Utrecht.

\textsuperscript{13} Neighbourhoods were ranked by socio-economic status. A factor analysis was performed to group seven variables that indicate socio-economic status of the neighbourhood (including income, unemployment levels and data on housing stock) into two variables. Consequently, k-means cluster analysis was used to rank all the neighbourhoods into the categories.

\textsuperscript{14} The categorization into four types of neighbourhoods is made on the basis of postal code areas. First, only areas with more than 500 residential addresses are selected. This group is divided into three categories: neighbourhoods with a city centre function, neighbourhoods that have an industrial site within them and the residue is categorized as “purely” residential neighbourhoods (Raspe et al., 2010).

\textsuperscript{15} The National Information System of Employment register (LISA-Landelijk Informatie Systeem Arbeidsplassen) is based on Chamber of Commerce data supplemented with employment figures at firm level.
FIGURE 2: MAP OF SELECTED NEIGHBOURHOODS IN DORDRECHT AND UTRECHT

Source: CBS/Kadaster Emmen 2008/BWBS.
2.5 Urban residential neighbourhoods, zoning and economic activity

In 2010 a first attempt was made to empirically explore the scale and scope of economic activity in residential neighbourhoods in the Netherlands. This publication of the Dutch Environmental Planning Agency (PBL) deals with residential neighbourhoods in the Netherlands as an aggregate entity within the Dutch economy and it argues that economic activity in these residential neighbourhoods is losing ground in comparison to other areas. The findings of the PBL illustrate that the number of both firms and jobs in Dutch residential neighbourhoods are lagging behind compared to the national average. What is especially remarkable is that even the figures on knowledge intensive sectors in residential neighbourhoods are below the national average (Raspe et al., 2010). It is debatable whether these nationally aggregated findings are exemplary for more localized urban economies. Putting cities and neighbourhoods in a comparative perspective, as we do in this paper, might show very diverging localized economic trajectories (Kloosterman & Rath, 2001).

Contrary to the conclusions of the PBL, a relatively large part of firm establishments in our selected research cities are located in purely residential urban districts. When we consider all the residential neighbourhoods in Amsterdam, Utrecht and Zoetermeer the neighbourhoods that can be categorized as purely residential house the largest share of all firm establishments in the municipality (respectively, 56%, 53% and 61% in 2007). In Leiden and Dordrecht the residential neighbourhood is not the dominant area of business activity. Here, the share of firm establishments in residential neighbourhoods is, respectively, 21% and 31% in 2007. In four of the five selected cities, purely residential neighbourhoods make up around half of the city districts. In Leiden it is a bit less with one-third. The largest part of the economic activity in these neighbourhoods consists of small firms and self-employed entrepreneurs. On average 60% of all firms consist of one person, while the Dutch average is around 42% (Raspe et al., 2010, p. 36).

The most important sectors in the residential neighbourhoods of these five cities are business and consumer services with a combined average share of 69% in the period between 1999 and 2007. This supports the statement made earlier that it is these kinds of post-Fordist economic activities that are suited to be performed in primarily residential areas.

When we look at the number of firms, including self-employed entrepreneurs, in the city as a whole in 2007 we see that Amsterdam (60,000 firms) and Utrecht (20,000 firms) are of a different order than Leiden and Dordrecht (both around 4000 firms) and Zoetermeer (5000 firms). Between 1999 and 2007 an municipal-wide increase in the number of firms can be observed in Amsterdam, Utrecht and
Zoetermeer with growth figures of, respectively, 23%, 37% and 65(!)%. However, Dordrecht and Leiden show no growth in this period, with figures of, respectively, 23% and 20.4%. In Zoetermeer the number of firms is growing faster than in the other cities. In addition, it is interesting to see that in this period the share of firms located in residential neighbourhoods is growing substantially as well. Thus, in the case of Zoetermeer, net growth in firms seems to take place within residential neighbourhoods.

We now turn to the detailed analysis of the 44 selected neighbourhoods. For 40 of our 44 neighbourhoods, the municipalities designed a detailed land-use plan, ascribing specific functions to each built entity on the map. For four neighbourhoods, a more “global” map was designed which differs slightly in its visual representation because it divides the neighbourhood in areas with different colours that refer to the dominant function of that area. Within the land-use plan, some flexibility can still be achieved by assigning “mixed functions” to buildings or allowing the interchangeability of functions. This interchangeability can range from permitting some to all non-residential functions to interchange with each other without extra regulatory burdens. However, the changeability from residential to non-residential functions is not often found due to housing stock regulations. Every land-use plan consists of a detailed map with functions attributed to each respective building. The plan also has a detailed explanatory memorandum, which provides information on the neighbourhood. It describes its history and policy considerations, contains detailed zoning regulations, recent developments and future plans for the neighbourhood. As such, the land-use map and explanatory memorandum are determinants of both form and function. For the document analysis presented in Table 1 we examined both the land-use map and the accompanying memorandum.

Table 1 shows two dimensions of the land-use plan: the number of mapped economic functions (column 2) and the type of spatial economic planning (column 3). The fourth column indicates the publication year of the most recent zoning plan. The last three columns provide information on our outcome variable, the Firm:Inhabitant rate (F:I rate) that reflects the number of firms per 100 inhabitants in each neighbourhood. The F:I rate is presented for 1999, 2007 and the change in F:I rate during this period. The number of mapped economic functions indicates the actual premises on the land-use map that can be used for economic or mixed functions (quantity). It denotes a + when there is 2 relative to the other.

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16 Wittenstein, Mildenburg, Zuilenburg and Vredenburg in Dordrecht have a global land-use plan.

17 In Utrecht and Amsterdam, if one wants to change the residential function of a building to a non-residential function, the number of M2 taken away from the housing stock have to be compensated by adding M2 for residential use or for compensation, a substantial sum of money has to be paid.

18 Or groups of buildings in the case of the “global” land-use plan.
functions on the map and compared to the other land-use plans of the 44 neighbourhoods—more premises on the map that allow economic activity or if the (re)development of such physical structure is expressed in the memorandum. Also, the spaces that allow for “mixed functions” are regarded as beneficial to economic activity as is a high level of interchangeability of functions. If both are the case, the denotation is ++.

The type of economic planning refers to the regulation of economic activity in the neighbourhood. This typology of the different forms of planning evolved during the qualitative analysis of the plans and can be seen as grounded in them. We distinguish four types of spatial economic planning: centralization (C), decentralization (DC), restriction (R) and lack of economic planning (NO). Centralized economic planning applies when all designated spaces for economic activity tend to be located in one spot while decentralization implies a spread of economic spaces throughout the neighbourhood. Restriction represents an active limitation of economic activities in the neighbourhood. The presence of local amenities in other neighbourhoods is often used as an argument for this restrictive policy. The neighbourhoods that are characterized by a lack of economic planning have memoranda that do not contain any statements about how economic activity in the neighbourhood should be regulated.

Quite straightforward, we expect to find higher number of firms in neighbourhoods that allot more space to “economic activity”. We expect restrictive planning to go hand in hand with a lower number of firms in the neighbourhood. However, it is less obvious how other types of economic planning relate to the number of firms in a neighbourhood. Visualizing the two dimensions of zoning plans as two axes, four types of economic zoning are distinguished (Figure 3). It is important to note that these four types function as ideal types, offering a stripped-down image of quite detailed and complex land-use plans.
### TABLE 1: ANALYSIS OF NEIGHBOURHOOD LAND-USE PLANS

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Notes: DC, decentralized planning; C, centralized planning; R, restricted planning; NO, no economic planning; +, high no. of ec. functions; ++, high no. of ec. functions and mix functions/interchangeability; 2, low no. of economic functions.
The Market

A neighbourhood square surrounded by low rise shops, sometimes topped with residential flats and accompanied by abundant parking space. This image is typical for the concentration of economic activity of the neighbourhoods that we categorized as “market”. These neighbourhoods have a land-use plan that expresses the policy preference to develop the primacy of one local neighbourhood shopping centre, which is usually located on a neighbourhood square. The land-use maps thus often display a number of buildings that can contain economic activity, albeit limited and very much concentrated in one spot19. This type is predominantly present in Dordrecht and Leiden. The centralized economic zone is designed to contain businesses ranging from retail to all sorts of services. In concurrence, the dispersion of business activity outside this local shopping centre is often expressed as something that “should be limited” or is even “unwanted” in the explanatory memorandum (explanatory memorandum zoning plan Zuilenburg and Vredenburg, p. 17). This negative stance towards the scattering of business activity is expressed by the limited amount of built space that is assigned a “business” or “mixed” function outside the neighbourhood shopping-

19 The neighbourhoods Mildenburg and Vredenburg in Dordrecht form an exception to this. The neighbourhood shopping centre is located exactly on the “border” of these two neighbourhoods. Both zoning plans only pay marginal attention to economic activity, simply stating the number of M2 designated for business and retail and the preference for not expanding the economic activity throughout the neighbourhood. (This might also have to do with the fact that the zoning plans for these neighbourhoods are of a “global” nature.)
centre. Seven of the 44 neighbourhoods can be considered a market-type. The F:I rate for the market is reasonably high in 1999, but they show very small or even negative growth rates for 2007. There is a limited growth potential to neighbourhood shopping centres. When there is no room for economic activity or mixed functions outside the neighbourhood shopping centre, the capacity for economic growth both in size of firms as well as in number of firms is delineated and limited. The lack of growth potential could possibly be ameliorated by positive attention for home-based business or attention for small- and medium-sized enterprises on a higher policy level. We observed that many “market-neighbourhoods” are surrounded by neighbourhoods that can be characterized as “Deserts”.

The Desert

Many of the “desert” type neighbourhoods are post-war neighbourhoods characterized by a mix of low- and high rise buildings. Some of these neighbourhoods are dealing with a combination of social and economic deprivation. This type is subjected to a strict limitation policy when it comes to economic activity and is often within direct influence of the shopping centre that is located in an adjacent neighbourhood. The land-use plan for this type of neighbourhood often stresses the availability of services and retail in an adjacent neighbourhood as an argument to limit the amount of local space for economic activity. We identified twelve of the 44 selected neighbourhoods as “deserts”. In terms of the number of business establishments, the economic performance of these neighbourhoods is poor, with generally low F:I rates for 1999 and very small or negative F:I growth rates. There are hardly any or no allotted spaces for economic functions in this type, thus offering no prospects for firms that want to expand due to, for example, firm growth. Furthermore, for home-based businesses in these kinds of neighbourhoods, it is impossible to find business space in their “own” neighbourhood in case of a firm relocation. And since houses in this type of neighbourhoods are oftentimes not very spacious, the growth of home-based business is hampered. This situation might be ameliorated by a lenient position towards home-based business in the land-use plan, including possibilities for adjustments to the house, or with special attention for small- and medium-sized enterprises in the city structure plan. For instance, some of the neighbourhoods with low social economic status in Dordrecht have been appointed as neighbourhoods that should receive special economic attention in the coming years. This might improve their economic position in the years to come.

The Mix

Many of the “mix” neighbourhoods are more varied in building style and appearance than the “desert” neighbourhoods. The neighbourhoods that are set up according to the “mix” type have a land-use map with quite a number of mapped functions that are designated as “economic” or “mixed functions”. These neighbourhoods do not have one delimited shopping centre, but instead shops and business are scattered along a few (mostly two or three) main streets. The land-use plans often emphasize the economic vitality and diversity of functions in the neighbourhood and can be seen as areas that policy makers might have in mind when stressing intensive use of existing space and mixing of functions. In our sample, there are eighteen neighbourhoods that can be characterized as “mix”. The zoning plan for Rokkeveen-West and Seghwaert ZW, for instance, notes that that a choice was made for low-rise building, explicitly leaving room for neighbourhood amenities and “small businesses like galleries, dentists, physicians and offices” (explanatory memorandum Seghwaert, 2006, p. 21). Especially the Amsterdam neighbourhoods are characterized by a high degree of interchangeability. For instance, the explanatory memorandum for the Helmersbuurt states that the neighbourhood has three “economic axes” along which the interchangeability of (non-residential) functions is almost completely unrestricted (p. 50). These neighbourhoods have land-use plans that overall contain more “innovative” elements that might be beneficial for vital neighbourhood economies such as extending the maximum nuisance levels (Amsterdam, Helmersbuurt) and influencing the type of economic activity to attract higher quality businesses (Utrecht, Buiten Wittenwomen). As for the number of firms, we can observe that the F:I rates are quite high. In some cases the number of firms in the “mix” neighbourhoods is similar to the “market” type, but especially in some of the Amsterdam and Utrecht “mix” neighbourhoods, the F:I rates are much higher even. The main difference between the “market” and the “mix” can be observed in the F:I growth rate which is much higher in the “mix” type. A high degree of flexibility, interchangeability and a mix of residential and economic functions seem to attract more start-up firms.

The Dormitory

The dormitory type is characterized by a lack of mapped economic functions in the land-use map. Calm, spacious residential areas build in the latter part of the twentieth century are emblematic within this type of land-use plan. At the same time, no explicit economic policy or regulation can be attributed to this type of neighbourhood. As such, it partly falls outside of the two dimensions in the typology and is different from the “desert” because economic activity is not explicitly restricted. We could identify six neighbourhoods of this type in our
sample. The lack of economic premises in this type of neighbourhood is the result of conservative or “containment” land-use planning, due to (re)focusing on a different neighbourhood function. The latter is the case in the Wilhelminapark (Utrecht) neighbourhood where the zoning plan stresses a renewed focus on the park function of the neighbourhood. The zoning plan for Waardeiland (Leiden) states that this neighbourhood has a leisure function due to the small marina on its grounds. Also, the architectural homogeneity and high-value residencies are mentioned as arguments for its conservative land-use plan. Most interestingly, all of the “dormitory” neighbourhoods have reasonably high F:I rates, a few of them even higher than some of the “market” types. Most likely, the economic activity in these neighbourhoods is largely “invisible”, in the form of home-based businesses. The dwellings are generally spacious and attractive, providing a pleasant living environment and probably also a comfortable working environment. The recently built neighbourhood Langerak in Utrecht is an example of a “boom” of business activity. The combination of modern dwellings and a lack of regulation toward home-based economic activity seem to drive the large number of firms in this neighbourhood.

The typology that we derived from the land-use plans offers a framework for conceptualizing policies that are applied to the urban neighbourhood economy. In general, a high number of mapped economic functions, as expected, goes together with a high number of firms relative to the population size (F:I ratio). However, combined with a centralized planning type, the growth potential of the neighbourhood economy is limited, as is the case in the “market” type of neighbourhood. As we can observe in the “Dormitory”, neighbourhood, a low number of mapped economic functions does not always result in low F:I rates. Since Dormitory neighbourhoods have hardly any visible economic functions on the land-use map, the F:I rate is presumably foremost a reflection of home-based economic activity. These seemingly sleepy neighbourhoods might actually be prone to function as incubator areas for small or new firms. Table 2 presents an overview of the aggregated F:I rates for each planning type.

### TABLE 2: F:I RATES AND F:I GROWTH PER PLANNING TYPE

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td>7</td>
<td>3.03</td>
<td>2.74</td>
<td>-0.29</td>
</tr>
<tr>
<td>Mix</td>
<td>18</td>
<td>6.43</td>
<td>7.94</td>
<td>1.51</td>
</tr>
<tr>
<td>Desert</td>
<td>12</td>
<td>1.23</td>
<td>1.29</td>
<td>0.06</td>
</tr>
<tr>
<td>Dormitory</td>
<td>6</td>
<td>1.94</td>
<td>3.23</td>
<td>1.29</td>
</tr>
<tr>
<td>Total</td>
<td>43</td>
<td>3.16</td>
<td>3.80</td>
<td>0.64</td>
</tr>
</tbody>
</table>
2.6 Testing the typology

In this section we will test whether the typology presented in the previous section—the linkage between the type of planning and the F:I rate and F:I growth in different neighbourhoods—holds statistically. We cannot perform any parametric tests on the raw data since it is derived from a population that we cannot assume to be normally distributed. However, it is possible to perform a non-parametric test on the F:I rates when we rank them. Consequently, low scores on the F:I rate are represented by low ranks, and high scores on the F:I rate are represented by high ranks. The main disadvantage of data-ranking is that we lose information on the exact magnitude of differences between scores (Gibbons, 1993). In this analysis we opted to use the Mann–Whitney and Kruskall–Wallis test.

For the Mann–Whitney test the sample is split along the axis of the land-use planning typology (as presented in Figure 3) that indicates the level of mapped economic functions as high (N=25) or low (N=19). The second test is the Kruskall–Wallis test. For this test we split the sample along the other axis of the zoning typology: the types of economic planning. For both tests, we look at the F:I rate in 2007 and the F:I growth rate, the latter signalling growth or decline of the number of firms in each neighbourhood for the period 1999–2007. Tables 3 and 4 show the test results for both tests.

<table>
<thead>
<tr>
<th>Number of mapped economic functions</th>
<th>N</th>
<th>Median</th>
<th>Mann-Whitney U</th>
<th>Z</th>
<th>Exact Sig (1-tailed)</th>
<th>Effect size</th>
</tr>
</thead>
<tbody>
<tr>
<td>F:I rate 2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>26</td>
<td>3.80</td>
<td>70.00</td>
<td>-3.92</td>
<td>.000</td>
<td>.59</td>
</tr>
<tr>
<td>Low</td>
<td>18</td>
<td>1.64</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>44</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F:I growth rate (1999 - 2007)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>25</td>
<td>1.29</td>
<td>94.00</td>
<td>-3.04</td>
<td>.001</td>
<td>.47</td>
</tr>
<tr>
<td>Low</td>
<td>17</td>
<td>0.19</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Mann–Whitney test (Table 3) indicates that neighbourhoods with a high amount of mapped economic functions (the Market and the Mix) have significantly higher F:I rates in 2007 than neighbourhoods with a low amount of mapped economic functions (the Desert and the Dorm). This is what we expected and it indicates that the buildings designated for economic activity in the neighbourhood

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21 The Mann–Whitney test is considered to be the non-parametric alternative to the student’s T test or ANOVA test. The Kruskall–Wallis test is the non-parametric counterpart of one-way ANOVA (Gibbons, 1993).

22 For this test holds that N=42, because growth rates could not be established for the two young Utrecht neighbourhoods Langerak and Veldhuizen since their population numbers are not available for 1999.
are actually also used as such. Moreover, neighbourhoods with land-use plans that have a high number of mapped economic functions generally display significant higher F:I growth rates. The effect sizes are quite large, indicating that specific land-use zoning is strongly related to the existent daily practices in the neighbourhood. In this sense the conditionality of the zoning map has consequences for local economic reality.

<table>
<thead>
<tr>
<th>Type of economic planning</th>
<th>N</th>
<th>Median</th>
<th>Mean Rank</th>
<th>Chi-square (H)</th>
<th>Assym sig.</th>
<th>Df</th>
</tr>
</thead>
<tbody>
<tr>
<td>F:I rate 2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Centralized planning (Market)</td>
<td>7</td>
<td>2.13</td>
<td>20.57</td>
<td>28.21</td>
<td>.000</td>
<td>3</td>
</tr>
<tr>
<td>Decentralized planning (Mix)</td>
<td>18</td>
<td>6.65</td>
<td>31.83</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restrictive planning (Desert)</td>
<td>12</td>
<td>1.41</td>
<td>7.08</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No planning (Dormitory)</td>
<td>6</td>
<td>3.14</td>
<td>24.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>43</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F:I growth rate (1999 - 2007)</td>
<td>6</td>
<td>0.01</td>
<td>8.83</td>
<td>29.21</td>
<td>.000</td>
<td>3</td>
</tr>
<tr>
<td>Centralized planning (Market)</td>
<td>6</td>
<td>1.56</td>
<td>31.50</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decentralized planning (Mix)</td>
<td>18</td>
<td>-0.045</td>
<td>10.58</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restrictive planning (Desert)</td>
<td>12</td>
<td>0.72</td>
<td>22.80</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No planning (Dormitory)</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For the results of the Kruskall–Wallis test (Table 4) we first look at the column “mean rank” which shows that the neighbourhoods with decentralized planning rank the highest on F:I rates (mean rank=31.83). In addition, it shows that neighbourhoods that are characterized by restrictive planning (the Deserts) have the lowest F:I rates in 2007 as well as very small F:I growth rates. This seems plausible, since planning in these neighbourhoods is geared toward restricting economic activity. However, it is remarkable that neighbourhoods led by centralized planning show even slightly lower mean ranks (based on F:I growth rates) than those characterized by a restrictive planning type. Thus, even though Markets have a large number of mapped economic functions, they show very limited growth potential. Another interesting observation concerns the relatively favourable position of the neighbourhoods with no specific economic planning (Dormitories) for both the F:I rate in 2007 and F:I growth rate. The lack of economic planning in these neighbourhoods is accompanied by a small number of formal mapped economic functions, but still, there seems to be a lot of “unmapped” economic activity going on in these neighbourhoods.

Table 4 shows the advantageous position in F:I growth rates of Dormitories, and even Deserts, in comparison to Markets. This indicates that centralized planning is strongly negatively related to the growth of economic activity. It is interesting to see that the Dormitory even marginally surpasses the Market type of neighbourhood when we only look at the F:I rate of 2007. Since the Market has more
mapped economic functions, these neighbourhoods are expected to have a higher F:I rate than Dormitories. However, the mean ranks of the KW-test on the F:I rates in 2007 shows that this is not so obvious, and that space assigned to economic functions alone is not a sufficient condition for a high number of firms. Location of these built spaces and the regulations that accompany them are of equal importance. We see that the neighbourhoods with decentralized planning and an emphasis on economic functions are outperforming all other types of neighbourhoods in both F:I rate and F:I growth.

Overall, the tests show that residential neighbourhoods with land-use plans that intend a notable amount of built space to be used for economic activities, be it buildings that are specially designed for business or buildings that allow for interchangeable use, rank higher on number of firms that operate from these neighbourhoods. Allotting physical space to economic functions thus seems to matter. However, the different planning types show that other factors also play a crucial role in the development of the neighbourhood economy. Some of the neighbourhoods that lack built space for economic functions still have relatively high F:I rates. Interestingly, when we compare “Markets” to “Dormitories”, we observed that the latter are actually performing better on both F:I rate and F:I growth rates. This seems to reinforce the proposition that Dormitories are possible incubators for entrepreneurs starting from home.

When interpreting the results mentioned above, it is important to keep in mind that policy goals stated in these land-use plans probably also reflect a certain “base rate”. Land-use planning is influenced by the historically present level of economic activity in a specific neighbourhood and the plan also serves as a reflection of the physical environment. After all, it is not always possible to “add” buildings or redevelop existing ones if policy goals change. However, once a certain “base rate” of economic activity is in place, land-use plans have the ability to secure business locations as qualities of space on the neighbourhood level, making sure business activity is facilitated. At the same time, land-use plans (as sediments of policy goals) can restrict (future) business space, for instance, by explicitly stating that it is unwanted outside neighbourhood shopping centres or at certain locations. In this sense, the process is a two-way street in which economic activities are both influencing as well as influenced by the zoning plan. The land-use plan is a way to facilitate or prohibit certain activities in the neighbourhood; however, it cannot cause firms to locate in specific areas.

The reciprocal relation between the land-use plan and observed economic activity is also influenced by factors that go beyond the scope of this paper. For example, if we compare Table 1 with the detailed description of the neighbourhoods (see
Appendix I) we can observe that neighbourhoods of high social economic status are generally doing better in number of firms. This holds between cities as well as within cities and might have to do with the overall image of a neighbourhood, or with the educational attainment of residents. Maybe there is also more local market demand in the wealthier neighbourhoods. The nature of the data does not allow judgements regarding the reasons for this difference.

2.7 Conclusion and discussion

Although relatively unexplored for its economic significance, the urban residential neighbourhood is an appealing research area where various macro-social and economic developments intersect at the micro level. In this paper the local regulatory framework and land-use zoning practice of residential neighbourhoods in connection to local economic activity was the starting point of our research. Land-use planning can be an influential instrument in shaping the economic vitality of a neighbourhood since it has legal implications. Changes in the organization of production have increased opportunities for small firms. These firms can settle in residential neighbourhoods provided that the local regulatory framework is supportive. We have explored this local regulatory framework and observe that it is an important conditioning link between urban form and economic practices. The dialectic link between urban landscapes and local economic practices (Soja, 1980; Knox, 1991) is mediated by the local regulatory framework, in which the land-use plan is conditional for the form and functioning of both urban space and local economic production systems.

We have observed that in Dutch urban residential neighbourhoods, diverse policies toward economic activity are applied. Two important distinctions in Dutch land-use plans are the “number of mapped economic functions and the type of economic planning”. These two dimensions result in four types of neighbourhood economies. The main characteristic of the “market” is centralization, locating all business activity in a limited and central location in the neighbourhood. This specific practice of zoning implies a limited growth potential and seems to have stronger negative effects on economic activity than a lack of economic zoning. The “mix” type of neighbourhood combines a high number of mapped economic functions with a decentralization policy. It might be the case that the presence of several main streets of economic activity allows for a “trickling down” effect, attracting economic activity in adjacent streets as well. In the “desert”, economic activity is explicitly barred from the neighbourhood. Explicitly restricting economic activity is a conscious choice, but it is also detrimental for the type of economic activity that is not related to any type of environmental nuisance. The “dormitory” type of neighbourhood shows a general lack of economic zoning.
and has no apparent economic planning. This might not always be accompanied by a lack of economic activity due to high numbers of home-based business that are not apparent in the land-use plan. A “vacuum” with regard to economic policy in these neighbourhoods might actually create room and lenient—because of lack of—rules for entrepreneurs starting from home.

We have investigated which existing built structures and regulations as captured in land-use plans are favourable to accommodating firms. Most surprisingly, we found seemingly sleepy neighbourhoods, in terms of the local zoning practices, to contain a substantial amount of business activity. This strengthens the ideas about post-Fordist economic activities as suitable to be performed from home or workspaces adjacent to residential spaces. Advancements in ICT technology make entrepreneurs, and teleworking employees, more flexible in managing their work, both spatially and temporally. In this sense, the home and the residential neighbourhood become a more integral part of working life (Green et al., 2000). Neighbourhoods that are planned and regulated according to the decree of separation of functions offer the least fertile ground for flexible “new” economic activities. It shows that a diverse and vital neighbourhood economy cannot be planned, but only planned for, by providing frameworks that are beneficial to local economic development (Scott, 1998).

The findings of this paper are based within the Dutch regulatory framework where top-down spatial planning is (still) the predominant mode of practice. The specificity of the Dutch land-use plan thus contextualizes the results. In, for example, Belgium, zoning rules are much more lenient. However, in the Netherlands, as in other European countries, there is a general policy idea that mixed neighbourhoods are the way to create sustainable communities for the future. Our findings suggest that generally, centralized and restrictive planning is related to small growth of local economic activity. If local governments want to stimulate mixed neighbourhoods, it is wise to look at how spatial plans are organized and to avoid centralized planning practices where economic activity is concentrated and confined to a specific locality in the neighbourhood. This might be difficult when the build environment is more an outcome of market-led development, and less the outcome of governmental spatial planning (for example in the US). In the past, real estate investors seemed primarily interested in investing in large scale mono-functional projects. However, the demand for offices, retail and apartments real estate in mixed areas is increasing, which is reflected in higher property values and investment returns (Pivo & Fisher, 2011). This might lead to different practices, also in private planned real estate developments. If the policy discourse of mixing functions is to find its way to the reality in neighbourhoods, these neighbourhoods and their land-use plans are in need of
more fundamental changes. Although the residential neighbourhood might not often house large firms, it definitely seems a place for small firms, and a place that facilitates starting businesses whose presence (and potential growth) can be beneficial to the city as a whole. Economic development on the city-level is important, but land-use plans and local policy can partly influence which neighbourhoods “win” economic activity and which neighbourhoods lose out. In accordance with earlier research on local zoning and efficient land use (Farmer, 2003) we think that residential neighbourhoods can perform very well economically without investments in costly redevelopment projects. Making land-use regulations more flexible and applying “enlightened” zoning practices can increase the economic potential of these areas (Farmer, 2003). To be sure, we do not wish to advocate a view of city governments whose sole focus is the economic attributes of neighbourhoods. However, we do think that changing economic structures have opened up a “window of economic opportunity” for residential neighbourhoods.

For future research, it is interesting to investigate what strategies local governments can take to increase the flexibility of their land-use plans, which might decrease the “response time” with which they can be updated to suit changing economic structures and urban planning needs. As has been discussed in paragraph 3, recent changes in Dutch planning policy offer some new possibilities for municipalities to increase the flexibility of zoning plans by starting to develop zoning plans for “mixed areas”. Also, putting zoning practices of different countries in comparative perspective might offer interesting research opportunities. It is also worthwhile to examine how spatial regulations are related to the type of firms found within residential neighbourhoods. The post-Fordist economy offers possibilities for economically vital, lively urban residential neighbourhoods. Providing space for (starting) entrepreneurs in residential neighbourhoods and flexibility towards their needs can contribute to a viable urban economy. Future research on land-use plans could increase our knowledge on the interaction between policy goals, legal restrictions and the spatial configuration of neighbourhood economies. We hope that the typology of neighbourhoods, according to land-use plans in relation to economic activity, might serve as a comprehensible tool in the design and further research of the effects of land-use plans.
Chapter 3.
Entrepreneurship in the Neighbourhood

Shifting patterns of economic activities in residential neighbourhoods in five Dutch cities\textsuperscript{23}

This chapter investigates the relationship between neighbourhood characteristics and firm settlement patterns. Cities are oftentimes seen as undergoing a process of ‘emergence’ in the ‘new economy’. However, this process has largely remained empirically underdetermined. This chapter examines the intra-city geography of emerging businesses in newly dominant sectors of the urban economy. The change in dominant sectors coincides with a shift towards small and medium sized businesses, creating new economic opportunities for urban residential areas. The residential neighbourhood is introduced as a place where supply and demand-side drivers operate to attract or limit such new economic activity. Allen Scott’s (2008, 2011) perspective of the cognitive-cultural economy is used to analyse which neighbourhoods are flourishing sites of the cognitive-cultural sectors. His perspective on industries that are on the rise in urban environments and their growth potential proves very valuable. Socio-demographic characteristics on the level of the neighbourhood are used as predictors of the composition of the local economy. The analyses show that wealthy, gentrified neighbourhoods in particular are more prone than others to becoming ‘hubs’ of the cognitive-cultural economy. However, disadvantaged neighbourhoods may, under certain conditions, serve as incubators for business start-ups as they offer low-rent office spaces. This has important consequences for their future economic growth potential as well as the distribution of successful businesses in the city.

3.1 Introduction

Imagine a web designer working from home, using an internet connection and getting assignments from both local and international patrons. We might think of this person as an exemplar of the so-called ‘new’ or ‘cognitive-cultural’ economy (Scott, 2011). We can also think of it as part of a process of ‘urban resurgence’ that is often discussed but whose underlying mechanisms need additional explanation. We do not know much about the kind of neighbourhood from which this web designer operates and whether the general composition of

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the local economy is tilting towards these kinds of businesses. Moreover, how is the ‘cognitive-cultural’ economy geographically dispersed over the city? This article looks at the spatial distribution of economic activities in residential neighbourhoods and disentangles the complex interplay between production and entrepreneurship, consumption, and local markets. It is argued that macro-economic changes have altered the micro-economy of the neighbourhood and the opportunities for small firms in residential districts. Firm location patterns in neighbourhoods in five Dutch cities are analysed with a focus on concentrations and types of economic activity.

Many accounts have been given of the role that cities are playing in a globalising, post-industrial economy. The focus is on ‘emergent’ industries in a process of ‘urban resurgence’ (see for instance Storper & Manville, 2006; Hutton, 2004). However, the mechanisms and the intra-city geography that are at the basis of this renewed importance of urban economies have remained empirically under-determined (Kloosterman, 2010b). Moreover, I argue that we need to examine the geographical distribution of emerging industries since cities are not uniform, static entities (Amin & Thrift, 2002). If high value-added and innovative businesses with high growth potential are concentrating in specific urban districts, this means other areas are ‘missing out’ on this growth and this might have important economic consequences for businesses located there, as well as the neighbourhood residents. In order to understand the economic resurgence of the city we need to shed light on local economic processes to see which industries are ‘resurfacing’ in the city and what areas are benefiting from this process. The 71 Dutch neighbourhoods in this study have very divergent outcomes in terms of economic performance. It is interesting to see which neighbourhoods are doing well and which ones are performing poorly in economic terms. Moreover, I aim to identify neighbourhood characteristics that could explain these divergent patterns. An assumption, often made by Dutch policy makers, is that neighbourhoods that are less attractive for the so-called ‘new urban dwellers’ are also failing to attract business and potential new start-ups (from home). Policies are implemented to improve the business environment in these neighbourhoods and ideally transform them into economic incubators (Sleutjes et al., 2012). This is done by investing in business accommodation and public space and by improving skills of (starting) entrepreneurs. A popular approach for attracting starting entrepreneurs is to provide low-cost business space in former factories, schools, or other public buildings, as well as housing designated for renovation or demolition. Does it make sense to invest heavily in the business environment of these areas and not in others? Are deprived urban areas also deprived of economic activity (that is, viable and formally registered economic activity)? The counterfactual could also be thought of; these neighbourhoods might prove beneficial sites for starting a business because they

CHAPTER THREE
offer low-cost accommodation close to the city centre.

The main research question of this article is: What is the relationship between neighbourhood characteristics and level, growth and type of entrepreneurial activity? My purpose is to contribute to unpacking the process of urban resurgence and add to the debate on the importance of the local context for economic development trajectories. The perspective of Allen Scott’s cognitive-cultural economy is used as a point of departure in locating emergent industries in the city. A rigorously empirical approach to these topics is offered by using data on the scale level of the neighbourhood. First, it is shown how macro-economic restructuring and social and demographic developments have altered the economic potential of residential neighbourhoods: turning them into local markets as well as suppliers of entrepreneurs. I therefore consider a ‘new’ economic space in the debates on the urban environment as a place of production and consumption. Second, the application of ‘traditional’ entrepreneurship approaches to residential neighbourhoods is questioned and a synthesis between this literature and the mixed embeddedness approach (Kloosterman, 2010a) is proposed. The results section presents several models of the neighbourhood economy and identifies what type of neighbourhoods are ‘winning’ sites of cognitive-cultural economic activity.

3.2 The cognitive-cultural economy in the neighbourhood

In the urban economies of many Western countries, we see a twofold development: an increase in small and medium sized enterprises (SME’s) and a shift in dominant industries (Hutton, 2004; Mason, Carter, & Tagg, 2011). Processes of externalization of production and vertical disintegration, as well as a decrease in minimum efficient scales, have contributed to the viability and survival chances of small- and medium sized businesses on both the high and the low-end of the market (Kloosterman, 2010a). Leading economic sectors are services, design- and technology intensive industries, and cultural industries. All of these are dominated by transfers of knowledge and information and make use of digital technology. The geographer Allen Scott (2008, 2011) has effectively labelled this capitalistic order as ‘cognitive-cultural’. In his seminal work on the cognitive-cultural economy, Scott explains that we can observe growth in sectors that appeal to ‘de-standardized’ consumer demands and consequently observe decline in sectors that are dominated by routine and standardized work. He points out that there are differences as to which urban centres are actually developing as focal points of this new economic order. I want to extend this notion to the differences that are occurring within cities, which has consequences for districts’ economic potential and resilience to on-going structural economic changes.
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Structural changes in the capitalist production system seem to have created a two-faced urban economy. On the one hand, there is a surge of economic activity that relies on technology- and information intensive modes of production and a high-skilled labour force. Important driving forces of these industries are creativity and innovation, embodied in creative or artistic professions as well as research and development activities. On the other hand economic activities which are mainly service oriented are also present. These activities rely on low-qualified workers and are low in added value but labour-intensive. The latter mainly consist of retail, standardized consumer services (i.e. dry cleaning, car-wash etc.) and catering and restaurants at the lower end of the market. Growth potential in these sectors is generally low as markets are virtually saturated (Kloosterman, van der Leun, & Rath, 1999). Although different in nature, the urban environment and the physical proximity to markets and other firms are essential for businesses on both ends. The geography of this economic capital within the city is influenced by what one could call ‘traditional’ location factors such as the availability of suitable business space, consumer markets, labour supply, and the presence of other businesses. These factors are in turn influenced by the socio-economic composition of a neighbourhood, which underlies the purchasing power of local consumers, and the local property and rental prices for both housing as well as commercial premises. The residential population in a neighbourhood is thus part of a complex dynamics of local economic activity. On the one hand, residents colour local demand with their tastes, preferences, and purchasing power. On the other hand, they can become part of the supply side of entrepreneurship when they start up a business from home or in commercial property in their neighbourhoods.

It is this residential population in urban neighbourhoods that has changed markedly in the last two decades. After a first influx of migrants, the city has increased in popularity for groups of affluent ‘new city dwellers’ from the 1980s onwards (Reijndorp, 2004). With the ‘dirty’ manufacturing industry removed and government investments in upgrading of deteriorated housing, the city became more attractive as a living environment for higher-income residents (Storper & Manville, 2006). The new urban middle class lives in what are now mostly gentrified neighbourhoods, where housing prices are relatively high and the range of urban amenities is abundant (Boterman et al. 2010). These socio-demographic changes, together with structural economic shifts, have created new dynamics of production and consumption in the urban environment. Increased opportunities for small-scale business and entrepreneurship, oftentimes taken up by the new population groups that have (re)entered the city, together with revitalized and diversified consumption markets, have led to very diverse economic outcomes for residential neighbourhoods.
The geography of settlement of these new population groups plays an important role in the spatial distribution of entrepreneurship and it constitutes an important reason to examine residential neighbourhoods. To investigate the proposition that local socio-demographic factors are related to the size and composition of the local economy. Moreover, recent studies point towards the rising importance of home-based business internationally as well as in the Netherlands (Mackloet, Schutjens, & Korteweg, 2006b). Home-based businesses are an important component of the rise of small and medium sized enterprise. In the United Kingdom, for instance, home based businesses account for 36% of all businesses (Mason, Carter, & Tagg, 2008). Urban residential districts have been regaining ground as places of production after a period of decline in which much economic activity relocated to office and business parks (Musterd, Bontje, & Ostendorf, 2006). The Dutch Chamber of Commerce data of the five selected Dutch cities in this study show that on average, 44% of business establishments are located in urban residential districts. International studies also show an increased tendency of businesses to settle in residential and suburban environments (Fong, Luk, & Ooka, 2005; Graham & Marvin, 2001). The increased economic potential of residential neighbourhoods is thus connected to a shift in dominant sectors since many of the economic activities in the cognitive-cultural economy are especially suited to be performed from the home. The increasing share of home-based business in residential neighbourhoods adds another layer of complexity to local economic dynamics.

3.3 Divergent economic trajectories of neighbourhoods

Some of the factors that explain differences in the economic success of neighbourhoods come from more ‘traditional’ entrepreneurship literature. This body of literature mainly explains the prevalence of certain industries and divergence of levels of entrepreneurship between localities from the supply side of entrepreneurship. Unequal spatial distribution of entrepreneurial activity is explained by taking into account individual characteristics of (nascent) entrepreneurs and structural characteristics of localities. These studies show, for instance, that work experience and educational attainment are positively related to entrepreneurship (Evans & Leighton, 1989). The ‘structural’ explanations mainly focus on charac-

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24 The Dutch central bureau of statistics keeps track of the number of businesses with 1 employee. This can serve as an approximation of the number of self-employed in the Netherlands. This number has been on the rise from 355,575 in 2006 to 495,215 in 2010, an increase of almost 40% (source: CBS).
25 This is an average calculated from the share of all business establishments in the city that is located in urban residential districts in 5 Dutch cities: Amsterdam 56%, Utrecht 53%, Zoetermeer 61%, Dordrecht 31% and Leiden 21%. Urban residential districts are defined as neighbourhoods that have more than 500 residential addresses and do not have a designated industrial estate within them nor are designated as ‘city center’ (PBL 2010).
teristics such as institutional arrangements and regulatory environment (Hindle, 2010) or transportation costs, industrial intensity and levels of immigration as determinants of a locality’s economic success (Lee, Florida, & Acs, 2004). The ‘disadvantage theory’ that explains immigrant entrepreneurship through a lack of human capital and an exclusionary labour market is another structural explanation on the supply-side of entrepreneurship (Hackler & Mayer, 2008). From these studies we can derive the proposition that the highly educated and immigrants are more prone to becoming entrepreneurs. Considering the claim made by behavioural geographers that entrepreneurs are likely to start their business from home or to seek business space very close to where they live (see for instance Storey, 1994; Taylor & Asheim, 2001), we can expect neighbourhoods with high shares of immigrants and highly educated residents to be more entrepreneurial. This indicates a bifurcation of (nascent) entrepreneurs that is likely to manifest itself geographically. However, an explanation of diverging outcomes of economic performance also needs to integrate the demand-side of entrepreneurship and firm establishment: The markets and local demands that entrepreneurs and firms are aiming to serve and the accessibility of these markets to various types of entrepreneurs.

In their mixed embeddedness approach, Rath and Kloosterman (2001) attempted such integration by emphasizing that markets form the main ingredient of a local opportunity structure—they enable and underpin the viability of new business and firm growth. By studying the opportunities for entrepreneurs in local markets, they identified which markets were (in)accessible for certain types of entrepreneurs. They argue that human capital is a determining factor for market access. Consequently, in the two-faceted urban economy outlined above, the human capital threshold to start a business in the information and technology-intensive sectors is high, while it is low in most consumer services and retail businesses. Kloosterman (2010a) argues that highly skilled entrepreneurs therefore will have access to the expanding markets characteristic of the cognitive-cultural economy, and, consequently, that many new businesses will be started in these sectors. Low-skilled entrepreneurs will have access to two kinds of markets: First, a market that is characterized by “vacancy-chain” businesses, where established entrepreneurs leave highly competitive and stagnant sectors such as small-scale retailing and cheap restaurants, thereby opening up spaces for new entrepreneurs. Second, a market for personal services that still has some growth potential, since it is catering to the (changing) needs of urban households. It can be argued that especially the first type of market is located in neighbourhoods with a high share of immigrants due to the local demand for immigrant-oriented business (Kloosterman et al., 1999). Beside the access to markets, the mere presence of a market can thus also be thought to be constituent of a neighbourhood economy. Although consumer be-
haviour is anything but a strictly local affair, the socio-demographic composition of a neighbourhood can still be seen as an important signifier of the type of local consumer demand.

Looking at both the supply and demand side of entrepreneurship will shed light on two important issues: First, on the workings of local markets, and second, on the importance of human capital as a factor determining the accessibility to these markets. In effect, human capital (or educational attainment) is conceptualized as a factor that operates on the supply-side of entrepreneurship. At the same time, the opposite is considered: human capital can also be conceptualized as a characteristic of the local market, indicating a demand for a specific kind of products and services. Also, the issue of migrant entrepreneurship is included in the models presented in this article since the literature puts this forward as an important element of advanced urban economies. Although institutional arrangements and regulatory environment are considered to be important for neighbourhood economies, they are hard to quantify and therefore not included in the models presented here. The next section elaborates on the different demand and supply-side drivers that I investigate as underpinnings of the neighbourhood economy.

### 3.4 Dynamics of neighbourhood economy

The definition of neighbourhood postulated by Galster (2001) shows that it is a theoretically complex construct: ‘Neighbourhood is the bundle of spatially based attributes associated with clusters of residences, sometimes in conjunction with other land uses’ (Galster, 2001:2112). These spatially based attributes can be thought of as structural, infrastructural, demographic, economic, environmental, political, sentimental and social-interactive in nature. The key to this conceptualization of the neighbourhood is that all these attributes together constitute a neighbourhood because they are ‘spatially based’ in a particular location (ibid: 2113). It also signals that it is undesirable to assign a single meaning to attributes of neighbourhoods stating, for instance, that neighbourhood residents are either producers or consumers. I use the level of analysis of the neighbourhood by selecting some of its spatially based attributes and conceptualizing them as drivers of the economic activity in that neighbourhood\(^2\). With regard to residential aspects, the debate has been focused on whether we can speak of ‘neighbourhood effects’ (see for instance Massey & Denton, 1993; Musterd, Ostendorf, & De Vos, 2003). In this case, the neighbourhood attributes are used to determine the formation of

\(^2\) use the administrative boundaries of neighbourhoods as used by the Dutch Central Bureau of Statistics, since the social demographic and economic data are also available on this level. This is the lowest scale level on which these census data are available.
specific local markets and hubs of entrepreneurship and not to isolate a ‘neighbourhood effect’.

In terms of demand-side drivers, average income and average education levels are thought to influence local consumer purchasing power and purchasing preferences. With high average incomes and high average educational attainment levels, a local demand for upscale, high-end products is expected. Consequently, in these neighbourhoods, a large share of firms that can be labelled as ‘high value-added’ is expected. A neighbourhood with higher average disposable incomes is expected to be able to sustain more firms and have higher growth rates of firms. The effect of average income is not unambiguous, however, since it is assumed that at least part of the firms in a neighbourhood will not cater to local markets, and instead produce for a national or even international market. The products and services of these businesses are not (only) sold to local markets but have a wider scope due to their specificity or unique nature. Business services, for instance, can be thought of as catering to both a local and a supra-local market. However, socio-demographic neighbourhood characteristics can influence the presence of these supra-local businesses in several indirect ways. First, real-estate and rental prices of office and business accommodation are related to the socio-demographic and economic characteristics of neighbourhoods. This is why the average growth in real estate value (1999-2008) is conceptualized as an indicator of long-term development of the neighbourhood. Exorbitant growth in real-estate prices indicates increased popularity of a neighbourhood and signals an upward change of the socio-economic status of the residential population as well as a rise in prices for business space. A large portion of the high-end of the cognitive-cultural sectors is expected to prefer to be located in high-status neighbourhoods since status, appearance and surroundings are of importance (Hutton, 2004). Moreover, the appeal and proximity of the business location to their desired workforce and other firms is also important. In turn, an often advanced claim within urban economy studies is that high-end, high-value-added firms are particularly prone to clustering with similar firms (Hutton, 2004).

In terms of supply-side drivers it can be argued that a considerable number of firms are started from home. If the residential population exhibits high average education levels, businesses in that neighbourhood will predominantly be started in sectors with high human capital thresholds. Creative and innovative firms are not necessarily located in the richest neighbourhoods, but also in upcoming neighbourhoods with lower real-estate values and lower average incomes. In line

27 Although in this article I investigate whether we can signal ‘hubs’ of high-end, high-value added economic activity in certain neighbourhoods, I do not investigate the specific statement that these firms attract other firms in related sectors.
with Ley’s (2003) theory of gentrification we can expect artists and innovative entrepreneurs to settle in ‘affordable and mundane’ neighbourhoods. Entrepreneurs in these industries might be looking for ‘undiscovered’ and inspiring surroundings and seek the road less travelled. In line with the entrepreneurship literature and the mixed embeddedness approach, the share of non-Western immigrants in a neighbourhood is thought to be positively related to levels of entrepreneurship. Two assumptions are being made here: immigrants will either start a business in their own neighbourhood of residence, or they will start a business in a neighbourhood with a large share of immigrants due to the market they aim to serve, namely a market that, for a large part, consists of immigrants. Including the share of non-Western immigrants in the neighbourhood serves to test the proposition derived from the mixed embeddedness approach that immigrants start businesses in particular (mainly low-end) sectors. Summing up, the following propositions are stated:

1. Neighbourhoods of high socio-economic status can maintain more firms and have more firms at the high end of the market.
2. Neighbourhoods with a high share of non-Western immigrants will display higher rates of entrepreneurship as well as starting businesses & self-employed.
3. Neighbourhoods of high socio-economic status display higher growth rates of firms.
4. Neighbourhoods with a high share of non-Western immigrants will have a larger share of firms in low human capital threshold sectors (i.e. retail, personal services).
5. In line with Kloosterman (2010a,b): a high share of highly educated, high skilled residents means more firms in high-end industries in the neighbourhood.
6. Neighbourhoods of high socio-economic status do not display significantly higher levels of creative and innovative firms.

3.5 Data and method

For the analysis, detailed information on 71 residential neighbourhoods located in five Dutch cities is used. Only urban neighbourhoods that can be characterized as predominantly residential are included in the analysis, because inner-city districts and neighbourhoods with an industrial estate are assumed to have specific business dynamics of their own. The included neighbourhoods display variation on the relevant variables, but there are no real ‘extreme’ cases included (i.e. in these residential neighbourhoods).
five cities neighbourhoods that can be characterized as either ‘no-go areas’ or ‘ga-ted communities’ do not exist). The five cities are Amsterdam, Dordrecht, Leiden, Utrecht, and Zoetermeer. Dordrecht, Leiden and Zoetermeer are mediumsized cities ranging between 117,000 and 121,000 inhabitants. Amsterdam and Utrecht are relatively large cities with 779,000 and 311,000 inhabitants respectively (CBS, 2010). The Amsterdam and Utrecht populations are consistently growing, while the other three cities have more or less stable population numbers. All cities belong to the Randstad region, the conurbation in the West of the Netherlands, which is often considered to function as one regional economy. Although the number of cities included in the analysis is rather small, their diversity increases the robustness of the findings. Data on the businesses in the neighbourhood consist of LISA-data29, listing all business establishments in these five cities for the period 1999-2008. The calculation excludes schools, hospitals and public sector activities that do not produce for a ‘market’. Multiple OLS regression is used to estimate the effects of neighbourhood attributes on the number and type of businesses in the neighbourhood. Table 1 provides descriptive statistics for the variables used.

29 This is data from the Dutch Chamber of Commerce, supplemented with employment information.
Table 1: descriptive statistics

<table>
<thead>
<tr>
<th>Variable name</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>St. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average income (x1000)</td>
<td>71</td>
<td>13.80</td>
<td>38.80</td>
<td>19.55</td>
<td>4.740</td>
</tr>
<tr>
<td>Growth real estate value (%) 99-08</td>
<td>71</td>
<td>92.00</td>
<td>494.00</td>
<td>185.52</td>
<td>78.089</td>
</tr>
<tr>
<td>Growth in average income (%) 99-07</td>
<td>71</td>
<td>9.00</td>
<td>90.00</td>
<td>26.33</td>
<td>13.907</td>
</tr>
<tr>
<td>Growth in high incomes (%) 99-07</td>
<td>71</td>
<td>-36.00</td>
<td>107.00</td>
<td>7.12</td>
<td>28.528</td>
</tr>
<tr>
<td>% non-Western immigrants</td>
<td>71</td>
<td>2.00</td>
<td>65.00</td>
<td>18.73</td>
<td>14.354</td>
</tr>
<tr>
<td>% highly educated</td>
<td>71</td>
<td>12.00</td>
<td>72.70</td>
<td>39.06</td>
<td>16.155</td>
</tr>
<tr>
<td>% owner occupied housing</td>
<td>71</td>
<td>8.00</td>
<td>94.00</td>
<td>48.81</td>
<td>20.99</td>
</tr>
<tr>
<td>FI_08 (firms to inhabitants index)</td>
<td>71</td>
<td>1.00</td>
<td>22.24</td>
<td>4.56</td>
<td>4.083</td>
</tr>
<tr>
<td>FI_growth '99-09</td>
<td>69</td>
<td>-2.19</td>
<td>4.69</td>
<td>1.05</td>
<td>1.151</td>
</tr>
<tr>
<td>% new firm births% as share of total firms</td>
<td>71</td>
<td>0.00</td>
<td>32.10</td>
<td>15.40</td>
<td>6.742</td>
</tr>
<tr>
<td>% business to business</td>
<td>70</td>
<td>0.00</td>
<td>54.50</td>
<td>26.27</td>
<td>9.821</td>
</tr>
<tr>
<td>% personal services</td>
<td>70</td>
<td>0.00</td>
<td>33.30</td>
<td>5.46</td>
<td>5.788</td>
</tr>
<tr>
<td>% retail</td>
<td>71</td>
<td>0.00</td>
<td>60.90</td>
<td>10.64</td>
<td>10.361</td>
</tr>
<tr>
<td>% high value-added</td>
<td>70</td>
<td>0.00</td>
<td>84.73</td>
<td>45.47</td>
<td>17.561</td>
</tr>
<tr>
<td>Change in % high value-added firms 93-98</td>
<td>70</td>
<td>-15.73</td>
<td>28.26</td>
<td>7.06</td>
<td>9.578</td>
</tr>
<tr>
<td>% creative</td>
<td>70</td>
<td>0.00</td>
<td>22.75</td>
<td>7.35</td>
<td>5.644</td>
</tr>
<tr>
<td>% innovative</td>
<td>70</td>
<td>0.00</td>
<td>31.52</td>
<td>13.50</td>
<td>6.314</td>
</tr>
<tr>
<td>% self-employed</td>
<td>67</td>
<td>42.90</td>
<td>88.00</td>
<td>68.54</td>
<td>10.458</td>
</tr>
<tr>
<td>Change in % self-employed 93-98</td>
<td>67</td>
<td>-0.60</td>
<td>38.40</td>
<td>12.70</td>
<td>9.017</td>
</tr>
</tbody>
</table>

The dependent variables are listed in the bottom half of the table. The models presented in the results section can best be understood as a stepwise analysis. The first step is to model the effect of neighbourhood characteristics on the size and growth of the local economy. The main outcome of interest here is an index that represents the number of firms in a neighbourhood while taking the number of inhabitants into account (FI_08: number of firms per 100 inhabitants in 2008). After that, the development of this index over the past decade is analysed (FI_growth 1999-2008) to measure growth. In addition, new firm births are modelled as an indicator of dynamism of the neighbourhood economy. The second step is to analyse the effect of neighbourhood characteristics on the composition of the neighbourhood economy. This second step can itself be divided in two steps. Firstly, a more ‘traditional’ sectoral classification of firms is applied, with a distinct-

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30 All % of firms variables represent the share of total number of firms in the neighbourhood that are categorized as business-to-business, personal services, retail etc.
tion between business-to-business, personal services (e.g. dry-cleaning and beauty salon) and retail (shops and take-away restaurants). Business-to-business ranges from business accountants to business cleaning services. This conventional sectoral classification reflects standard industrial classification schemes. Secondly, a more fine-grained classification of firms is applied that aims to capture the nature of the work that is performed within these firms. These are the same firms, albeit classified according to whether they produce high-value-added, innovative or creative products and services. High-value-added firms are characterized by knowledge-intensive activities that are still mainly standardized. They represent the part of the value-chain where most value is added and the products are placed on the high end of the market. Consequently, revenues are high. The high value-added category includes some business services supplemented with other sectors such as (for-profit) education and health services. The main criterion is that the human capital threshold for operating in these sectors is high. In addition to high human capital levels, the innovative firms are characterized by non-standardized activities that are likely to produce unique and innovative products ranging from new complex financial instruments to the latest in architectural design. Research and development firms are, for example, classified as innovative, as Scott (2008) sees this kind of economic activity as the ‘innovative energy’ that drives the cognitive-cultural economy, because this type of firm is often concerned with development or some other form of ‘progress’. The creative firms constitute a fairly narrowly defined group of firms whose main activity is artistic creation that can lead to unique products, but is not so much concerned with product development or improvement. Applying this categorization based on firms’ main activities allows an understanding of the local economy from a cognitive-cultural perspective which states that it is particularly this kind of business that has the highest growth potential in urban economies. Using the more traditional as well as a more novel classification of firms allows us to observe what is gained by applying a cognitive-cultural economy approach. As a last step, the share of self-employed in a neighbourhood is analysed in order to see whether certain neighbourhoods are more prone to accommodate home-based business. The dependent variables are measured for the year 2008 except for the growth in firms (FI Growth), change in high-value-added and change in the share of self-employed that measure the change between 1999 and 2008. The independent variables have been measured for the most recent year for which data was available. Table 1 shows that there is quite some variation in the number of firms in a neighbourhood. In some neighbourhoods, hardly any

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31 All categorizations are made with the ‘Standard Business Index’ of 2008 (based on the UN international standard industrial classification of all economic activities, ISIC) See appendix II for a detailed overview of the categorization of businesses used for these variables.

32 All the dependent variables that represent a share of the neighbourhood economy (e.g. the share of business-to-business firms in a neighbourhood are log-transformations (ln) of the original variables to meet the assumption of unboundedness.
businesses can be found, while in others there are as many as 22 firms per 100 neighbourhood residents. Growth figures vary greatly with substantial growth numbers in some neighbourhoods and decline in others. The share of high value-added firms is characterized by a higher variation over neighbourhoods than the share of innovative or creative firms. The table also suggests high average levels of self-employment and overall growth of this share with small deviations.

3.6 Results

Before turning to the OLS-models, table 2 and figure 1 offer a more descriptive overview of the economy in residential neighbourhoods. Table 2 shows the average figures for firm size and self-employment: small firms with fewer than 5 employees dominate and there is a strong overall increase in the share of self-employed between 1999 and 2008. The share of large firms was not very substantial in 1999, and decreased even further in the past decade. The distribution of firms in the five cities as shown in figure 1 gives an overview of the share of firms labelled as service sectors (business + personal services), high-value-added firms, innovative firms and creative firms. The share of services makes up half or more of the sectoral distribution in all five cities. In the larger cities (Amsterdam and Utrecht), the share of high-value-added firms is larger than in the other cities, but as we have seen in table 1, this share varies substantially across neighbourhoods.

<table>
<thead>
<tr>
<th>Table 2: average firm size and self-employed 1999-2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>av. firm size* 1999</td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>av. firm size 2008</td>
</tr>
<tr>
<td>av. share (%) of large firms** 1999#</td>
</tr>
<tr>
<td>av. share (%) of large firms 2008</td>
</tr>
<tr>
<td>av. share (%) of self-employed 1999#</td>
</tr>
<tr>
<td>av. share (%) of self-employed 2008</td>
</tr>
</tbody>
</table>

Source: LISA (calculations by the author)

* In no. of full time jobs
** Firms with 20 employees or more
# as percentage of total firms in the neighbourhood

33 See appendix II for an overview of the data availability of independent variables.
34 Arguably, a growing or declining population within a neighbourhood also influences the F:I growth rates. Still, I argue that a declining population would lead to a smaller market, and more importantly, less potential for home-based firms and entrepreneurs within the neighbourhood. This in turn should imply a decrease in the number of firms. If this is not the case, it is assumed that a higher F:I rate caused by decline in numbers of inhabitants generally reflects strong and stable local economic activity.
Remarkably, the share of innovative firms in the new-town Zoetermeer is slightly larger (17.44%) than in the capital city Amsterdam (15.61%). The city of Zoetermeer explicitly aims to attract information and communication technology industries (Zoetermeer 2008)\textsuperscript{35}. The larger cities Amsterdam and Utrecht, clearly attract more firms operating in the creative sector (this is in agreement with other studies. See for example Deinema & Kloosterman, 2009; Marlet, 2009; Marlet, 2009). The share of ‘other’ represents mainly heavy industry and manufacturing sectors, and we see that in all cities this share is very small. This distribution of economic activity across the various highlighted sectors as well as the strong presence of small firms is illustrative of the shift to the cognitive-cultural economy. A majority of firms operating in personal and business services, with, especially in the bigger cities, a large share of firms that can be categorized as high-value-added. Although the sectoral distribution in Dordrecht (DORD) and Leiden (LEID) is similar to that of the other cities, they seem to be lagging behind somewhat. They show a slightly smaller share of service and high-value-added firms, and also the creative sector seems underrepresented. Leiden is performing well in its share of innovative firms compared to Dordrecht. Presumably, this is related to Leiden being a University-city although it is losing part of its university-educated residents to other cities in the Randstad (CBS, 2010).

\textsuperscript{35} In 2003 Zoetermeer founded an ICT-Academy (Zoetermeer 2008 – Stadvisie Zoetermeer 2030)
3.6.1 Explaining the size and growth of the neighbourhood economy

Model 1 (Table 3) shows that average income and educational attainment are good predictors of the number of firms in a neighbourhood (FI_08). The number of firms (related to the size of the population) increases as average incomes are higher and the average educational attainment is higher. A shared explanation for these two variables is that higher incomes and educational attainment represent a powerful local market with high purchasing power and a demand for high-end products. This implies that the critical mass of consumers (for high-value-added firms) is more easily attained in this type of neighbourhood. This confirms the first proposition and indicates that local markets are indeed of great importance, as stated in section 3. Besides playing a role in shaping local markets, educational attainment can also point to a pattern of higher educated residents being more likely to become self-employed locally, maintaining the assumption that businesses are started in or close to home. This statement is based on earlier studies that argue that the higher educated are more likely to start a business (Evans & Leighton 1998) as well as recent empirical evidence showing higher rates of self-employed in neighbourhoods of high socio-economic status (Risselada & Folmer 2012). However, it is not possible to confirm this statement on the basis of the current models and the available data. We cannot deny that we see higher levels of firms in neighbourhoods with a high share of highly educated residents but since we have no data on the locality of ownership of the firms (i.e. home-based or office/retail space), statements concerning educational attainment as a supply side driver of local businesses remain tentative. If it were possible to statistically isolate home-based business we could make better estimations of the relation between educational attainment and the likelihood of starting a business (in high-end sectors). In this context, the rise in real-estate value most likely functions as an indirect driver signalling a process of gentrification that is related to high and rising average incomes. The share of non-Western immigrants does not significantly affect the number of firms in a neighbourhood so this part of the second proposition cannot be confirmed.

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36 FI_08 is a log transformation of the original variable
37 The bivariate correlation of these two variables is .47
As a predictor of growth in firms over the period 1999-2008 (Model 2) the model turns out to be less successful (with an explained variance of 20%). The only significant indicator is the percentage of higher educated residents in a neighbourhood. This can provide additional support for the proposition that the highly educated are a driver of the local economy because they are more likely to start a business and hence fuel growth of firms in these neighbourhoods. We will have to see how this parameter performs in explaining shares of self-employed in the neighbourhood to draw more informed conclusions. There is no unambiguous proof that can confirm the third proposition. The reduced explanatory value of this model relates to the considerable growth in firms that has also been taking place in neighbourhoods with lower average incomes and less steep increases in real-estate value. So, although a higher number of firms are found in ‘richer’ neighbourhoods (Model 1), these are not necessarily the neighbourhoods where the largest growth in businesses has taken place over the last ten years. This argument is supported by model 3. The share of non-Western immigrants is positively related to the number of new firm births\(^8\). Although the total explanatory power of the model is limited, it does indicate that the share of ‘young’ firms is large in neighbourhoods with more non-Western immigrants. This at least partly explains the growth in firms in less advantaged neighbourhoods and it confirms this part of the second proposition. It is not necessarily an indicator of a ‘healthy’ local economy since high start-up rates can also indicate high turnover rates of local firms. A high turnover rate of local firms in turn signals that a neighbourhood is becoming less attractive as a place of entrepreneurship due to declining purchasing power of residents, combined with negative effects of vacant business space. This first step of the

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\(^8\) Dependent variables that represent a share of firms in the neighbourhoods (% of firm births, % business to business, % personal services, % retail, % high value-added, % creative, % innovative, % self-employed) are log (ln) transformations of the original variables to meet the assumption of unboundedness.

---

### Table 3: Results of regression analysis for Model 1-6

<table>
<thead>
<tr>
<th>Model</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(F_{L98})</td>
<td>(F_{L growth 1999-2008})</td>
<td>% Firm births</td>
<td>% Business to business</td>
<td>% Personal services</td>
<td>% Retail</td>
</tr>
<tr>
<td>Constant</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Average income</td>
<td>.312(^{**})</td>
<td>207</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Growth real estate value (% 99-08)</td>
<td>.317(^{**})</td>
<td>113</td>
<td>079</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>% highly educated</td>
<td>.272(^{*})</td>
<td>.311(^{*})</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>% non-Western immigrants</td>
<td>0.085</td>
<td>139</td>
<td>.282(^{*})</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>% Owner occupied housing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(R^2)</td>
<td>42</td>
<td>20</td>
<td>19</td>
<td>39</td>
<td>44</td>
<td>11</td>
</tr>
<tr>
<td>Adjusted (R^2)</td>
<td>38</td>
<td>16</td>
<td>14</td>
<td>35</td>
<td>41</td>
<td>06</td>
</tr>
<tr>
<td>N</td>
<td>71</td>
<td>69</td>
<td>67</td>
<td>66</td>
<td>67</td>
<td>71</td>
</tr>
</tbody>
</table>

*** p< .001 **p < .01 *p < .05
analysis indicates that there are two types of neighbourhoods that either accommodate high shares of firms or function as incubators: on the one hand, neighbourhoods that have experienced a trajectory of residential gentrification with an influx of higher educated, high income residents, creating new opportunities for neighbourhood firms; on the other, neighbourhoods with high shares of non-Western immigrants are a prominent site of start-ups although this is not necessarily durable economic activity.

3.6.2 Explaining the sectoral composition of the neighbourhood economy

The second step in the analysis concerns the composition of the neighbourhood economy. First, the more ‘traditional’ sectoral approach is applied. It shows us that business services are more likely to be located in ‘richer’ neighbourhoods (Model 4). It is likely that these businesses locate in these neighbourhoods for reasons related to status and co-location with other business services, since they do not cater to a consumer market. Commercial and residential real-estate prices are usually higher in high-income neighbourhoods, meaning that only firms and entrepreneurs with substantial capital can reside there. Note that educational attainment is not a successful predictor of the presence of business services. Personal services (Model 5) tend to concentrate in socio-economically weaker neighbourhoods. Both average income and the share of higher educated residents are negatively related to the presence of personal services. This provides evidence for the proposition that it is important to take account of human capital thresholds for operating in particular industries. If we maintain the assumption that production is at least partly local, this means that these economic activities are also performed by, on average, entrepreneurs with lower levels of education and with considerably less venture capital. Locating in high-income neighbourhoods is, in most cases, too expensive for this type of firm, although it can be expected that they, at least partly, cater to high-income clients that are outsourcing household tasks. The traditional sectoral classification loses explanatory power if we look at the share of retail in a neighbourhood (Model 6). The explained variance is negligible, and the only significant predictor is the share of owner occupied housing in a neighbourhood. The problem here is that retail is a very broad category – comprising consumer products from the very high to the very low end of the market. The building structure of a neighbourhood is probably more important in determining the share of retail in a neighbourhood. A retail business puts particular demands on its physical location. This makes sense in the Dutch context with its tightly controlled land-use plans and strict zoning regulations (Hajer & Zonneveld, 2000). There is no direct effect of the share of non-Western immigrants on the share of retail or personal services, so the fourth proposition cannot be confirmed. Analysing the firms that are present in a neighbourhood from a cognitive-cultural perspective might pro-
Average income level and the share of highly educated residents are important predictors of the share of high-value-added firms in the neighbourhood. In terms of demand-side drivers, it is an indication that neighbourhoods with a high average income and high average education levels fuel a specific local demand for products and services of firms operating in high-end sectors. However, as was said earlier, it cannot be assumed that firms produce exclusively for a local market. High average incomes are also an indication of high prices for commercial real-estate and therefore these neighbourhoods will show a less diverse neighbourhood economy, lopsided to the high-end of the market. This is the same mechanism that operates in the location of business services and personal services (Model 4). Model 7 provides additional information over Model 4 however: focusing on the nature of the activities that are actually performed within firms clarifies that those firms that require high human capital are actually located in neighbourhoods with high shares of highly educated residents. This provides additional support for the claim that the ‘new urban dwellers’ often become local entrepreneurs themselves. This statement is in line with the proposition made by Kloosterman (2010a) that certain markets are only accessible for entrepreneurs with high levels of human

Table 4: Regression results for Model 7-12

<table>
<thead>
<tr>
<th>Model</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beta-coefficients</strong></td>
<td>% High value added</td>
<td>Change in % high value added</td>
<td>% Creative</td>
<td>% Innovative</td>
<td>Self-employed as % of total firms</td>
<td>Self-employed as % of total firms – model 2</td>
</tr>
<tr>
<td>Constant</td>
<td>2.476</td>
<td>1.314</td>
<td>.687</td>
<td>1.292</td>
<td>4.196</td>
<td>4.229</td>
</tr>
<tr>
<td>Average income</td>
<td>.536***</td>
<td>-.066</td>
<td>.020</td>
<td>.511***</td>
<td>-.052</td>
<td></td>
</tr>
<tr>
<td>Growth real estate value (% 99-08)</td>
<td>-.020</td>
<td>.284*</td>
<td>-.044</td>
<td>-.024</td>
<td>-.043</td>
<td></td>
</tr>
<tr>
<td>% highly educated</td>
<td>.327**</td>
<td>.263*</td>
<td>.273*</td>
<td>.078</td>
<td>182</td>
<td>214</td>
</tr>
<tr>
<td>% non-Western immigrants</td>
<td>.081</td>
<td>.080</td>
<td>.077</td>
<td>.048</td>
<td>-.040</td>
<td></td>
</tr>
<tr>
<td>Growth in share high incomes (% 99-07)</td>
<td>.339**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Owner occupied housing</td>
<td></td>
<td></td>
<td></td>
<td>.013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm births as % of total firms ’08</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.301*</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>.49</td>
<td>.25</td>
<td>.20</td>
<td>.26</td>
<td>.030</td>
<td>.12</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>.46</td>
<td>.21</td>
<td>.15</td>
<td>.22</td>
<td>.033</td>
<td>.058</td>
</tr>
<tr>
<td>N</td>
<td>69</td>
<td>70</td>
<td>63</td>
<td>68</td>
<td>67</td>
<td>67</td>
</tr>
</tbody>
</table>

*** p < .001 ** p < .01 * p < .05
ENTREPRENEURSHIP IN THE NEIGHBOURHOOD

capital. Average income and educational attainment together explain 49% of the variation in the share of high-value-added firms in the neighbourhood. This supports the first and the fifth proposition. The largest growth in high-value-added firms (Model 8) takes place in neighbourhoods where the share of high incomes has increased the most, indicative of a process of residential gentrification in the neighbourhood. Likewise, educational attainment of residents remains a significant predictor in this model. Distinguishing business services from high-value-added firms allows for going beyond the Standard Industrial Classification. It looks at the nature of productive activity that is actually going on in firms. When gauged in terms of human capital, firms that rely on high levels of human capital are more likely to be located in neighbourhoods that have high shares of highly educated residents. This is proof, albeit partially, for the statement that firms do get started locally. However, it is important to keep the limitations of the data in mind, which prevent us from determining the locality of ownership. Most likely, educational attainment plays a role on both the supply and the demand side of entrepreneurship. The decision of starting a firm in one’s own neighbourhood (often in the home) is influenced by an intertwined set of variables including educational attainment, availability of capital, the local labour market, and home ownership and last but certainly not least important, personal circumstances.

More creative firms are located in neighbourhoods with high shares of highly educated residents (Model 9) whereas income levels are not determinant. Also, the upgrading of real-estate values plays a role here. This suggests that creative firms are locating in neighbourhoods that have been ‘upgraded’ during the period 1999-2008 and those neighbourhoods, which are still in the middle of this process. Distinguishing between different types of cognitive-cultural activities has an advantage to the more traditional sectoral approach: empirical support is provided for the views on gentrification which state that it is artists and creative ‘bohemians’ who are pioneers in the gentrification process (see for instance (Ley, 1996; Lloyd, 2004). Residential gentrification and the settlement of creative industries go hand in hand, although it remains difficult to assess whether the presence of creative firms has played a causal role in the upgrading process. As for innovative firms (Model 10), we see that average income is, again, very important in explaining the share of innovative firms in a neighbourhood. Interestingly, neither the share of highly educated in the neighbourhood or the growth of real-estate value influence the share of innovative firms. Contrary to creative firms, these firms are not pre-

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39 In this case, one would have to again maintain the assumption that businesses are started from the home or close to the home in the own neighbourhood. Based on earlier research (Mackloet, Schutjens, & Korteweg, 2006) this assumption is not very hard to make.

40 This variable (increase in share of high incomes 1999-2007) was added as a predictor – The model was also run with the original variables, but for reasons of brevity left out of the table. It is available from the author.
dominantly settling in upcoming neighbourhoods, but are rather located in the wealthier parts of the city. A substantial part of these innovative businesses are catering to a business market, so co-locating with ‘traditional’ business services in the wealthy neighbourhoods is to their advantage. It is difficult to determine firms as innovative. Here, they consist of some more established innovative sectors (i.e. software development) as well as more upcoming innovative sectors (i.e. industrial design). More empirical research is needed to assess which firms are truly performing innovative work. For now, the sixth proposition is confirmed for creative firms yet not for innovative firms. This second step of the analysis shows that it is useful to conceptualize the neighbourhood as both a supplier of entrepreneurs and as a local market. A cognitive-cultural perspective on the neighbourhood economy acknowledges that to start a firm in these industries poses high human capital thresholds for (nascent) entrepreneurs. Modelling the share of high value added firms in a neighbourhood and the change of this share over a ten-year period is an original exercise. The results indicate that processes of residential and commercial gentrification go hand in hand and that a real qualitative transformation of economic activity occurs in these neighbourhoods. Figure 2 presents a schematic outline of the discussed significant positive relationships between neighbourhood characteristics and type of entrepreneurial activity in the neighbourhood as modelled in Table 4.

Figure 2: significant relationships between neighbourhood characteristics and entrepreneurial activity
3.6.3 Explaining the share of self-employed in the neighbourhood economy

Models 11 and 12 analyse the share of self-employed in the neighbourhood. Available empirical data shows that a large part of the self-employed has established their business at home (Mason et al., 2011). In terms of supply-side drivers, Model 11 investigates whether non-Western immigrants are more likely to be self-employed. In terms of demand-side drivers, the proposition was made that more businesses in a neighbourhood with a large share of immigrants are started due to a market these businesses aim to serve, namely a market that for a large part consists of immigrants. The parameter is negative (although not significantly so), and therefore, there is no support for this part of the second proposition. Educational level is a positive, yet not a significant predictor, of the share of self-employed in a neighbourhood, whereas the previous models did show a significant positive relationship between average educational attainment and the number of firms in a neighbourhood. The poor explanatory power of the model is most likely due to the overall increase in self-employment in the studied neighbourhoods. The average increase in the share of self-employed in the period 1999-2008 is 13% and only four neighbourhoods have experienced decline in the share of self-employed. An adjusted version of the model (Model 12) performs slightly better and it tells us that in neighbourhoods with more firm ‘births,’ the share of self-employed is higher. Put differently: most new firm start-ups are 1-person firms. If assumed that most self-employed persons start from their own home, it would be likely that we would find more self-employed in neighbourhoods where the share of owner-occupied housing is high. Owner-occupied houses are often bigger and have fewer restrictions when it comes to adjusting the interior to work-needs (OECD, 1998). Remarkably, the share of owner-occupied housing is not significantly related to the share of self-employed or the change thereof in the neighbourhood.

As was said, the poor performance of the models that analyses self-employment is probably due to an overall increase in the share of self-employed in residential neighbourhoods. As we could already see in Table 1, average growth in the share of self-employed is high overall with small standard deviations. This means that the rise in self-employment takes place everywhere and is not very locally determined. Nevertheless, there are variations in the rate of this growth but they are not explained by any of the selected neighbourhood and population attributes. It is likely that self-employment is better explained by sectoral and individual factors. For instance, on an individual level, educational attainment or ethnic background

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41 This argument is supported by modeling the effect of neighbourhood characteristics on the change in self-employed (1999-2008) which yielded only non-significant results. The model is not shown here, but can be retrieved from the author.
might still prove valuable predictors of self-employment, just as age might be a valuable predictor of self-employment. On the aggregate level of the neighbourhood however, no such relationship can be observed.

3.7 Conclusion and discussion

In this article I aimed to capture the cognitive-cultural nature of economic activity in urban neighbourhoods. This allows for more empirically informed statements about the neighbourhood as a locus of entrepreneurship compared to a more ‘traditional’ sectoral approach. In doing so, the neighbourhood is conceptualized as the nexus of economic activity: a place of both production and consumption. Processes that play out in a national or urban context such as economic restructuring, outsourcing, gentrification, and migration have noticeable impacts on the local character and functioning of neighbourhood economies. Building on Scott’s (2008) proposition that the prevalence of the cognitive-cultural economy differs between cities, the data show significant intra-urban differences. We have seen that the high-end of the ‘cognitive-cultural’ economy tends to be located in socio-economically upward-moving neighbourhoods, and that these firms can be said to be unevenly distributed across the city. Moreover, the data show an increase in the share of high-value-added firms as the share of high incomes in a neighbourhood goes up, signalling a coincidence of residential and commercial gentrification. Scott (2011) argues that there is a new social geography of the city; we can no longer think in terms of blue- and white collar neighbourhoods. Likewise, the economic geography of the city has changed profoundly, giving a face to the cognitive-cultural economy on the very immediate every-day level of the neighbourhood.

Urban residential neighbourhoods are characterized by smaller firms, which are arguably more affected by micro-economic conditions than large multinational firms. Residential neighbourhoods can be conceptualized in terms of different drivers that attract or ward off economic activity. The presence of certain combinations of these drivers influences the trajectory of a neighbourhood economy. Two initial types of neighbourhoods can be identified from the data: neighbourhoods that have experienced an inflow of high-income, highly educated residents, creating a local demand for high-end products as well as creating a supply of local entrepreneurship. On the other hand, neighbourhoods with a high percentage of non-Western immigrants that accommodate a considerable share of business start-ups, fomenting local ethnic economies. These neighbourhoods offer a lower investment risk because real-estate prices are modest, but possibilities for growth are bounded by high competition as well as a lower effective demand. Neighbourhoods that provide fertile grounds for (small) businesses can attract
more business start-ups than other neighbourhoods. If the start-ups do not last however, the local business environment is characterized by high turnover rates, vacant business space and foundered entrepreneurs. It might prove hard to recover from such a negative spiral, considerably setting back a neighbourhood in terms of economic competitiveness. This can be a reason for concern, since Scott (2008) states that the competitive advantage of places lies in the nature of production and work that resides there. Further growth is expected in cognitive-cultural economic activities, with generally high human-capital thresholds. The concentration of high-value-added, innovative and, to a lesser extent, creative economic activities in already prosperous parts of the city means that a ‘lock-in effect’ (Scott, 2008) for disadvantaged neighbourhoods is looming. This increases the susceptibility of these neighbourhoods to lower amenity levels or an abundance of low-end business, making them less attractive as places of residency and business. Admittedly, in terms of earnings, the cleavage between the elite workforce of the cognitive-cultural economy and its ‘urban underclass’ working in personal services and retail is starker in the US context than in the Netherlands. 

A downward spiral in the local business climate could be slowed or halted by offering additional support for fledgling entrepreneurs as well as finding creative solutions to prevent vacant business space. A diversified stock of local business spaces can help to retain successful entrepreneurs in the neighbourhood by offering them local growth trajectories. In light of the findings of this study, policies allocating local resources to stimulate entrepreneurship in disadvantaged neighbourhoods seem justifiable (see also Sleutjes et al. 2012). For instance, in order to stimulate innovative and creative entrepreneurship in disadvantaged neighbourhoods, it might be well worth considering government intervention, since we have seen that these types of firms are less likely to be present there. It is fruitful to adopt a diversifying strategy for neighbourhoods that are now lopsided to the lower end of the market, possibly creating an upward spiral as these neighbourhoods become more attractive to other types of business. Also, although start-up rates may be high with non-Western immigrants, they might need additional (institutionally based) support to ensure that their firms become more secure and permanent. In any case, if a local market is not capable of absorbing new businesses in terms of consumer power, policy efforts might turn out to be fruitless in the long term.

42 For instance by attracting this type of firm to the neighbourhood by providing affordable and suitable business space or by offering start-up subsidies for firms that settle in deprived areas.

43 In disadvantaged neighbourhoods in Utrecht, ‘street managers’ focus on assisting immigrant entrepreneurs in writing a business plan, making their shop safe and give management advice.
The overall upward trend of self-employment obfuscates differences between neighbourhoods. In and of itself it is a valuable finding that entrepreneurship is finding its way into a broad stratum of neighbourhoods and local residents. The emancipatory power of entrepreneurship can be substantial, if it can lead to a stable and durable source of income. Research on home-based business and the self-employed is still scarce, and we need to know more about the patterns of starting a business from home, growth patterns, and possible relocation. This article identifies local drivers that can explain viability and make-up of neighbourhood economies. In addition, it makes clear that it is useful to highlight both the supply-side and demand-side of the neighbourhood in terms of entrepreneurship. Contrasted to a conventional sectoral approach, Scott’s (2008; 2011) concept of the cognitive-cultural economy offers a better grip on the dynamics of local economies. The analyses presented in this article also indicate that some parts of the dynamics of local economies cannot be brought to light with these models. We need additional research to extend and empirically found a typology of urban entrepreneurship climates, showing local strengths and pitfalls. In order to do this, in-depth research on the neighbourhood as a local production ‘milieu’, the intra-urban geography of migrant entrepreneurship, and localized (tacit) knowledge, would form great assets for understanding the neighbourhood economy.
ENTREPRENEURSHIP IN THE NEIGHBOURHOOD
(Re)Mixing Functions
Cognitive-Cultural
Activities in Residential
Neighbourhoods
in Dutch Cities
Chapter 4. (Re)Mixing Functions

Cognitive-Cultural Activities in Residential Neighbourhoods in Dutch Cities

Urban residential neighbourhoods are usually not considered to be important sites of economic activities, let alone of more advanced forms of production. However, residential neighbourhoods do constitute a milieu for, following Allen Scott, cognitive-cultural activities. The first part of this chapter shows that a significant share of economic activities in residential neighbourhoods can be classified as cognitive-cultural and that this share has been growing over the period 1999-2008. We then home in on the entrepreneurial practices of cognitive-cultural entrepreneurs by comparing them with more 'traditional' entrepreneurs in residential neighbourhoods. For the first part, a longitudinal data set of company-level data is used to describe the development of the share of cognitive-cultural firms in residential neighbourhoods. For the second part, survey-data is used to explore the dimensions on which the business model of cognitive-cultural firms differs from more traditional firms. The results indicate that cognitive-cultural firms indeed seem to display a different business model with regard to, notably, market locality, position in the value chain and face-to-face contacts. Residential neighbourhoods, then, have to be taken more seriously not just as places of consumption but also as milieus of production even for more advanced economic activities.

4.1 Residential neighbourhoods as sites of cognitive-cultural production

Observers in the 19th and early 20th century-from Karl Marx to Georg Simmel and from Émile Durkheim to Max Weber and Louis Wirth-struggled to grasp the implications of the rise of industrial capitalism and, more specifically, of the emergence of an industrial society. What was the underlying logic of the expanding industrial production and how did this impact on wider society (Giddens, 1971)? Whatever questions were asked, whatever answers were given, there was definitely consensus on some key elements of the industrial city. A particular spatial division of labour with large factories spatially separated from residential quarters is one of those common elements (Scott, 2008). At first, these factories were located in the same neighbourhood, but with the development of public transport and, later on, the spread of car-ownership, these factories moved further out. The “… intimate connexion of industrial and domestic life” of the pre-industrial age gave way to

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44 This chapter is co-authored with Robert Kloosterman and is under review at an international peer-reviewed journal.
the rise of “the exact antithesis” namely “the segregated, legally sterilized residential quarter” of the industrial era as Lewis Mumford (1961) observed when this transformation was still in full swing. Now, more than half a century after Mumford’s observation, we are again faced with a fundamental break in urban development. Social scientists, also again, have been trying to grasp what is happening. At first, it seemed clearer what the emerging urban constellation was apparently not-as testified by the labels Post-Industrial City (Hall, 1997) and Post-Fordist City (Marcuse, 1997). These labels gradually gave way to more substantive ones as Creative City (Florida, 2002) and, more recently, the Cognitive-Cultural City (Scott, 2008; Scott, 2011). Although each of these labels stands for a more or less distinct approach, they all identify the central role of information or knowledge in conjunction with digital technology as a dominant characteristic of the evolving new type of city (Castells, 1996). In addition, most authors agree on the centripetal tendencies of these knowledge-intensive or cognitive-cultural activities driven by the increasing importance of agglomeration economies (Scott, 2007; Phelps & Ozawa, 2003). As a consequence, both inter- and the intra-urban landscapes of production have been changed. So far, most studies focus either on the emerging division of labour between cities and/or on the role of clustered production within them.

Up till now, much less attention has been paid to another spatial aspect of the current transformation, namely the increasing importance of homes and, consequently, of residential neighbourhoods as locations of work thereby reversing the long-term trend of increasing spatial separation of functions as described by Mumford. We contend that not just central business districts or mono-functional business areas are sites of knowledge-intensive forms of production, but that residential neighbourhoods have also become locations for what Allen Scott (2008; 2011) has labelled cognitive-cultural economic activities. With a drop in the minimum efficient scale of production in conjunction with cheap digital information and communication technology, opportunities for small businesses have expanded and, in addition, have increased, in principle, the degrees of freedom regarding the location of a (small) business.

Below, we home in on this more particular aspect of the overarching process of the transformation of the production system. Do we observe a re-mix of functions in residential neighbourhoods driven by cognitive-cultural activities and, secondly, are they significantly different embedded in the neighbourhood compared to more traditional neighbourhood-based activities? We, hence, first explore to what extent cognitive-cultural activities, which can be seen as characteristic for the emerging economy, do indeed occur in significant numbers in residential neighbourhoods. We, then, investigate if these cognitive-cultural activities present clearly different business models and related entrepreneurial strategies compared to more “tradi-
tional economic activities” (e.g. small shops or personal services as pedicure) in residential neighbourhoods. We, therefore, examine key aspects such as inter-firm interdependencies, the position within value chains, the nature of client relations, orientation towards innovation, and the location of the clientele to assess the differences by using both quantitative and qualitative techniques. To address these issues we have gathered data on individual firms in fifteen residential neighbourhoods in five Dutch cities, namely Amsterdam, Dordrecht, Leiden, Utrecht and Zoetermeer. We will first briefly dwell on the general changes in the production system (section 2). After that, we explain the methodology (section 3). Then, we present the findings of our research (section 4). We end with discussing the wider implications of our findings (section 5).

4.2 Emerging intra-urban geographies of the cognitive-cultural economy

New urban landscapes of production and consumption driven by the intertwined processes of technological change, intensified global competition from firms notably in Southeast Asia, the unbundling of value chains, and an increase in both the fragmentation and the volatility of consumer demand have emerged (Gabriel & Lang, 2006) (Scott, 2011; 2012) (Dicken, 2011; Jacques, 2012). In addition, neoliberal policies favouring entrepreneurship have lowered legal, institutional and fiscal barriers regarding setting up a business. In many lines of production, the minimum efficient scale dropped as the fixed costs for starting a firm have decreased mainly due to ever cheaper computing and communication technology. In addition, opportunities for small firms have increased due to outsourcing and smaller production series as a result of the increased volatility in demand (OECD, 2010). The opportunity structure, then, has shifted thereby creating more openings for small businesses, including one-person firms, which are dependent on knowledge-intensive labour inputs (Kloosterman, 2010). To survive the competition these firms tend to be part of larger networks, partly based on (spatial) proximity, partly on relational proximity with partners and clients elsewhere (Maskell, Bathelt, & Malmberg, 2006). These are also inclined to engage in Chamberlinian or monopolistic competition whereby each firm strives to sell “unique” products in fragmented consumer markets (Scott, 2008). Fending off competitors can be achieved through an increase of the aesthetic or symbolic content of the products and turn them into experience goods with a unique quality thereby achieving at least some protection against price competition. This protection may be limited in time as volatile consumer demand can move to another product with shifts in fashion. Firms in advanced urban economies, then, have to deploy cognitive-cultural capacities to maintain the uniqueness of the product to be able to survive price competition from low-wage producers. High-tech or high-concept products and continuous
innovation are, hence, key characteristics of the cognitive-cultural economy. In our view, these cognitive-cultural activities are not confined to mono-functional business districts, but are also to be found in residential neighbourhoods thus changing the spatial division of labour within cities.

According to Sleutjes (2012), there are several reasons for the general rise in the number of businesses in residential neighbourhoods. The first one is the increasing flexibility of work in terms of working time. Part-time jobs allow ‘regular employees’ to start a business and become self-employed as well. Secondly, the scaling down of production not only offers more opportunities for small businesses, but also implies that no large office spaces are needed for new firms as a computer, a relevant social network and a good idea is all one needs. Thirdly, the urban renaissance and the renewed attraction of city centres for highly educated workers has a production side to it as residential neighbourhoods are becoming more attractive as business locations: They offer relatively cheap commercial small-scale real-estate, are within walking/biking distance or a short public-transport ride to the city centre, and are close to flexible work spaces, ‘third spaces’, and other urban amenities (see also Musterd & Deurloo, 2006; Beckers & Kloosterman, forthcoming; Kloosterman, van der Leun, & Rath, 1999).

Figures regarding these developments are still scarce, but in the Financial Times it was reported that as much as 1 in 12 of the UK workforce are self-employed working from home and that the growth of this segment is five times that of the overall workforce (Warren, 2011). Figures for the UK put the proportion of all businesses being operated from home at some 36 per cent (Mason, Carter, & Tagg, 2011). In the United States, the number of freelance homeworkers had risen to about 12 million by 2010 (The Economist, 2010). In the Netherlands, home-based businesses do not appear in national statistics as such, but the number of self-employed has increased by some 200,000 in the last decade and in 2011 some 728,000 were self-employed without employees (Central Bureau of Statistics, 2013). In 2010, the number of self-employed made up 45 per cent of all business establishments in the Netherlands (MKB, 2013). In addition, about 60 per cent of all businesses in residential neighbourhoods is home-based (Risselada & Folmer, 2012).

4.3 Research questions

We expect that cognitive-cultural activities, given the lowering of the scale threshold and the possibilities offered by ICT for both production and communication, are increasingly to be found in residential neighbourhoods and, moreover, that they constitute a business model that is rather different from traditional economic
activities in these neighbourhoods. It is often assumed that cognitive-cultural industries cluster in or near city centres to be able to sustain social networks based on proximity and to be near urban amenities. This idea supposes the necessity of a kind of ‘buzz’ for businesses to be able to thrive that we do not associate with residential areas (see for instance Storper & Venables, 2004). While this is undoubtedly part of the story, we contend that these activities are also to be found in ‘ordinary’ urban residential neighbourhoods. More generally, it may be the case that such a locational shift is the harbinger of a new landscape of production in which functions are much more mixed than in the preceding industrial era.

Cognitive-cultural activities are thus becoming intermingled with care and leisure in residential neighbourhoods. This is contrary to the prevailing notion of neighbourhood economy as a collection of mom-and-pop stores that have been in the same place for a very long time. However, with the changes in the landscapes of production and consumption, the ‘neighbourhood economy’ has become far more diverse. We now find in residential neighbourhoods an interesting configuration of mostly small businesses and self-employed people, operating in various sectors and in different organizational forms. Some entrepreneurs run globally connected companies from their attic, while others even employ people in their own home. With this intertwining of living and working, place is becoming more important adding more fuel to the argument of Joel Kotkin (2000) who stated that the world is anything but becoming ‘anti-geographic’.

We want to explore how these cognitive-cultural activities are inserted and embedded in residential neighbourhoods and what the geography of production there looks like. To what extent are they local in the sense of inputs and outputs? These are large issues and here we can only address this very partially. To find out what is new about cognitive-cultural activities we compare them with more traditional economic activities in residential neighbourhoods. Based on the theoretical framework outlined above we propose the following research questions: Do we observe a re-mix of functions in residential neighbourhoods driven by cognitive-cultural activities? Secondly, are cognitive-cultural activities significantly different from more traditional neighbourhood-based activities in terms of inter-firm interdependencies, the position within value chains, the nature of client relations, orientation towards innovation, and the location of the clientele?

4.4 Methodology

Allen Scott’s (2007) definition of which activities embody the cognitive-cultural dimension of contemporary capitalism is fairly broad. His definition covers all industries that involve to a large extent less or non-standardised labour proces-
ses relying on relatively high intellectual or affective capabilities. Consequently, both high-technology (e.g. software development) and high-concept (e.g. fashion design) activities sectors as well as high-end personal services (e.g. financial advice) are part of this cognitive-cultural economy. We follow Scott’s conceptualisation and define the signature activities of the new economy by the nature of the work that they involve as they require either high-skilled cognitive or ditto cultural labour inputs which are essential to engage in the production of less- or non-standardised goods and services. The data we use in this article comes from a large-scale survey conducted in 2011. Before we discuss our survey data, we first explain how we distinguish between cognitive-cultural and traditional entrepreneurs. To determine if an entrepreneur is engaged in cognitive-cultural or traditional activities, we have used the information our respondents have provided in the survey. We asked them to identify their activities with three questions. First, we asked them to categorize their main activity as ‘non-standardized’, ‘standardized’, ‘craft’ or ‘other’\(^5\). Second, we asked them to select their core business from the list of industries. Third, we asked respondents to describe their main activity in their own words. Based on the responses to the first question, we classified those firms which defined their main activity as standardised as ‘traditional’ firms. We, furthermore, labelled respondents who defined their main activity as non-standardized as ‘cognitive-cultural’, except for those firms active in either real-estate or health care since these tend to be less directed towards outputs with high levels of symbolic or semiotic content. Respondents who answered ‘craft’ or ‘other’ on the first question and indicated with the second question that they were active in manufacturing, construction, wholesale, retail & car repair, transport & storage, restaurant, hotel & bar, real-estate, and health-care, sports and miscellaneous services were classified as ‘traditional’. All other activities—i.e. information & communication, financial services, consultancy & business services, government services, education, cultural industries—were categorized as cognitive-cultural. We then cross-checked this with the third question where respondents were asked to describe their activities in their own words. For example, an entrepreneur who classified his main activity as ‘other’ and answered ‘construction’ on the second question but described himself as ‘architect’ in the third question was categorized as ‘cognitive-cultural firm’.

The survey tried to grasp the extent to which entrepreneurs’ production can said to be ‘local’ in terms of markets, business and collegial relations and co-workers. It also investigated ambitions and work practices of the entrepreneurs. In addition to the survey, we present interview fragments coming from a total of 10 semi-
structured interviews with entrepreneurs in three of the five research cities. We will however only use this data to illustrate our arguments since the main focus of this article is on the survey data.

4.5 City selection

The large-scale survey conducted in 2011 was part of a larger research programme on economic activities in residential neighbourhoods in the Netherlands sponsored by the NICIS institute in which five municipalities—i.e. Amsterdam, Dordrecht, Utrecht, Leiden, and Zoetermeer—participated by providing additional funding and help in gathering the data. All cities are located in the Randstad region, the large conurbation in the West of the Netherlands. Four of them are “typical” Dutch cities with sizeable 17th century historical cores, surrounded by 19th century, early 20th century, and, further out, post-WWII neighbourhoods. Only Zoetermeer, a farming village only 50 years ago, has been almost completely built after 1970 as part of a new-town strategy to alleviate the pressure on The Hague (van der Cammen & de Klerk, 2006). The two largest cities, Amsterdam (779,000 inhabitants) and Utrecht (311,000 inhabitants), have shown a rather strong population growth in the past few years. Both have relatively high shares of higher educated, young people (partly because of their being centres of higher education) as well as of non-Western immigrants (Marlet & van Woerkens, 2012). New town Zoetermeer has about 122,000 inhabitants and the cities of Leiden and Dordrecht are somewhat smaller, both with about 118,000 inhabitants; all three more or less stable regarding population size. In Dordrecht and Zoetermeer, the average age of the population is higher than in the other cities, while Leiden also has a relatively high share of higher educated and young people due to its status as a university town. The share of non-Western immigrants is considerably higher in Amsterdam and Utrecht. The cities, then, differ considerably in size, economic performance, and in population composition.

We surveyed entrepreneurs in fifteen residential neighbourhoods in these five cities. With 370 completed questionnaires, the overall response rate was 23%. We start our empirical findings with explorative and descriptive analyses after which we move on to multivariate analysis.

46 The shares of the population from non-Western origin: Amsterdam: 35, Utrecht: 21; Dordrecht: 17; Leiden: 14; and Zoetermeer 17 per cent.
4.6 Results: size of cognitive-cultural economy in residential neighbourhoods

We proposed that a shift can be observed with regard to the intra-urban geography of economic activities towards an increasing share of cognitive-cultural activities in urban areas, and specifically in residential areas. This image is confirmed by the growth pattern of the share of cognitive-cultural firms in the five cities we studied. Overall, the growth in cognitive-cultural firms in residential neighbourhoods has kept pace with the growth of these firms in cities as a whole. Table 1 shows the development of the share of cognitive-cultural as well as “traditional” firms in the period 1999-2008 in the five research cities Amsterdam, Dordrecht, Leiden, Utrecht and Zoetermeer.

Table 1: Development of cognitive-cultural (CC) and traditional industries in Amsterdam, Dordrecht, Leiden, Utrecht and Zoetermeer (in percentages)

<table>
<thead>
<tr>
<th></th>
<th>Amsterdam</th>
<th>Dordrecht</th>
<th>Leiden</th>
<th>Utrecht</th>
<th>Zoetermeer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth CC firms on city level '99-'08</td>
<td>23</td>
<td>8.0</td>
<td>7.0</td>
<td>32</td>
<td>16</td>
</tr>
<tr>
<td>Growth CC firms in res. neighbourhoods '99-'08</td>
<td>25</td>
<td>14</td>
<td>12</td>
<td>30</td>
<td>18</td>
</tr>
<tr>
<td>Growth of traditional firms on city level '99-'08</td>
<td>-14</td>
<td>-3.5</td>
<td>-4.0</td>
<td>-20</td>
<td>-9.0</td>
</tr>
<tr>
<td>Growth of traditional firms in res. neighbourhoods '99-'08</td>
<td>-14</td>
<td>-5.0</td>
<td>-5.0</td>
<td>-22</td>
<td>-10</td>
</tr>
<tr>
<td>share of CC firms in res. neighbourhoods '08</td>
<td>45</td>
<td>28</td>
<td>35</td>
<td>55</td>
<td>40</td>
</tr>
<tr>
<td>share of traditional firms in res. neighbourhoods '08</td>
<td>55</td>
<td>72</td>
<td>65</td>
<td>45</td>
<td>80</td>
</tr>
</tbody>
</table>

Data source: LISA47 (calculations by the authors)

With Utrecht as the only exception, the growth of cognitive-cultural firms in residential neighbourhoods supersedes the growth of cognitive-cultural firms on city level. The share of traditional firms has declined in all five cities over the period 1999-2008. These growth rates show that the share of cognitive-cultural firms in residential areas is on a par with overall growth rates. In Utrecht, the share of cognitive-cultural industries in residential neighbourhoods already surpasses the share of traditional industries in 2008. The implication of this finding is that we need to consider residential neighbourhoods as places of production that are gaining importance and will continue to do so in advanced urban economies since it is expected that economic growth will predominantly take place in the cognitive-cultural industries (Scott, 2011).

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47 LISA data covers all firms in the five research cities – the definition of cognitive-cultural firms and traditional firms corresponds to the one given at the start of section 4. See also appendix II, cognitive-cultural firms are firms that correspond to high-value-added, innovative and creative sectors minus the health sector. LISA refers to The National Information System of Employment register (Landelijk Informatie Systeem Arbeidsplaatsen).
4.6.1 Business models compared

Table 2 shows that a substantial part of the entrepreneurs (N=370) in the residential neighbourhoods that we sampled can be defined as cognitive-cultural. The distribution is almost equal, with 49 per cent of firms in the residential neighbourhoods operating in cognitive-cultural sectors which is slightly higher than the average share of 41 per cent of cognitive-cultural firms in residential neighbourhoods in the five research cities (in 2008, see Table 1).

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Per cent</th>
<th>Cumulative Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Traditional</td>
<td>186</td>
<td>50.8</td>
</tr>
<tr>
<td></td>
<td>Cognitive-cultural</td>
<td>180</td>
<td>49.2</td>
</tr>
<tr>
<td>Total</td>
<td>366</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>System</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>370</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

There is a significant \( X^2 (2, N=365) = 9.57, p<.01 \) difference in the gender distribution of entrepreneurs in cognitive-cultural firms in our sample. Of female entrepreneurs, 60.6 per cent is running a firm in traditional sectors, whereas over half of the men in our sample are operating a firm in the cognitive-cultural industries. Although entrepreneurs in the Dutch context are relatively highly educated, a higher-level education is especially prevalent among cognitive-cultural entrepreneurs. A majority of 61 per cent of entrepreneurs in cognitive-cultural industries has higher vocational or university training compared to 39 per cent in traditional industries. This difference is again significant \( X^2 (1, N=366) = 37.24, p<.001 \).

4.6.2 The nature of client relations

Digital technologies are crucial in many cognitive-cultural activities and much of the output consists of digitised products which do not necessarily demand the physical co-presence of producer and customer. This is reflected in the frequencies of face-to-face contact with clients (see Figure 1). The difference in face-to-face contact is significant \( X^2 (2, N = 334) = 65.4, p<.01 \).

\[^{48}\text{Questionnaires were explicitly asked to be completed by owners or co-owners}\]
Those in more traditional activities interact more often on a face-to-face basis with their customers. This does not necessarily mean that cognitive-cultural entrepreneurs interact less with their customers, yet they use different means to do so. This implies a difference in business dynamics between the two types of firms with traditional business generating more ‘traffic’ in the neighbourhood whereas cognitive-cultural activities have various ways of interacting with customers. Several entrepreneurs who rely on face-to-face contact with customers comment on the importance of this kind of interaction and the aspect of visibility for their businesses:

1) ‘I would rather be located on a more central place, because more people walk by. We’re sort of tucked away in a little corner. Everybody passes on... (name of street) but nobody passes by this little corner. So we’ve asked about getting some of those nice advertisement signs, to put right there on the corner. Right now, we don’t get any accidental passers-by.’ (Co-owner flexible work space – Utrecht).

2) ‘I advertise with my shop window – people drive, walk or ride by and see my window. Visibility is of key importance to my business. When I was still located at home I didn’t have the window and I realized I needed such a thing to make people realize I existed’ (self-employed fashion designer – Amsterdam).

The entrepreneur in fragment 2 maintains a fairly broad customer base, the majority of her customers coming from the larger Amsterdam area. Moreover, according to our definition she is a cognitive-cultural entrepreneur. The fragment illustrates how, although face to face contact on a daily basis with clients is less common for cognitive-cultural industries, visibility is a marketing instrument that can nevertheless be very important for these firms.
4.6.3 market locality

Traditional entrepreneurs more often offer daily goods (e.g. foodstuffs) and services (e.g. dry-cleaning) than cognitive-cultural entrepreneurs, who offer more specialized goods and services. We expect that traditional firms will depend more heavily on local markets because of the nature of the products and services that they offer.

![Figure 2: The share of locally-based customers](image)

From Figure 2 we can learn that the difference is striking: the number of firms in the cognitive-cultural activities that has no customers from their own neighbourhood is much higher. With firms in traditional activities, the customer base is more evenly spread with a significant share coming from local markets making them more dependent on the fortunes of the local clientele. A higher reliance on local markets make firms more dependent on changes in these markets, and arguably also more vulnerable to changes in consumer behaviour like e-shopping and one-stop shopping. One former entrepreneur who is now president of a local shopkeeper association highlights this dependency:

3) “This whole neighbourhood has deteriorated significantly in the last decade. The municipality of Dordrecht is renewing other parts of the city and is moving people with low incomes to the social housing estates in this neighbourhood. So the average incomes in this neighbourhood have gone down; we have many singles, migrants and unemployed people. This is affecting our sales’ (president shopkeeper association -Dordrecht).

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49 Locally refers to the neighbourhood where the firm is based.
50 Some = 1-10% of clients, Less than half= 11-40%, more than half= 41-70%, Largely= >71%
4.6.4 Location in the value chain

Related to the nature of client relations and market locality is the location in the value chain. Entrepreneurs in the cognitive-cultural activities more often locate themselves upstream of the value chain (73 per cent), as opposed to entrepreneurs in traditional activities (28 per cent at start of the value chain). In other words, cognitive-cultural entrepreneurs are more often involved in the creation of ideas and setting-up of projects, which means that they do not necessarily have to meet their clients on a daily basis to ‘sell’ them products and they also do not necessarily have to have a ‘physical’ presence in the neighbourhood to maintain their clientele. One entrepreneur comments on the importance of a ‘fit’ of their business with the local market:

4) ‘The second criterion for the location of our business was the match with the local population. We knew our clientele was here. Furniture and interior design are of interest to two groups; young couples who want unique things and older people who are willing to invest in expensive furniture’ (co-owner shop for furniture and interior design products, Utrecht).

4.6.5 Growth ambitions and innovation

Businesses in residential areas are often located in relatively small business spaces, or at the home of the entrepreneur. Only 8% of all entrepreneurs in our sample expressed an ambition for increasing the actual size of their business space. A slightly higher percentage of 13 per cent had the ambition of increasing the number of employees in their business. In this respect, there are no significant differences between traditional and cognitive-cultural entrepreneurs. When it comes to the ambition to develop innovative products and services, cognitive-cultural entrepreneurs are more ambitious, and this difference is significant: \( X^2 (1, N = 365) = 5.18, p < .05 \). Overall, the share of entrepreneurs that has the ambition to innovate is 13 per cent. Almost half of all entrepreneurs, 47 per cent, reports the ambition to increase turnover in the next two years, with no significant difference between the two types of entrepreneurs. It might be somewhat surprising that the ambitions of these entrepreneurs are quite modest, but it is important to bear in mind that a large part of these businesses are self-employed entrepreneurs and some of the main reasons that people report to become self-employed is that they desire autonomy, mobility and independency. Scaling down on ambitions allows these entrepreneurs to maintain these qualities. Cognitive-cultural firms are not more expansionist than traditional firms.
4.6.6 Multivariate analysis

We used factor analysis to investigate characteristics of cognitive-cultural industries from a multivariate perspective. Our exploratory analysis showed that the role of local markets is an important point of differentiation between traditional and cognitive-cultural firms and we want to explore this concept further. Scott (2007) considers the social and business relationships entrepreneurs, firms and their workers maintain as increasingly important assets in the cognitive-cultural economy. In fact, Scott emphasizes that both traded and untraded interdependencies are utilized for problem-solving, creative processes and labour market mobility. Market locality and traded and untraded relations with other entrepreneurs will therefore be the focus in the remainder of this empirical section. The survey included multiple topics that deal with the locality of market relations, and frequency and nature of relations with other entrepreneurs. We conducted a factor analysis (PCA) in order to a) compress the large amount of items in our survey inquiring into these topics and b) see whether we could use the factor loadings to conduct further analyses of different types of entrepreneurs in residential neighbourhoods. The analysis met the assumptions of the KMO and Bartlett's test, so we assumed that these variables are suitable for factor analysis. From the analysis, we can distinguish two components shown in Table 3:

<table>
<thead>
<tr>
<th>1. Market locality</th>
<th>2. Inter-firm interdependencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of local(^1) customers</td>
<td>Frequency of contact with other entrepreneurs in the entrepreneur’s own and adjacent neighbourhoods</td>
</tr>
<tr>
<td>Share of supralocal(^2) customers</td>
<td>Frequency of contact with other entrepreneurs in the city (^3)</td>
</tr>
<tr>
<td>Share of customers being consumers (not business-to-business)</td>
<td>Frequency of contact with other entrepreneurs outside the city (nationwide)</td>
</tr>
<tr>
<td>Share of local(^4) traded interdependencies</td>
<td>Main reasons for contact with other entrepreneurs are exchanging labour market information and business strategies</td>
</tr>
<tr>
<td>Share of supralocal traded interdependencies</td>
<td>Main reasons for contact with other entrepreneurs are work acquisition and collaborative projects</td>
</tr>
</tbody>
</table>

We included variables that cover contact with other entrepreneurs on different scale levels as well as the reason for maintaining contact with other entrepreneurs.

\(^{1}\) KMO .751 and Bartlett’s test of sphericity significant at p<.001 level, see also appendix III.

\(^{2}\) Customers coming from the entrepreneur’s own neighbourhood

\(^{3}\) Supralocal refers to customers outside the city of location

\(^{4}\) Outside the entrepreneur’s own or adjacent neighbourhoods

\(^{5}\) In the entrepreneur’s own neighbourhood and adjacent neighbourhoods
Also, we included variables that relate to customer base, (supra)local traded interdependencies and type of clientele. The share of traded interdependencies on different scale levels and the frequency of contact with other entrepreneurs on various scale levels refer to different questions in the survey. Traded interdependencies refer to the share and the scale of business relations, involving monetary compensation whereas the ‘contact with other entrepreneurs’ was left undefined as to refer to any type of contact. As a follow up, we asked entrepreneurs to indicate the main reasons for having contact with other entrepreneurs. Respondents indicated how often they had contact with other entrepreneurs about: Exchanging information about the neighbourhood; exchanging information about business strategies; exchanging information about labour market; exploring how to improve the neighbourhood; setting up collaborative projects; acquisition of work; friendly, personal exchanges. Firms that score high on what we’ve termed ‘market locality’ generally have a high share of local customers and conversely, a low share of supralocal customers. A high share of local customers is congruent with a high share of customers being consumers as well as with a high share of local traded interdependencies and a low share of supralocal traded interdependencies. A high share of local traded interdependencies means that over half of the entrepreneurs’ total traded relations are located in the same and adjacent neighbourhoods. An interesting outcome is that entrepreneurs that display a high frequency of contact with other entrepreneurs do so on all scale levels. Entrepreneurs that have more contact with other entrepreneurs mentioned work acquisition, collaborative projects, labour market information and business strategies as the main reasons for having contact with other entrepreneurs. Capturing our sample by plotting their factor scores while differentiating between cognitive-cultural industries and traditional industries results in the graph displayed in Figure 3:

Figure 3: Market locality and inter-firm interdependencies
The graph\textsuperscript{56} shows a clear distinction between the two types of firms when it comes to market locality. The upper and bottom right quarter of the graph show that traditional firms generally score higher on market locality. The distribution with respect to inter-firm interdependencies is less straightforward. The top left quarter of the graph is dominated by cognitive-cultural firms, scoring high on inter-firm interdependencies, and low on market locality. However, the top right quarter also contains quite some traditional firms that score high on inter-firm interdependencies. In many studies, the importance of local ‘buzz’ for firms in the cognitive-cultural industries is stressed. The argument is often made that cognitive-cultural firms rely heavily on interaction with other firms and therefore we would expect to see a stronger tendency towards more inter-firm interdependencies among these firms. However, the picture seems to be more fragmented. In residential areas, the opportunity for ‘buzz’ might be less ample, or a different type of entrepreneurs with different relational preferences settles in residential areas; entrepreneurs who form networks and are embedded in completely different ways. The next step in the analysis is to introduce other firm characteristics that might influence market locality and inter-firm interdependencies. We’ve already seen that cognitive-cultural firms are far less likely than traditional firms to operate in a local market. Other firm characteristics we introduce are: being home-based (two categories), age of the firm, the educational attainment of the entrepreneur (two categories) and the number of hours spent at the business address. Table 4 displays descriptive statistics for all variables used.

Table 4: Descriptive statistics

<table>
<thead>
<tr>
<th>Variable name</th>
<th>N</th>
<th>%</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cognitive-cultural firm</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cognitive-cultural</td>
<td>80</td>
<td>48</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traditional</td>
<td>84</td>
<td>52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home based business</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>94</td>
<td>58</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>67</td>
<td>42</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highly educated\textsuperscript{57}</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>105</td>
<td>62.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>59</td>
<td>37.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years in operation</td>
<td>164</td>
<td>16.3</td>
<td>15.7</td>
<td></td>
</tr>
<tr>
<td>Time spent on business address\textsuperscript{58}</td>
<td>157</td>
<td>27.4</td>
<td>17.4</td>
<td></td>
</tr>
</tbody>
</table>

\textsuperscript{56} The factor analysis resulted in 164 cases with a valid score on both components, evenly distributed along traditional (84) and cognitive-cultural (80) firms.

\textsuperscript{57} Highly educated is defined as a completed higher vocational or university training.

\textsuperscript{58} In average hours per week.
We propose that being home based is negatively related to market locality since being home based implies low visibility. The lack of research on home based business keeps us from specifying it’s relation to inter-firm interdependencies. Age of the firm might have either effect on market locality and inter-firm interdependencies: Older firms are more likely to have an established name and draw from a very broad circle of customers yet they might also have a stable clientele and do not invest in expanding it further. We could expect older firms to have more inter-firm interdependencies because they might know more people due to time and experience while on the other hand young firms might be more eager to learn from other (starting) entrepreneurs and expand their business opportunities. There is a high correlation between educational attainment and being a cognitive-cultural entrepreneur, so we use it as a check when the latter has not been added to the model. The number of hours spent on the business address is expected to be positively related to market locality (see also Figure 1) and negatively related to inter-firm interdependencies since being sedentary decreases opportunities for contact with other entrepreneurs.

Table 5: OLS regression; determinants of market locality

<table>
<thead>
<tr>
<th>Model 1: market locality (Standardized coefficients)</th>
<th>Control variables</th>
<th>Added: cognitive-cultural firm (dummy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>.179</td>
<td>.458</td>
</tr>
<tr>
<td>Cognitive-cultural firm (dummy)</td>
<td></td>
<td>- .608**</td>
</tr>
<tr>
<td>Home based business (dummy)</td>
<td>-.181*</td>
<td>-.041</td>
</tr>
<tr>
<td>Highly educated (dummy)</td>
<td>-.188*</td>
<td>-.056</td>
</tr>
<tr>
<td>Years in operation</td>
<td>.025</td>
<td>-.022</td>
</tr>
<tr>
<td>Time spent on business address</td>
<td>.217**</td>
<td>.181**</td>
</tr>
<tr>
<td>R²</td>
<td>.185</td>
<td>.478</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>.142</td>
<td>.460</td>
</tr>
<tr>
<td>N</td>
<td>150</td>
<td>150</td>
</tr>
</tbody>
</table>

Table 5 shows the determinants of market locality. The negative effect of being higher educated on market locality disappears when the dummy cognitive-cultural – traditional firm is added to the model. This illustrates the strong correlation between educational attainment and being a cognitive-cultural entrepreneur. The same happens to the negative effect of being home based, implying that a large
share of home based business is cognitive-cultural. The time spent on the business address remains significant. Market locality thus also implies customers coming to the entrepreneur instead of the other way around. We thus see the previous relation confirmed: cognitive-cultural firms have a market orientation that is very different from traditional firms. The control variables tell us that without a sectoral reference, highly educated, home based entrepreneurs are less likely to operate in a local market. The explanatory strength of the control variables is greater regarding inter-firm interdependencies (Table 6). Although cognitive-cultural firms are more likely to be part of inter-firm interdependencies, so are non-home-based firms and younger firms. We find that being home-based is negatively related to inter-firm interdependencies. These entrepreneurs display a lower ‘connectedness’ with other entrepreneurs on all scale levels compared to firms located in an office, shop or other type of commercial real estate. This raises questions as to whether home-based businesses are rather isolated, and if so, if this is the case by choice or whether they do connect to other entrepreneurs in ways that our survey was not able to capture. Interestingly, a large share of cognitive-cultural firms are home-based so this points to a divide in inter-firm interdependencies for cognitive-cultural firms that are home-based versus those that are not. We find that the age of the firm is negatively related to inter-firm interdependencies, implying that older firms seek out contact with other firms less often as well as for different reasons. However, it was argued by Schutjens and Stam (2001) that young firms expand their networks up to a certain age and then stop investing in networks, implying a curvilinear relationship between firm age and inter-firm interdependencies.

Table 6: OLS regression; determinants of inter-firm interdependencies

<table>
<thead>
<tr>
<th>Beta-coefficients</th>
<th>Control variables</th>
<th>Added: cognitive-cultural firm (dummy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>.604</td>
<td>.486</td>
</tr>
<tr>
<td>Cognitive-cultural firm (dummy)</td>
<td></td>
<td>.176*</td>
</tr>
<tr>
<td>Home based business (dummy)</td>
<td>-.245**</td>
<td>-.286**</td>
</tr>
<tr>
<td>Highly educated (dummy)</td>
<td>.100</td>
<td>.064</td>
</tr>
<tr>
<td>Years in operation</td>
<td>-.326**</td>
<td>-.312**</td>
</tr>
<tr>
<td>Time spent on business address</td>
<td>.016</td>
<td>.029</td>
</tr>
<tr>
<td>R²</td>
<td>.122</td>
<td>.148</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>.098</td>
<td>.119</td>
</tr>
<tr>
<td>N</td>
<td>151</td>
<td>151</td>
</tr>
</tbody>
</table>

** p < .01 * p < .05
The following interview fragment illustrates the composition and reciprocity of inter-firm interdependencies:

5) ‘I have a good relationship with this accountant, who keeps the books for about a 100 self-employed people. Imagine that one of his clients wants to buy a house. The client has to go to the accountant to get the financial administration. So this accountant is one of the first people he talks to. If he asks him where he wants to go to get a loan for the house this client says that he will go to the bank. They all say they will go to their bank. The accountant suggests to his client to refer him to an excellent financial specialist that can offer a more personal service than a bank. The accountant cannot ask money for such a referral and yet it rubs off on him in a good way if I do a good job’. (Self-employed financial services - Dordrecht).

This fragment comes from an interview with a home-based entrepreneur in financial services, illustrating how inter-firm interdependencies can result in financial as well as less quantifiable advantages.

4.7 Re-mix, re-model

The transformation processes in advanced urban economies have been looked at from many perspectives. The shift to more knowledge-intensive or cognitive-cultural economic activities and their specific, clustered locational patterns has been one of the most widely studied topics of this transformation. Notwithstanding this widely shared research interest, one aspect has remained quite firmly below the radar of most researchers. As most studies home in at cognitive-cultural activities in more or less centrally-located, mono-functional areas in cities, residential neighbourhoods as attractive milieus for (small) businesses in high-end producer and personal services and in cultural industries tend to be overlooked. Above, we have shown that with the shift to cognitive-cultural activities and the concomitant increase in opportunities for small businesses in combination with more degrees of locational freedom thanks to ever cheaper ICT, residential neighbourhoods are now to be taken seriously as spaces for production. We are currently witnessing, arguably, a partial reverse of the long-term trend of an ever increasing spatial separation of functions which started even before the Industrial Revolution: a re-mix of functions at the level of homes and residential neighbourhoods. This re-mix may have serious implications not just for the neighbourhoods involved, but also more generally for advanced urban economies and, from a theoretical perspective, for theories on firm location.

Above, we have looked at the differences between cognitive-cultural and more
traditional activities in fifteen residential neighbourhoods in five Dutch cities, i.e. Amsterdam, Dordrecht, Leiden, Utrecht, and Zoetermeer. We divided the firms located in these neighbourhoods into two categories: cognitive-cultural and traditional activities. We did find salient differences between these two types. Cognitive-cultural activities are, as we expected, to be found more upstream in the value chain, they cater much less to a local customer base, and are less dependent on daily face-to-face contacts with customers. The extent to which the two types of activities differ with respect to local inter-firm interdependencies is less clear. The proclivity towards being part of ‘flexible inter-firm networks’ is less the prerogative of cognitive-cultural firms. Although they display a stronger tendency than traditional firms to maintain contacts with other entrepreneurs, so do younger firms in general and firms that are not home-based. It has been contended that ‘different industries rely on different knowledge bases for activities that are most central to their competitiveness’ (Hatch, 2013:265 referring to Asheim and Gertler, 2005; Gertler, 2005). This also holds up for the nature of the firm location and the way knowledge bases are accessed. Home based firms are networked differently than non-home-based firms, indicating that they gain access to sources of knowledge and information in different ways.

What emerges from our study is an evident departure from the more conventional image of neighbourhood economies dominated by mom-and-pop stores, low-end personal services and other assorted economic activities aimed at the local clientele. Innovative activities, focused on non-standardised products, catering to non-local markets and requiring the input of cognitive-cultural labour can be found in considerable numbers in residential neighbourhoods. The horizons of these firms stretch far beyond the own neighbourhood, in terms of markets as well as traded and untraded interdependencies. Cognitive-cultural production seems to suit a home-based environment. Some of these firms which will grow out of the seams of the home will move to more mono-functional areas after the start-up phase. Yet, especially for home-based businesses it holds that the preference to stay home based is strong and a relocation decision is intertwined with the family situation (Risselada & Schutjens forthcoming). Even if they do relocate, they often look for business accommodation in their own neighbourhood (Mackloet, Schutjens, & Korteweg, 2006). The residential neighbourhoods, then, are (much) more than just incubator areas but are becoming specific business environments in their own right. It seems plausible that these changes in the spatio-temporal division of labour and the concomitant mixing of functions will affect a whole range of spatial levels: that of individual dwellings, streets, neighbourhoods, cities and of urban systems.

From a more policy-oriented perspective, it appears that as production activities
become more integrated in residential quarters, both the built and the regulatory environment have to allow more mixed uses and throw up fewer barriers to changes in (combinations of) uses. As stated by Harrison et al. (2004):

“...new economy production no longer requires people to work together in the same physical space to access the tools and resources they need to produce their work. Production can be spatially decentralized and reintegrated back into other aspects of life ... a much finer granularity of interplay between work and leisure becomes possible”

This (re-mix) of functions will also offer opportunities for cities with an extensive pre-industrial built environment which evolved around a finely-grained mix of functions. In a sense, then, cities are getting back to more pre-industrial combinations of work and other activities and policy makers should be more aware of the economic opportunities offered by residential neighbourhoods and be less focused on mono-functional business districts.

These changes will also require a rethinking of the relationship between the city as a site of production and a site of social reproduction as these become more intertwined (see also Folmer & Risselada, 2012; Beckers & Kloosterman, forthcoming). It may also entail a revision of firm location theories as the concept of firm as a closed-off and spatially fixed unit is eroded and different considerations, such as the possibility to combine work and care, have to be taken into account (see also Buliung, 2011). Locational theories used to be solely focused on business concerns, but with the intertwining of different functions at a very low level of scale, that of the home itself, other issues come into play. The present conceptualizations of ‘the firm’ and ‘enterprise’ do not seem adequate for explaining the phenomenon of the self-employed and home-based business (Taylor, 1999). As Taylor suggested, we need to look for different analytical instruments to get a better understanding of these economic entities that are becoming a more prominent part of the urban economic landscape. This will require a broader approach of how entrepreneurs work and how businesses fit in within the wider scheme of the owner’s life. More in-depth, qualitative analysis, and ethnographic observation is needed to unravel the different configurations of businesses in residential neighbourhoods. Exploring home-based businesses in these ways may also offer new insights why they are found more in particular neighbourhoods and how they benefit from which types of agglomeration economies.

The shift to a cognitive-cultural economy does not mean that everything will change—we do not believe in epochalist readings of history. Instead, we view this very important change as adding a new layer to advanced urban economies, partly
(RE) MIXING FUNCTIONS

replacing other, older layers. This new layer consists of landscapes of production and consumption which are geared towards products with a high cognitive-cultural content. This re-mixing of functions in residential neighbourhoods necessitates a re-modelling of the built environment on different levels (from the individual home to the city as a whole), of the politics towards businesses, and also a re-modelling of locational theories.
Chapter 5. Roads to Revitalisation

A study of the varied trajectories of commercial gentrification in the Dutch context

The urban policy trend towards entrepreneurial governance leads many cities to implement commercial gentrification strategies on both a city level and a neighbourhood level. These strategies reflect the idea that commercial gentrification will lead to social and economic revitalisation of neighbourhoods. This chapter explores commercial gentrification strategies in urban residential neighbourhoods and how these policy strategies interact with the practices of entrepreneurs in creating new commercial milieus. The residential neighbourhood is increasingly conceptualised as a mixed-use environment of residential, economic and leisure functions. The chapter presents a study of four residential neighbourhoods, and shows how standardised policy-ideas on commercial gentrification work out very differently in distinct locations ‘on the ground’. How these strategies work out in a local community of entrepreneurs depends on the symbolic ownership of the neighbourhood, the experienced sense of urgency as well as a common goals of local actors. The extended-case method is used as a way to connect micro processes to the context of a changing urban economic environment as well as the urban political regime of entrepreneurialism.

5.1 Introduction

The ‘sidewalk ballet,’ as observed by Jane Jacobs (1961) in Greenwich Village (New York City), represents the mixed-use neighbourhood that is the lofty aspiration of many urban government officials, oftentimes implicitly or explicitly linked to an agenda for urban growth (Logan & Molotch, 2007). A neighbourhood that invites a sidewalk ballet is a mixed-use neighbourhood that is attractive to residents, businesses of different sorts and temporary visitors. In order to attract these users, urban policy-makers increasingly adopt area-based strategies directed at the economic performance of neighbourhoods. Where earlier area-based approaches predominantly focused on physical restructuring and the pursuit of socially cohesive neighbourhoods (Van Gent, 2013), more recently the economic milieu and commercial spaces of neighbourhoods are targeted explicitly through area-based policies. Implementing area-based policies and local arrangements to augment the economic performance of predominantly residential neighbourhoods is based on the same rationale as the interventions aimed at physical and social restructuring.

\[59\] This chapter is under review at an international peer-reviewed journal
of urban neighbourhoods: namely, that economic opportunities and business developments are spatially distributed in an uneven way, and that their absence is detrimental for the quality of neighbourhoods and their residents. Economically regenerating (deprived) urban areas is a key goal on the agenda of national and local policy makers, housing associations and private institutions. It complements a policy agenda of mixed-use areas, local job creation, and the promotion of small-scale businesses. Mixing economic activities with a residential function represents a clear break with Modernist planning values that advocated separation of functions in spatial areas. Parts of the city that qualify as disadvantaged are targeted by an integral approach to improve ‘liveability’ and create physically, socially and economically ‘healthy’ neighbourhoods. This policy trend has been commonly identified as top-down gentrification; ‘the transformation of space for more affluent users’ (Van Gent, 2013). When explicitly targeted at economic features of neighbourhoods, we can speak of commercial gentrification.

Top-down commercial gentrification is a European trend as the OECD (2003) reports that many countries in Europe are aiming to revive urban districts by attracting investments in local entrepreneurship and shops as well as by improving the local business climate. Urban neighbourhoods are framed as sites of economic investment, entailing a re-valuation of entrepreneurship and corporate investment in these neighbourhoods. This pro-market, pro-growth strategy serves the goal to create a competitive advantage for cities (and increasingly city districts) to attract residents and businesses (Cochrane, 2007; Fuller, 2012). Moreover, many authors have commented that local governments themselves are in fact becoming more ‘entrepreneurial’ (see for instance Fainstein, 2010 and Hubbard, 1996). As part of this entrepreneurial mode of governance they seek out coalitions with local stakeholders to share responsibilities for local economic development trajectories. The re-valuation of entrepreneurship and coalition-building with local stakeholders, which are both part and parcel of the ‘urban growth machine,’ accompanies a change of local government from being an actual provider of public goods and services to being a facilitator in an urban market of land and buildings (Logan & Molotch, 2007; Cochrane, 2007). However, the specific roles that local governments adopt, and the coalitions they forge, tend to vary from place to place, as I will argue. The goal of this paper is to shed light on the strategies that are utilised by local urban governments towards the economic revitalisation of urban districts and how these strategies are incorporated and reshaped by various actors on the immediate level of the neighbourhood. The central research question is how governmental interventions on a local level and the practices of entrepreneurs interact and produce new urban commercial spaces. Critical accounts of the shift towards entrepreneurialism in urban governance have, despite geographers’ calls to include all spatial scales in the scrutiny of this process, mainly focused on the
scale of the city and the region (see for instance Harvey, 1989; Logan & Molotch, 1987).

This article takes a comparative approach by exploring local governmental interventions in four neighbourhoods in three Dutch cities: two deprived neighbourhoods, two affluent neighbourhoods. I chose to do this kind of comparison because the stratification of place in the city is ultimately what is interesting: the differences between neighbourhoods in terms of production and consumption. The comparison serves to gain insight on whether there are different policy arrangements and coalitions at work in deprived or affluent neighbourhoods and how these policy arrangements produce local economic development in these different neighbourhoods. My focus on the neighbourhood is one of business and entrepreneurship – the act of improving the individual economic situation of residents by social-welfare instruments is not part of this study. This study is part of a larger research project that, mainly by using quantitative methods, compares patterns of economic activity in 15 residential neighbourhoods in five different cities. Here, I follow the extended-case method in order to analyse the qualitative differences between two types of neighbourhood economies. The extended-case method allows for a connection between micro-level processes and macro-social structures. It emphasises the importance of the processes through which the social forces of macro structures work out in concrete situations through human actions (Burawoy, 1998). I chose to compare four neighbourhoods in three different cities in order to acquire substantial knowledge of different policy strategies and public-private coalitions focused on economic revitalisation. The point is to illustrate that although city-level processes do matter for local economic development, the situated practices of local actors interact in distinct ways with commercial gentrification strategies.

This article views urban residential neighbourhoods as a local production milieu with their own localised conditions of production (Welter et al., 2008). The economic instruments and arrangements implemented by policy makers and practitioners are part of this local production milieu. Often, these interventions are heavily influenced by the institutional structure on other levels of scale, such as the city or even the national or supra-national level. The overarching institutional framework that shapes local economic policies is discussed in the next section. However, I argue that the increasing implementation of area-based approaches implies more ‘tailor-made’ district programs. Also, with policy-makers’ dedication to influence local economic-development trajectories, we can see the proliferation of institutional arrangements that are specific to a particular neighbourhood or set of neighbourhoods within a city. The perspective of local entrepreneurs is also taken into account by studying how these policy interventions are perceived
by them—if at all—as well as by looking at their own strategies and practices to improve local production milieus. By including multiple actors and stakeholders, this study explicitly aims to embed entrepreneurship in its social context instead of viewing it as a solely economic process (Steyaert & Katz, 2004; Watson, 2013b). This paper provides an in-depth analysis of the urban residential neighbourhood as a distinctive space of production and consumption. It examines the actions of pivotal actors that shape this commercial space. A study of four urban residential neighbourhoods is presented. Two neighbourhoods that can be characterised as ‘deprived’ in the Dutch context⁶⁰, and two neighbourhoods that have experienced comprehensive gentrification in the last decade. In total, 27 interviews with local policy makers and practitioners as well as entrepreneurs have been conducted in these neighbourhoods. The in-depth empirical material is supplemented by policy documents and data from a standardised questionnaire (n=87) amongst entrepreneurs in the four research neighbourhoods.

First, the policy context of local economic revitalisation strategies is outlined as well as some criticisms of the ‘entrepreneurialism’ of urban governments. Secondly, I conceptualise the neighbourhood economy that we find in Dutch urban residential areas and describe the policy instruments that are commonly utilised to revitalise these economies. Thirdly, I describe several situations that entrepreneurs and policy-makers are confronted with at neighbourhood level to situate my empirical analysis. Finally, I discuss the four research neighbourhoods and findings from the interviews, policy documents and questionnaire.

5.2 Dutch urban economic policy: towards entrepreneurialism

The Post-Industrial economic production system, consisting largely of knowledge-intensive activities, has led to a ‘resurgence’ of urban economies. Advanced financial activities, creative firms and innovative spin-offs all gravitate towards cities. Not every city will be equally attractive as a business location, however, because these economic activities depend on a highly skilled workforce, an affluent customer base, and specific environmental qualities. In order to be competitive and attract firms and a suitable workforce alike, Dutch urban policy and planning have been concerned with transforming urban space and improving its aesthetic qualities so as to become more attractive for middle- and high-income groups. The main focus in this approach has traditionally been on housing policy. Starting in the 1970s, several ‘waves’ of state-led gentrification can be identified in the Netherlands, where social housing projects were replaced by more expensive non-social housing (Van Gent, 2013). Urban economic policy since the 1980s has

⁶⁰These neighbourhoods are disadvantaged in terms of low average-incomes, high shares of unemployed people and low shares of owner-occupied housing.
mainly been attuned to attracting large-scale venture capital and cutting-edge businesses, preferably multinationals, on a metropolitan level. Shaping this line of economic policy is inter-urban competition for prestigious projects, industrial districts and agglomeration economies (Harvey, 1989). A second line of urban economic policy is explicitly area-based, and has been concerned with retaining existing small and medium-sized firms (SMEs) in urban residential areas as well as attracting new ones (Van Meijeren & Ouwehand, 2007). The intensity of this second policy line and the financial resources connected to it have always been subordinate to policy on the metropolitan level, but it has seen a resurgence in the period 2007-2012. Financial resources for the improvement of neighbourhood economies have been made available on a national policy level, yet urban governments are relatively autonomous in designing economic revitalisation strategies and allocating resources accordingly. In order to achieve economic regeneration city governments have increasingly been seeking cooperation with private sector parties and outside investors (Cochrane, 2007). Housing associations are non-profit organisations that own social housing yet operate largely through market logics. They finance the construction of new social housing through selling off part of their social housing stock to private parties. They thus have an interest in creating attractive urban living environments. Although their real-estate agenda is primarily oriented towards residential developments, they increasingly show interest in economic projects. This results in very diverse policy arrangements that share the common goal of upgrading local business climates.

Dutch urban housing policy and economic policy thus seem to coalesce on a neighbourhood level with the common goal of residential and commercial gentrification: improving the business climate and transforming urban space so as to become more attractive for upscale production and consumption (Van Gent, 2013). The ideal of a neighbourhood economy as an assembly of retail spaces, cultural venues, restaurants and cafés as well as a group of ‘footloose’ self-employed who work in ‘third spaces’ and from the home, is strongly connected to the increase of SMEs. The rise in SMEs is in turn facilitated by a shift towards a post-industrial economy dominated by cognitive-cultural sectors and a process of vertical disintegration in many urban economies (Scott, 2011). SMEs in specific sectors (mainly knowledge-intensive and cultural sectors, as well as upscale cafés, restaurants and boutiques) are seen as drivers of local job-creation and attractive urban-residential environments. Moreover, if these economic activities meet a certain upscale, high-end standard, these features will be seen as creating living and leisure environments that attract the group of highly-educated, high-income urban residents that

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61 In 2011, Dutch housing associations owned 31.2% of the total housing stock in the Netherlands (CBS, 2011). About 4.5% of real estate owned by housing associations is commercial real estate (CFV, 2008).
have often been referred to as the ‘creative class’ (Florida, 2002) or ‘new urban dwellers’ (Reijndorp, 2004). The process of commercial gentrification has been described as a process of neighbourhood change whereby a particular eclecticism or diversity of economic activities is carefully managed to create attractive, upscale commercial spaces (Zukin & Kosta, 2004). Besides their particular economic value, businesses are infused with a specific symbolic value intended to signal the upward movement of a neighbourhood. A ‘hand-made’ quality of products, the notion of ‘different-from-mainstream’ businesses as well as authentic or original architecture are also part of this eclecticism (Zukin, 2012). The notion of commercial gentrification fits well with a revaluation of the neighbourhood economy as mentioned above, but it is questionable to what extent this is a realistic or desirable scenario for Dutch urban residential areas. Commercial gentrification processes like this have been observed in specific city districts in global cities like London, New York and Shanghai (Wei-Hsin Wang, 2011; Zukin, 2009), where customer bases for this particular kind of consumption are extensive, while also partly depending on outside tourism and investments from venture capital.

The rhetoric behind processes of state-led gentrification focuses on reducing exclusion and inequality by creating better living and business environments for all (Syrett & North, 2008). In the Dutch context, state-led gentrification also has a social aim to alleviate spatial segregation and the much-discussed ‘neighbourhood effects’ of concentrated poverty (Musterd, Ostendorf, & De Vos, 2005). However, much like residential gentrification, processes of commercial gentrification have been criticised for their effects of displacement and exclusion (Syrett & North, 2008; Wei-Hsin Wang, 2011). In the case of commercial gentrification, critics express the concern that policies leading to an increase of firms in particular locales create overwhelming competition for low value-added firms and overcrowded markets (Syrett & North, 2008). Eventually, this would lead to homogeneous urban milieus suited to the needs of a particular urban elite, forsaking the idea of ‘social mixing’ (Deener, 2007). Likewise, several scholars have posited the focus on urban entrepreneurialism in urban governance and the ‘selling’ of urban space as places of investment as problematic. They argue that urban elites and the coalitions they forge prioritise economic growth over social welfare. By stressing the ‘multiplier effects’ of local economic growth they conceal existing urban inequalities and solidify trends towards neo-liberalisation (Hubbard 1996; Harvey, 1989). Moreover, there is a connection between urban entrepreneurialism and a focus on the ‘eclecticism of fashion and style’ that will ultimately lead to a situation where ‘image is valued over substance’ (Harvey 1989: 13). These criticisms primarily refer to negative consequences of inter-urban competition and growth-strategies on a city level. Nevertheless, these statements pose legitimate questions regarding the strategies towards economic revitalisation in the Dutch neighbourhood context.
Therefore it is important to identify processes of local implementation of growth strategies and how local actors are involved in shaping these strategies. Does the criticism on urban entrepreneurialism also hold at a lower scale-level, when we look at regeneration strategies on a neighbourhood level? In the next section, I briefly discuss how we can define the Dutch neighbourhood economy and revitalisation instruments.

5.3 Roads toward revitalisation

The Dutch neighbourhood economy can be defined as market-oriented production and consumption transactions within a spatially delimited area of the neighbourhood. This includes retail and consumer services in independently owned shops, national and international chains and franchise-owners. Standard planning regulations prohibit home-based retail businesses, but consumer and business-service firms can be run from the home. The scaling down of production and the shift towards information intensive and service sectors increasingly allows SMEs to settle in urban residential areas. Moreover, these areas offer attractive business locations due to their relatively affordable small-business space and their short distances to city centres. Important to note is that commercial real-estate is often not owner-occupied. Most entrepreneurs have a lease contract with an independent owner or a large real-estate investment company. As a consequence of decades of mono-functional planning, large-scale production or office space is rarely found in residential neighbourhoods. Nevertheless, many neighbourhood firms do not exclusively produce for a local market. Some of these businesses may be linked to national or even international production chains, through the internet or otherwise constituted networks. However, at least part of the production of these firms takes place locally. Amin and Thrift (2002) emphasise that while the urban economy is increasingly global, it is firmly ‘grounded’ in local practices and institutions, and that these can differ between places. So while a local business owner might maintain (inter)national business relations through the Internet and by travelling, (s)he is, at the same time, embedded in the local production milieu. The most important defining characteristic of a neighbourhood is that it is a very concrete spatial level at which we can observe economic structures and practices. It is a place where structural, infrastructural, demographic, economic, environmental, political, and sentimental ‘attributes’ come together (Galster, 2001). The

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62 In this study, I focus exclusively on the economy of residential neighbourhoods; i.e. neighbourhoods where the residential function is dominant.

63 The generally minimal nuisance that is caused by these types of businesses in comparison to manufacturing and traditional production activities makes them suitable to be performed from residential areas.

64 Few owners lease from the municipality or housing association since their share of commercial real-estate is limited.
neighbourhood is connected to other parts of the city and to other scale-levels by means of flows of people, money and other resources. Different actors such as property owners, households, businesses and local government can influence these flows as well as the spatial attributes of neighbourhoods (Webster 2003, Welter et al., 2008). One way local government is trying to influence these flows is by deploying economic revitalisation strategies.

These strategies consist of a combination of individual-centred and spatial-centred instruments. Individual-centred instruments target specific groups such as (nascent) entrepreneurs in specific industries to help them start a business or make an existing business more profitable. They can take the form of subsidies and funding opportunities, tax cuts, providing affordable (or even free) business space or tailor-made education to improve entrepreneurial skills. Spatial-centred instruments are meant to improve the business climate of a neighbourhood by arranging enterprise zones, improving local commercial space, developing small-scale business space or incubator spaces, as well as restructuring local shopping centres. A combination of these two types of instruments also occurs, for example by deploying a ‘street manager’ or ‘economic program-manager’ in a specific area, who advises and assists local entrepreneurs, mediates with the bureaucracy, and helps foster the local business climate. These instruments are financed and implemented by various organisations including the municipality, private developers and housing corporations as well as semi-public organisations such as the local chamber of commerce (KvK) and the local representative body of SMEs (MKB-Nederland). Concurrently, efforts are being made to involve local merchants and entrepreneurs in these revitalisation strategies by addressing local commercial associations or trying to stimulate the organisation of these associations where they do not exist. Although the exact configuration of local actors differs from case to case, in effect, there is always some formal involvement at the neighbourhood level. The scope of this formal regulative presence and the extent of their involvement in the neighbourhood economy partly depends on the priority of the area, the available financial means as well as the policy agenda of the district and the city. At the same time, active in the neighbourhoods studied were several local commercial or merchants’ associations that displayed various levels of involvement in the neighbourhood economy.

According to Welter et al. (2008), the multitude of stakeholders and actors involved in shaping the local economy increases the importance of local networks. These networks are important in creating common goals and creating capacity through which the local economic climate can be ameliorated. The extent to which entrepreneurs know each other and their physical and ‘metaphorical’ proximity to other local stakeholders matters for the capacity to organise actions and strate-
gies at local level. As Wagenaar argues, ‘increasing the density of communication in a neighbourhood alters the balance of proximity and distance in the system’ (2007: 40). Hence, the position of different stakeholders in ‘the political-geographic system of a neighbourhood’ is important in defining and implementing local economic strategies. In Welter et al.’s study of German neighbourhoods, ‘high-level communicators’ play an important role in creating networks and facilitating communication between different local actors. These high-level communicators ‘transmit information, speed up decision-making, and foster inter-organisational linkages’ (2008:112). Although Welter positions these high-level communicators at the decision making level of public or private organisations I would propose also leaving open the possibility of high-level communicators to act at the informal neighbourhood level. These high-level communicators are well-equipped to act as ‘brokers’ between the local government level and entrepreneurs in the neighbourhood. Also, they may be able to create what Deener (2007) calls a sense of ‘symbolic ownership’ of a certain space, such as a street, a block or an entire neighbourhood.

5.4 Situating economic revitalisation strategies

So far we have seen how a second strand of urban economic policy, geared toward the neighbourhood economy has gained importance and coincides with strategies towards residential gentrification. We have discussed the range of instruments commonly implemented and the palette of actors that can be involved in local revitalisation strategies. I have conceptualised the neighbourhood as a sphere of production and consumption. A local economic milieu is the result of many inter-related factors pertaining to ‘the look and feel’ of a neighbourhood, local consumption patterns, prior economic success and the image connected to a particular place. Neighbourhood economy is certainly not a universal concept and it takes many different shapes and forms in different localities. However, it can be assumed that when policy-makers intervene in neighbourhood economies, they are working with a circumscribed notion about commercial gentrification that incorporates certain elements of the process described in the previous section. As we will see in the following sections, some neighbourhood economic policies start from the assumed positive influence of art and culture on economic development, while others focus on stimulating individual qualities of entrepreneurs, aiming for competent and ‘modern’ entrepreneurs.

In order to analyse processes of change in neighbourhood economies despite their many differences and qualities in terms of the economic profile and configuration of local actors, I propose to look at three common situations that can be observed in neighbourhood economies and that serve as the background of this
study. They are analytical devices that emerged from the interview data. These situations drive the actions of local actors and are a reflection of the ‘real world’ that actors have to cope with (Watson, 2013a). However, these situations are not ‘static’ and can evolve over time. In this sense, they are also ‘indeterminate situations’ that invite situated creativity from the actors involved (Stark, 2009). These terms express the fluidity of social actions, emphasising that local actors do not merely follow institutionalised scripts but are also able to recreate local commercial spaces through a process of reflexive cognition. This is not to say that the reshaping of local space is always a coordinated effort. In many instances, local actors have a common goal but pursue different strategies to get there, and in other instances, local actors have different or even opposing goals and evaluative principles with which they judge their local surroundings and the desired changes. The situations are:

- A sense of urgency. This situation was very much present in the two deprived neighbourhoods of this study, and also to a lesser extent in one of the more gentrified areas. Actors have a sense that ‘something must be done’ because of perceived social and/or economic deterioration. As one of the policy-makers in the city of Dordrecht puts it, ‘If you talk about Wielwijk [district of Dordrecht], you are talking about an area that was completely impoverished’.

- Local symbolic ownership. This situation refers to local actors’ perception of the neighbourhood, its identity, outward image and its (potential) problems. It refers to the way local actors talk about the social and economic uses and potential of the neighbourhood (Deener, 2007). A member of the local commercial association in Buiten Wittevrouwen [district of the city of Utrecht] describes a lack of local ownership: ‘Right now there is no clear outward image of our street, we cannot represent a common local opinion’.

- Common goal. This situation refers to the case where local actors have a clearly defined common goal related to the neighbourhood economy. They usually share a common overall goal of a profitable economic climate and ‘liveable’ social space – but with more intermediate or short-term goals with tangible instruments attached to them. Enhancing the aesthetics of a street or a block, or thematic marketing of a neighbourhood, are examples of such goals. High-level communicators and local ties between stakeholders can play an important role in setting and attaining these goals. The street manager in Helmersbuurt [district in Amsterdam] explains it like this: ‘To really get things done I depend on a well-functioning merchants’ association that comes up with their own plans… that I can give my support to’.

These situations provide an overview of what is going on in the four research neighbourhoods, but at the same time, correspond to situations that can be found in many urban residential neighbourhoods all over the Netherlands (Van Meijeren Chapters Five...
& Ouwehand 2007). They serve as the context of actions and practices for local actors. Notably, these situations can occur simultaneously, for instance when a sense of urgency leads to a direct common goal. Also, the setting and attaining of common goals can lead to an increased sense of local symbolic ownership. The next section will provide a short (economic) profile of the four studied neighbourhoods, followed by an analysis of situated actions of local actors and processes of change in neighbourhood economies.

5.5 Four neighbourhoods, different economies

For this study, four neighbourhoods in three Dutch cities were selected. First, in the city of Dordrecht, the deprived neighbourhood of Wielwijk was selected. Wielwijk has been specifically targeted by economic-growth policies at city-level since 2007. It has also been labelled as a ‘restructuring area’ on the national policy level (Actieplan Krachtwijken65) because it belongs to a list of the 40 most deprived neighbourhoods in the Netherlands composed by national government in 2007. The second deprived neighbourhood selected, Pijlsweerd, is part of an urban priority area in the city of Utrecht. The third and fourth neighbourhoods selected, which can be considered high in their social-economic status, are in Amsterdam (Helmersbuurt) and Utrecht (Buiten Wittevrouwen). All four neighbourhoods are located outside of the city centres, but within a distance of 3km. Table 1 provides a concise background of the four neighbourhoods:

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65 ‘Powerful communities action plan’ - this national policy program has used SES indicators and ‘quality of space’ indicators to identify 40 of the most socially and economically troubled districts in the country (Sykes, 2011)
### Table 1: The four research neighbourhoods

<table>
<thead>
<tr>
<th>Neighbourhood</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wielwijk, Dordrecht</td>
<td>Located in the west district of the city of Dordrecht, Wielwijk and two other neighbourhoods on the west side of the city were priority areas on a national policy-level during the period 2007-2012. The economic structure of the city of Dordrecht is focused on maritime industry and health-care. The city economy as a whole is lagging compared to average growth numbers in Amsterdam and Utrecht. Economic activity in Wielwijk is mainly concentrated around one shopping area in a centrally located square. The home-based economy is small, with around 40 home-based firms. Both residential units as well as the shopping centre were thoroughly restructured in the period 2002-2007. More expensive, owner-occupied housing has replaced a large share of the social housing projects in the neighbourhood. This has led to an increase in average incomes of 36% in the period 2007-2010. Being labelled as a priority area supplied the financial means for revitalisation instruments during the period 2007-2012.</td>
</tr>
<tr>
<td>Pijsweerd, Utrecht</td>
<td>Located in the north-west district of the City of Utrecht, Pijsweerd is an ‘attention’ area on the urban policy-level, and located next to two national policy-level priority areas. The urban economy of Utrecht has seen constant growth over the last ten years. It is outperforming Amsterdam in terms of creative industries, and it is also profiling itself as an attractive location for the self-employed. Shops and businesses in Pijsweerd are dispersed over five streets cross-cutting the neighbourhood. In addition, there is a home-based economy of a few hundred firms. Also, two cultural centres in the neighbourhood accommodate several cultural firms. Economic revitalisation of the neighbourhood started in 2009, with a comprehensive budget partly funded by the European Union. The regional section of the Dutch Chamber of Commerce is quite active in Utrecht, mainly focusing on creating networks between entrepreneurs to stimulate social-capital formation and innovation. This complements the implementation of Business Improvement Districts in 2011.</td>
</tr>
<tr>
<td>Helmersbuurt, Amsterdam</td>
<td>Located on the west side of Amsterdam, Helmersbuurt is a case of ‘early’, non-state-led gentrification. It was in a dilapidated state in the 1970s. The neighbourhood witnessed a ‘classic’ process of gentrification as artists and young impecunious pioneers instigated a process of creative regeneration (Lei, 2003). There is an extensive customer base for upscale restaurants and shops, which have become more prominent in the neighbourhood since the 1990s. However, the neighbourhood still presents a mix of people from different socio-economic backgrounds indicated by a considerable share of social housing (76% in 2012). The heritage of creative gentrifiers and artists is still very present in the cluster of creative firms and artists that occupy both visible spaces (shop fronts) and invisible spaces (at home or in business incubators). Economic activity is dispersed over three main streets. There is also an extensive home-based economy. The urban economy of Amsterdam is dominated by business services and financial services as well as trade services.</td>
</tr>
<tr>
<td>Buiten Wittevrouwen, Utrecht</td>
<td>Located on the east side of Utrecht, residential gentrification of the neighbourhood started in the beginning of the 1990s, when many immigrants of Turkish and Moroccan origin began to leave the small cottage-like houses for family-size houses that were being developed in more-suburban areas. The cheap, small residences in the neighbourhood were at first occupied by graduates of Utrecht University. University-educated singles and couples without children transformed the neighbourhood and this in turn attracted new businesses. The process of gentrification is on-going, indicated by the upward leaps in average real-estate values in the neighbourhood in the period up to 2009. Two main shopping streets run all the way through the neighbourhood to the city centre. In addition, there is a concentration of upscale businesses and financial services on a third street. There is also a substantial home-based economy of several hundred firms. Business Improvement Districts were implemented in Utrecht in 2011.</td>
</tr>
</tbody>
</table>

The different indicators presented in Table 2 give a general overview of the socio-economic status and firm settlement patterns in the different districts. As the table indicates, all four neighbourhoods are characterised by at least some degree of functional mix. They are primarily residential areas, but they also have a specific spatial pattern of economic activities.

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66 Source: Research Centre Dordrecht (Onderzoekscentrum Drechtsteden)
67 Source: Research & Statistics Amsterdam (O+S Amsterdam)
Table 2: economic profile of neighbourhoods studied

<table>
<thead>
<tr>
<th></th>
<th>Wielwijk</th>
<th>Pijlsweerd</th>
<th>Helmersbuurt</th>
<th>Buiten Wittevrouwen</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>City</strong></td>
<td>Dordrecht</td>
<td>Utrecht</td>
<td>Amsterdam</td>
<td>Utrecht</td>
</tr>
<tr>
<td><strong>Neighbourhood</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>population</strong></td>
<td>6375</td>
<td>6460</td>
<td>7235</td>
<td>4350</td>
</tr>
<tr>
<td><strong>Average real-estate value per city (2011)</strong></td>
<td>180.000</td>
<td>244.000</td>
<td>249.000</td>
<td>244.000</td>
</tr>
<tr>
<td><strong>Average real-estate value per neighbourhood (2011)</strong></td>
<td>140.000</td>
<td>200.000</td>
<td>317.000</td>
<td>362.000</td>
</tr>
<tr>
<td><strong>% Increase in real-estate value neighbourhood 1999-2011</strong></td>
<td>250%</td>
<td>190%</td>
<td>550%</td>
<td>330%</td>
</tr>
<tr>
<td><strong>Average annual income per resident 2010 (x €1000)</strong></td>
<td>24.5</td>
<td>26.5</td>
<td>30</td>
<td>36.2</td>
</tr>
<tr>
<td><strong>Number of firms per 100 residents in the neighbourhood</strong></td>
<td>2.6</td>
<td>8.4</td>
<td>12.9</td>
<td>18.6</td>
</tr>
<tr>
<td><strong>% change in number of firms per 100 residents: (1999-2011)</strong></td>
<td>+0.76</td>
<td>+4.36</td>
<td>+2.36</td>
<td>+6.34</td>
</tr>
<tr>
<td><strong>Absolute change in firms</strong></td>
<td>-19</td>
<td>+22</td>
<td>+34</td>
<td>+34</td>
</tr>
<tr>
<td><strong>Dominant sectors</strong></td>
<td>Retail, health services and business services</td>
<td>Retail, business services and arts &amp; leisure</td>
<td>Arts &amp; leisure, business services and other services</td>
<td>Business services, food &amp; drink, and retail</td>
</tr>
<tr>
<td><strong>Rental price of commercial real-estate per m²</strong></td>
<td>€240-250</td>
<td>€180-190</td>
<td>€100-350</td>
<td>€125-250</td>
</tr>
<tr>
<td><strong>Vacant business space 2012</strong></td>
<td>21%</td>
<td>10%</td>
<td>4.9%</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

Data from a survey (see table 3) of entrepreneurs in each neighbourhood give an indication of the business climate in the four neighbourhoods. Especially in Wielwijk, few entrepreneurs had growth expectations for their business in recent years. Expectations in Wielwijk are slightly better with regard to the future, however. In the three other neighbourhoods, especially in Helmersbuurt, attitudes were, and still are, more optimistic. Entrepreneurs in Helmersbuurt and Buiten Wittevrouwen judge their neighbourhoods more favourably than those in Wielwijk and Pijlsweerd.

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69 Based on municipal data on number of firms per neighbourhood.
70 This number does not include firms that started in the home environment (home-based business).
71 WPM group & HBD.
72 Zadelhof business real-estate monitor (2012).
As we will see in the subsequent section, the image of a neighbourhood is one of the elements that contribute to the sense of urgency that entrepreneurs feel with regards to their neighbourhood.

5.6 Situating strategies and processes of change

This section is based on interviews with policy-makers and entrepreneurs in the four neighbourhoods researched. I will analyse the implemented revitalisation strategies and processes of neighbourhood change by situating them in the three situations presented in section 4: sense of urgency, local ownership and common goal(s). Table 4 presents an abbreviated overview of the implemented instruments as well as the three situations in each neighbourhood.

Expected growth in terms of sales and/or employees.

Combined share of entrepreneurs that ‘somewhat’ or ‘strongly’ agree with the statement ‘This neighbourhood has a pleasant image.’ See also appendix V.

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Table 3: growth expectations & neighbourhood image (survey data 2011)

<table>
<thead>
<tr>
<th></th>
<th>Wielwijk (N=11)</th>
<th>Pijlsweerd (N=9)</th>
<th>Helmersbuurt (N=34)</th>
<th>Buiten Wittenvrouwen (N=33)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected to grow in last two years</td>
<td>1 (9%)</td>
<td>6 (66.7%)</td>
<td>18 (53%)</td>
<td>11 (32.4%)</td>
</tr>
<tr>
<td>Realised growth in last two years</td>
<td>1 (9%)</td>
<td>4 (44.4%)</td>
<td>15 (44.1%)</td>
<td>11 (32.4%)</td>
</tr>
<tr>
<td>Expects to grow in the next two years</td>
<td>3 (27%)</td>
<td>6 (66.7%)</td>
<td>22 (65%)</td>
<td>18 (54.5%)</td>
</tr>
<tr>
<td>% Judges the neighbourhood image as pleasant</td>
<td>54.6%</td>
<td>66.7%</td>
<td>94.2%</td>
<td>97.0%</td>
</tr>
</tbody>
</table>

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73 Expected growth in terms of sales and/or employees.
74 Combined share of entrepreneurs that ‘somewhat’ or ‘strongly’ agree with the statement ‘This neighbourhood has a pleasant image.’ See also appendix V.
The road to revitalisation taken by policy-makers and the housing association in Wielwijk presents a mismatch with the capabilities and resources of local entrepreneurs. The major renovation of the local shopping centre was done in conjunction with the residential restructuring of the neighbourhood. The need for restructuring came from a politically felt sense of urgency. The neighbourhood was a designated priority area on the national policy level which made the financial means for large-scale restructuring available. After the renovation of the shopping centre\(^\text{75}\) it was purchased by a large real-estate investor. Rents for commercial real-estate increased dramatically (see also table 1) and this a real problem for local entrepreneurs as the representative of the local housing association conveys: ‘Both the flower shop and the women’s lingerie shop have had to shut down because of these prices…it’s such a shame’.

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\(^{75}\) Financed by both the local municipality as the local housing association which owned part of the shopping centre (authors’ interview)
The neighbourhood economy manager thinks part of the problem relates to entrepreneurs’ adaptive capabilities:

‘A lot of entrepreneurs here are conservative and isolated. They are not really capable of innovation or adapting to changing circumstances. You need people who see opportunities and work together to accomplish things.’

She is also referring to the lack of an active, local commercial association in the neighbourhood which could create opportunities for combining efforts to attract customers. The lack of a coherent collective of local entrepreneurs, and in the same vein, the lack of a strong (high) communicator, has resulted in a one-sided vision on revitalisation of the neighbourhood. Next to restructuring the local shopping centre, local government and the housing association have aimed at increasing ‘the sense of entrepreneurship’ in the neighbourhood, by creating an incubator space as well as implementing a yearly entrepreneurship award for starting entrepreneurs. The incubator space (De Kansenflat), founded in 2008, is located in a former social housing project. The aim was to attract starting, or recently started, creative entrepreneurs. An explicit goal was to attract home-based entrepreneurs from the neighbourhood to support the transition from home to business space. It offered them cheap business space and guidance in the start-up phase. The incubator space has attracted quite a lot of publicity, also because of its colourful appearance (see Image 1) in the midst of an otherwise fairly monotonous and greyish area. Robert, the local policy official, questions its net economic gain when he says: ‘This incubator space has become somewhat of an icon, but realistically, I think we’ve only attracted about five or six firms that will survive’. Likewise, he comments on a lack of responsiveness of local residents and entrepreneurs to the entrepreneurship award:

‘We simply did not get enough applications. This is what I mean when I say I am cynical; we had to work so hard to even get people to apply for this award. If it was me, and I could get €10,000 as an entrepreneur, I would line up to apply’.

A problem of high business-turnover rates (see also table 1) is a sign of an overcrowded supply-side competing for a marginal customer base (Syrett & North, 2008). Existing entrepreneurs in Wielwijk face the problems of high rental prices and a low-income customer base. Revitalisation instruments aim at increasing the level of entrepreneurship in the neighbourhood and thereby increasing local com-

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76 The neighbourhood economy manager is a liaison officer of the local SME organisation (MKB Zuid-Holland)

77 Admittedly, this is a broad concept. The city of Dordrecht uses this concept quite loosely, including artists, ethnic entrepreneurs (who could be defined as cultural entrepreneurs) as well as high-skilled technological entrepreneurs.
petition, instead of strengthening the position of local entrepreneurs who are already in business. The commitment and ideas about changing the social and economic functions in the neighbourhood came from local government officials and the housing association, without necessarily fitting with the ideas of the local entrepreneurs already in place. Seraida, one of the creative entrepreneurs in the incubator space, recalls how she was often expected to contribute to neighbourhood events like fairs and activities at the community centre for free:

‘They expect you to do it voluntarily, but you have costs and everything so I was really ambivalent about it. Also, because some people assume that if you are at a neighbourhood fair, everything that you sell is supposed to be cheap. So I did contribute, but not to every event.’

The implemented revitalisation instruments in Wielwijk were ‘made for’ as opposed to ‘made with’ local entrepreneurs. The comments by the local policy official with regards to both the entrepreneurship award and the incubator space reveal a sense of disappointment and failure. Both instruments are being discontinued; the incubator space was shut down in late 2012.

Image 1: the incubator space in Dordrecht – Wielwijk (picture by author)
Instead of increasing entrepreneurship in Pijlsweerd, the revitalisation instruments in this neighbourhood were directed at upgrading the quality of existing entrepreneurship as well as attracting specific shops and businesses to fill vacancies and aid the upgrading process. This mainly plays out in the main shopping street of the neighbourhood, which is characterized by a volatile retail situation. Average rents for commercial real-estate are below those in Wielwijk (see table 1), but starting prices are still remarkably high compared to Helmersbuurt and Buiten Wittevrouwen. The street manager, Eric, who is in charge of this process, answers my question about what kind of shops he wants to attract to the area when he says:

‘I would love to have a coffee and bagels shop (specific brand name) in this street because it signals something to others like… we have faith in this street.’

Eric positions himself as a high-level communicator. He is employed by local government, but his efforts aim at creating a shared sense of ownership, despite the high diversity in ownership and quality that characterises the street. Ownership of commercial real-estate in the neighbourhood is very fragmented, mostly private, putting severe limits on the coordination and collaboration with real-estate owners who ultimately can decide whom they will sign rent leases with. Eric would like to see more chain stores in the street because ‘you need chain stores in a street to attract customers and they are not economically volatile.’ Here, he is addressing the issue of stability, and with that, referring to the sense of urgency that is felt by both local policy-officials and entrepreneurs alike in this neighbourhood. His position towards chain stores represents an interesting divergence from the concept of gentrification through independently-owned, ‘unique’ shops and businesses. The expressed sense of urgency is threefold: an overall low socio-economic level of the neighbourhood residents, nuisance from local cafés at night-time and a high vacancy rate in the main shopping street in the neighbourhood. The owner of one of the local supermarkets agrees with the street manager on attracting a specific type of shop to the area. He says:

‘The thing that troubles me most is the image of the neighbourhood… the vacancy rate and impoverished areas don’t help. If we had a few nice shops generating some traffic, that would help tremendously.’

John, owner of a cultural centre and co-working space, connects the sense of urgency to his daily activities as an entrepreneur. He thinks that the neighbourhood needs to improve its image, and that ‘all entrepreneurs can contribute to it and benefit from it when we see our sales go up’. Along the same lines, Eric tries to convince local shop and business owners to upgrade the image of the neighbourhood by ‘modernising’ their shop fronts and windows:
‘You see a lot of ostentatious lighting and neon-signs, it’s old-fashioned but especially Turkish entrepreneurs do it because they think they will get noticed more easily. Everybody does it, and they really think it is nice-looking...while a modern shop should simply be way more sober [...] It’s hard to convince them that they will speak to a broader customer base if they change this’

Eric’s comment illustrates that his idea about what is commercially attractive does not necessarily resonate with shop owners. The diversity of entrepreneurs in this case, complicates a unified upgrading strategy. Interdependencies between local policy-makers and real-estate owners create further complication. Brigitte, a policy-maker at the department of Economic Affairs, recounts how her department ‘works around’ uncooperative real-estate owners:

‘Often, you cannot even trace these people, and the only thing you can do is to use the neighbourhood development agency to buy real-estate and designate them for a type of business that we deem important’.

Image 2: a shop front in Pijlsweerd (picture by author)

The neighbourhood development association she is referring to is an organisation, in which the municipality and the local housing association cooperate to buy commercial real-estate in the neighbourhood and scout ‘appropriate’ entrepreneurs to set up shop. The actual number of commercial real-estate spaces owned by this organisation is still very limited, and since the start of the Financial Crisis in 2008 it has hardly bought any. These top-down strategies are complemented by a collective, city-wide entrepreneurs’ fund, implemented in Pijlsweerd in 2011.
The fund closely resembles the instrument of Business Improvement Districts that was introduced in Manhattan (NYC) and several UK cities (see Ward, 2006) where part of property taxes are saved in a fund. In order to have a say in the allocation of Pijlsweerd’s entrepreneurs’ fund, entrepreneurs have to be a member of a merchants’ association. The fund can be spent on anything that benefits the local business climate, as long as it’s democratically decided on. The municipality therefore also actively encourages this membership, through street managers and the policy officer who is in charge of the fund. This policy officer says:

‘I tell them [the entrepreneurs] that this money is for them to spend…and it’s a lot. They have to spend the money democratically, though, and it’s important that all local entrepreneurs know that the merchant association decides.’

The fund helps to forge a common goal for all stakeholders involved, where local government does the collecting and administration, and the merchants’ association sets immediate goals to improve the economic functions of the neighbourhood. It could very well function as a bridging instrument to bring different ideas about the social and economic functions of the neighbourhood together, provided that local entrepreneurs find common ground. John wants to contribute:

‘I want to be in the board of the merchants’ association […] I think all entrepreneurs in the neighbourhood will have diverging ideas, but it’s more important to focus on what we have in common.’

The main circumstance driving actions of local actors in the Helmersbuurt is not a sense of urgency, but strong local ownership. The image of the neighbourhood, and ideas about its social and economic functions, are shared by local policy-makers and entrepreneurs, yet they encounter similar problems with real-estate owners as in Pijlsweerd. Frank, the street manager in this neighbourhood, constantly tries to maintain the high-end, high-quality character of shops and businesses in Helmersbuurt. He tries to negotiate with real-estate owners on leasing retail units to the ‘right’ type of entrepreneur:

‘I try to influence…you know…who starts their business where. But eight out of ten times the lease is signed without me knowing anything about it…so realistically, I’m often at the side-line..

Powerful instruments for controlling the economic functions in the area are zoning regulations and district plans on retail and restaurants. The district government implemented a zoning rule to prevent the opening of new establishments

78 Both users and owners of non-residential buildings contribute through property taxes.
of specific types of low value-added retail and take-away restaurants on the main shopping streets in the neighbourhood. The street manager can, and has, used this regulation to control the types of business in the neighbourhood. In order to maintain the creative and artistic character of the neighbourhood, local policymakers want to make sure there is enough affordable, small-scale, commercial real-estate available. The municipality and the local housing association collaborated in redeveloping a former hospital in the neighbourhood into an incubator space in the early 1990s. This incubator space is widely regarded as a great success, and it forms the backbone of the district government’s continuing emphasis on the need for small-scale business space. Besides the former hospital, there are two other main commercial spaces in the neighbourhood that are owned by the local municipality. The municipal district of Amsterdam West capitalises on the bottom-up gentrification process, by actively conserving and maintaining the artistic, high-end production milieu in the neighbourhood. The district’s economic policy specifies that Amsterdam West’s goal is to ‘become the most creative and entrepreneurial hotspot in Amsterdam’ (PCO, Amsterdam West 2010). The efforts of the street manager and local policy officials are directed at making sure the neighbourhood remains attractive for outside investment. One of the policy officials says:

‘One of our goals is to attract some big names to this area, so people will think…oh, this is what we can associate this area with…this was also part of the reason to attract the artists’ academy here.’

The artists’ academy is located in one of the buildings owned by the municipality. Frank, the street manager, plays an important role in maintaining local ownership with the entrepreneurs, as well as establishing common goals for local entrepreneurs and local government:

‘We started four years ago by doing “wishful thinking” with local entrepreneurs. We thought about what we want the image and the atmosphere of the commercial areas to be like in 2020. It’s all embedded in conditions and tasks and who is supposed to do what’.

In making plans with local entrepreneurs, Frank is evoking a specific spatial imagination, establishing further common local ownership of the area. Also, these plans specify direct tasks, resulting in common goals that all local actors get involved in. The continuation of this type of agenda-setting over time is important to ensure new entrepreneurs also get involved as well as maintaining the already existing relationships. For example, the owner of a bridal couture shop in the neighbourhood

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79 This zoning regulation prevents phone shops, gaming halls and fast food and take-away restaurants – zoning by-laws expressed in the zoning plan for the district of Amsterdam West (2006) and district policy document on restaurants and cafés in District West (Horecanota Stadsdeel West 2011).
comments that she sees a declining involvement of local government. She says that the district council used to organize meetings for existing and nascent entrepreneurs in the neighbourhood where they would talk about topics like real-estate or public space. Ever since the district council merged with three other district councils\(^8\) these meetings have become rare. ‘Basically’, she says, ‘Frank is the only thing we’ve got left’. A policy official with economic affairs tells me the city of Amsterdam shifted in 2010 from policies that support entrepreneurs on a neighbourhood level to a city-wide policy for entrepreneurs: ‘Every city district was basically doing the same thing…with the new policy\(^8\) we coordinate our activities and we make choices about who contributes what’. This shift, and the merger between city district councils, explains why government involvement at neighbourhood level has decreased. These recent changes towards upscaling neighbourhood policies represent a change compared to the earlier approach of the former district council, which wanted to actively get involved in conserving a specific neighbourhood identity. The changes have been too recent to say whether the shared local ownership and the common goals as expressed in the ‘wishful thinking’ for 2020 will be affected by this in the years to come.

\(^8\) Four district councils on the west side of Amsterdam merged into one city district council in May 2010.

\(^8\) Amsterdam Plan for Entrepreneurs (Amsterdams Ondernemers Programma 2011-2014, published 2010)
Local ownership in Buiten Wittenvrouwen, Utrecht, is fragmented. This has several reasons. First, entrepreneurs are mainly organised on a sub-neighbourhood level. Separate business and merchants’ associations serve the neighbourhood’s shopping streets and the street where upscale business services are located (Maliebaan). In addition, there is a network of home-based entrepreneurs in the neighbourhood. The second reason why local ownership is fragmented in Buiten Wittenvrouwen is because the local government’s ideas about the local economy diverge from that of local entrepreneurs. The relative high degree of organisation in the neighbourhood is partly the result of local-government investment in stimulating these associations. The district council has funded a ‘light’ version of street management that is specifically aimed at supporting the merchants’ associations. Similar to the situation in Pijlsweerd, the implementation of the city-wide entrepreneurs’ fund also encourages entrepreneurs to become a member of a local business organisation. The policy official in charge of the collective fund expresses his expectations:

‘When you know each other, things will get done. So that’s where it starts. The merchants’ association is a natural place where people get to know each other’.

Every merchants’ or business association is geographically defined, and contains several streets. They all get a part of the collective fund to administer. Although this encourages a degree of organisation, it also results in a geographical fragmentation that is actually fuelled by this financial structure. For example, the merchants’ association in the Biltstraat, a shopping thoroughfare, is actively trying to get rid of an over-representation of business services in the street. They mainly want to attract upscale retail stores, by mediating between real-estate owners and entrepreneurs. The chairwoman of the merchants’ association, Maria, elaborates on the problems they encounter:

‘The realtor from across the street just relocated…so I contacted him to ask what the actual size of the property is, and to inform him we might have someone who’s interested…he tells me it’s already been leased to a temporary employment agency. That really upsets me…another employment agency! We’re trying to get rid of those!’

This fragmentation illustrates both the sense of urgency felt by the merchants’ association and the relative powerlessness felt by entrepreneurs in relation to real-estate owners. Adding to this complexity is the fact that local government does not acknowledge the sense of urgency. In fact, local government has designated the main function of the Biltstraat as a ‘thoroughfare’, emphasizing the traffic function for cars, public transport and cyclists to and from the city centre of Utrecht.

82 For instance, by agenda-setting, making notes, and providing feedback to entrepreneurs about meetings.
The high density of economic functions in the neighbourhood puts pressure on the economic resources of the district council and the need to balance the interests of residents and entrepreneurs. Consequently the district council has decided to strengthen the identity of only one of the shopping streets and focus on the Biltstraat as a thoroughfare. Rob, the secretary of the merchants’ association of the Biltstraat recalls his frustration with the decision:

“A few years ago I attended a city council meeting where they basically stated that they would support the “recreational shopping” function of the Nachtegaalstraat and that they would not support it for the Biltstraat. It made me furious…because it also means the end of public investment…”

The local government has got clearly circumscribed ideas about the economic functions of different parts of this neighbourhood. These ideas are powerful in either attenuating or strengthening any power a merchants’ association has over ‘their’ commercial area. A shared local ownership contributes to the setting of common goals, as we saw in the case of the Helmersbuurt. In this sense, the entrepreneurs in the Biltstraat try to work around the issue of fragmented local ownership by trying to contact real-estate owners directly about the leases they sign. This is one of the common goals they set within their community of entrepreneurs. Another common goal is to promote the street to neighbourhood residents and outsiders as a shopping street by organising community discounts and promotional sales. This has potential considering the purchasing power of neighbourhood residents (see also Table 1). Yoran, a local bar and restaurant owner:

“I think the promoting is good…yet you need to deal with different interests. I own a bar so I have a different clientele than other shops […] Just being an entrepreneur is not the most important thing that connects us’.

If the merchants’ association is successful in finding common ground and shaping their identity as a shopping area, this will aid their economic success. The city-wide entrepreneurial fund will financially support the entrepreneurs in setting and attaining their goals. Right now, the other areas with economic functions in the neighbourhood, the Nachtegaalstraat and the Maliebaan are areas that are most prosperous commercially in terms of the numbers of economically successful entrepreneurs. It is probable that the utilisation of the entrepreneurial fund will augment existing competition between the different commercial areas in the neighbourhood.

For example; Yoran, the bar owner, struck a deal with the bicycle shop next door so that people can get a discount on their coffee at his bar while they wait for their bike to be fixed.
The four cases show that a sense of urgency is not something that only pertains to socio-economically deprived neighbourhoods, and has different dimensions for different actors. A large part of entrepreneurs in Buiten Wittevrouwen feel a sense of urgency with regard to the economic functions of their neighbourhood. At the same time, the revitalisation instruments implemented in Wielwijk have hardened market conditions for local entrepreneurs. In this case, the revitalisation strategy has had some perverse effects by aiming at a type of entrepreneurship that does not match the characteristics of the neighbourhood. It shows that entrepreneurship in neighbourhoods with a lower socio-economic status can be volatile. If fixed costs increase due to top-down investments in commercial real-estate while revenues do not increase proportionately because the customer base is not changing fast enough, this presents entrepreneurs with serious problems. For entrepreneurs in neighbourhoods characterised by residential gentrification there are more opportunities to attract spending from a local market, provided that they can speak to these local communities of high-end consumers. This implies that entrepreneurs need to keep developing their products and services to appeal to the ‘creative class’ with their fast-changing tastes and preferences. The implementation of an entrepreneurial fund in Utrecht contributes to bottom-up goal-setting and increases the ‘density of communication’ between entrepreneurs.
and local government (Wagenaar, 2007). The street managers in both Pijlsweerd and Helmersbuurt position themselves as high-level communicators, contributing to this density of communication. Maria (from Buiten Wittevrouwen) positions herself as a high-level communicator within the community of entrepreneurs, but with limited entry into local government, which impedes a shared local ownership. The one case that most closely resembles the type of commercial gentrification observed by authors such as Zukin (2004) and Wang (2011) is Helmersbuurt. The effort to attract chain stores to Pijlsweerd represents a different type of commercial gentrification that is intended to signal that the neighbourhood is suited for further commercial investments.

5.7 Conclusion

The ‘ideological props’ (Fuller, 2012) behind economic revitalisation strategies aim to build on the ‘common sense’ notion (Ibid.) that economic growth will benefit everyone and will create ‘better’ urban spaces in which to live and to work. The growth strategies taken on a neighbourhood level all rely on some form of commercial gentrification, be it by attracting (or conserving) creative industries or by prescribing ‘good’ or ‘high quality’ forms of entrepreneurship. The rationality behind this strategy suggests that once-deprived neighbourhoods get a ‘push in the right direction,’ the direction being an increased exchange value of a place; then the ‘free market’ will take over. The four cases show how this strategy directed at commercial gentrification, works out quite differently in different neighbourhoods. A similar point has been made on the phenomenon of residential gentrification (Butler & Robson, 2001).

The comparison of four neighbourhoods illustrates the ‘context-dependent nature of the structuring of action within local systems of governance’ (Phelps and Tewdwr-Jones 2000:127). The practice of economic revitalisation differs geographically between and within cities and depends on the configuration of local actors, the economic structure, and political and administrative organisation and involvement. Yet most of all, these practices are shaped by the situations that local actors see themselves confronted with. The goal was not to understand these situations (Stark, 2009), but to show how these situations drive actions and are used by actors to ‘get things done.’ This approach, sensitive to ‘situation-specific processes of interaction’ is able to shed light on the material reality of economic revitalisation strategies (Fuller, 2012). The outcomes of urban entrepreneurial governance strategies depend on situations encountered in targeted localities. Likewise, the livelihoods of entrepreneurs are affected by how these revitalisation strategies work out on a local level. The extended-case method tries to ‘extract the general from the unique’ (Burawoy, 1998) and here, the identified situations are also helpful.
Every neighbourhood has a unique configuration of local actors. Yet they have in common that where local ownership is strong, local entrepreneurs are empowered and, in turn, this foments common goals. The presence of a high-level communicator, as seen in the street managers in both Pijlsweerd and Helmersbuurt, increases a sense of shared local ownership. Inputs and outcomes of revitalisation strategies become more negotiated in this way. This negotiation or co-creation of commercial areas is important because it relies on the local characteristics, strengths and needs of entrepreneurs. Also, the presence of a person who is capable of this kind of ‘brokerage’ adds flexibility to an otherwise quite standardised or rigid policy idea of a commercial gentrification trajectory. This will prevent or at least weaken the emergence of homogenous commercial spaces that exclude particular types of entrepreneurship as well as a particular clientele. Short policy cycles and an evolving administrative environment like that of Amsterdam do not help the position of these high-level communicators.

Choosing the right instruments to meet the needs of local circumstances is very important. For example, small firms and entrepreneurs in the deprived neighbourhood Wielwijk have not profited from the implemented revitalisation instruments. The implemented instruments have not been based on a thorough-enough analysis of business opportunities (Welter et al., 2008), or a strengthening of already existing qualities, but rather based on a blueprint of commercial gentrification that does not match local circumstances. Here, there is an combined negative effect produced by the lack of a high-level communicator or an active merchants’ association, and the strong top-down approach that together actually consolidate a situation where entrepreneurs become rather passive ‘targets’ of policy.

The empirical material has also shown that in areas where hardly any economic policy instruments are implemented, like Buiten Wittenvrouwen, the strong local ownership felt by the merchants’ association can resist the definition of the situation made by local government by setting common goals within the community of local entrepreneurs. Interestingly enough, independent real-estate owners are often not engaged with revitalisation strategies. Owners of commercial real-estate apparently do not see revitalisation strategies as effective ways to increase the exchange value of their property. The position of (independent) real-estate owners in neighbourhood economic dynamics forms an interesting puzzle that was not part of this study but certainly leads to interesting questions for further research.

This study has shed light on the social dynamics and interactions involved in implementing local revitalisation strategies. Groups of local entrepreneurs form communities wherein which both shared and contrasting values on what ‘their’ neighbourhood should be like influences the organisation of their business as
well as their mutual relationships. Entrepreneurs are clearly not atomised decision-makers when it comes to both their business and their spatial surroundings. Sure, they want to run a profitable business, but they recognise that this is more often than not dependent on a collective sense of place and a coordinated effort to create a commercial space where all entrepreneurs thrive. This provides an argument for questioning whether the introduction of policy strategies that are ultimately geared towards increasing the exchange-value of a particular place, by attracting new users, will not destroy the use-value it has for its current users (Logan & Molotch, 2007). The type of informal exchange and common goal-setting that goes on in a community of local entrepreneurs depends on a certain degree of social organisation. Policy initiatives that try to stimulate this organisation by providing financial incentives seem successful in Utrecht. Yet, in places where social organisation is already strong, introducing external financial incentives might also erode a sense of community based on practices of reciprocity. The complicated socio-organizational networks that determine reciprocal exchange of information, favours, and collective tasks might be disturbed by the introduction of a financial scheme such as the Business Improvement District (Mingione, 1991). Also, one can ask what might happen to those entrepreneurs not sufficiently skilled or networked to find their place when the dust settles on the upscaling process? I have shown that revitalisation instruments do not work like a brush-stroke of paint on a blank canvas. Actually, they can worsen local economic conditions if situations of experienced urgency, local symbolic ownership and common goals are not taken into account. In order for inclusive revitalisation to take place, we also need to acknowledge that not every neighbourhood has the potential to be an incubator of (creative) start-ups, and that there might neither be a supply of creative entrepreneurs nor a local market for this type of economic activity. It highlights the need for a thorough analysis of local circumstances and opportunities in order to create inclusive and diverse practices of urban economic revitalisation.
ROADS TO REVITALISATION
Chapter 6. Conclusions

6.1. Introduction

This study has examined the neighbourhood economy of urban residential neighbourhoods. It has thus explored new territory, because most scholarly work in the field of economic geography has been focused on the scalar level of the city, the region, the nation state, or the global economy. Of course, it is important to keep in mind that none of the economic processes on these levels functions in isolation from the others; processes on all scalar levels influence what happens in cities and in neighbourhoods. This study has shown how economic dynamics at neighbourhood level are connected with structural changes on other scale levels. The shift towards a cognitive-cultural economy in advanced urban economies is changing the economic landscape of residential neighbourhoods. Businesses in newly dominant sectors are constantly searching for innovative products and new ways of marketing these products. These knowledge-intensive firms are generally smaller and organised differently compared to times when industrial mass-production was dominant. Although the consequences of these fundamental shifts in production systems have been analysed for cities and city regions, very few studies have tended to ‘zoom in’ as to neighbourhood level. As a consequence, we know very little about the patterns of neighbourhood economies in the context of a cognitive-cultural or ‘post-Fordist’ economy, where changes in production systems are coinciding with a political-institutional climate that fosters an entrepreneurial atmosphere, in terms of policy and in terms of production relations. These are elements of the structural context within which the look and feel of urban residential neighbourhoods is changing considerably.

Seen from the bottom-up, it is possible to discern the emerging effects of lower-level economic processes on the how urban economies function. This means that the whole of the urban economy is more than the sum of its (neighbourhood) parts. The changes that we have observed in neighbourhood economies have implications for how we think about urban planning and economic policies, also on higher scale-levels. In order to improve our understanding of the changing nature of the production milieu of the residential neighbourhood I have posed the following main research question:

*How can we characterise the economy of urban residential neighbourhoods in advanced urban economies, and which social, economic and institutional differences contribute to explaining variegating outcomes in neighbourhood economies?*

The research question was set up to study two main aspects of neighbourhood
CHAPTER SIX

economies: 1) The patterns of economic activity in urban residential neighbourhoods over the period 1998-2008, and the differences in this economic activity between cities and types of neighbourhoods. 2) The institutional, market and social dimensions of economic activities in the spatial context of urban residential neighbourhoods.

I used the mixed embeddedness approach to study economic processes in residential neighbourhoods. This approach is capable of gauging the system of social organisation within which economic actions are embedded, something that the neo-classical economic paradigm is not able to do. The mixed embeddedness approach emphasises the importance of the institutional, economic, and social context within which economic actors operate. It sees economic decisions as social decisions; related to others such as customers, suppliers, competitors or rule-makers (Kloosterman 2010). The mixed embeddedness approach conceptualises the various dimensions (social, market, institutional) of embeddedness at a rather abstract level. The functional mechanisms within each of these dimensions have remained largely unspecified. This study has specified these mechanisms in relation to neighbourhood economies, as will be presented in this chapter. With this study I also aim to add a spatial component to the mixed embeddedness approach. The research has shown that with the identified mechanisms of embeddedness it is possible to address spatial variation in outcomes of neighbourhood economies.

In this chapter I will start by formulating answers to the four sub-questions of this study, before answering the main research question. Offered after that is a more general conclusion on how economic actions are embedded in ‘structures of social relations’ (Granovetter, 1985). In the last part of this chapter implications for policy are presented and I propose an agenda for future research. In an epilogue to this chapter, methodological and theoretical consequences of this research for the concepts of ‘the firm’ and ‘entrepreneurship’ are discussed.

6.2 Neighbourhood characteristics and firm dynamics

Can we identify different types of economic zoning in neighbourhood land-use plans, and if so, which of these zoning types are more suitable and which are less suitable to accommodate local economic activities?

Neighbourhood land-use plans are an important part of the institutional and regulatory framework of neighbourhood economies. Traditionally, the land-use plan or zoning plan is the most powerful, legally enforceable instrument of Dutch urban spatial planning at the neighbourhood level. Chapter 2 provides empirical evidence of how a land-use plan, ‘essentially a geometric representation of the
borders of frontiers between parcels of land’ (Scott, 1998), determines where functions, notably economic activity, are allowed in a neighbourhood. Land-use plans thus not only a represent space, but also formulate allocating principles for the functions of that space. By mapping, and thereby regulating, the possibilities for which economic functions can take place in each neighbourhood, land-use plans play an intermediary role in the relation between economic structure and urban form.

Land-use plans and their by-laws form a local regulatory framework that determines the functions of all built structures in a neighbourhood. The details of this regulatory framework can differ between neighbourhoods. In chapter 2, four types of economic zoning in residential neighbourhoods were identified, each connected to a particular spatial pattern of business settlement and business dynamics. The four types emerged from studying land-use plans of 44 residential neighbourhoods in the five research cities: Amsterdam, Dordrecht, Leiden, Utrecht and Zoetermeer. The four types of economic zones in neighbourhoods are: Market, Desert, Mix and Dormitory.

• Market: Neighbourhoods with land-use plans that force businesses to concentrate in a delimited area, for instance in a neighbourhood shopping centre, are characterised by a relatively high number of firms in the neighbourhood. However, growth rates are very small or even negative since any economic activity outside the ‘shopping centre’ is not warranted. Neighbourhoods with this type of economic zoning can be characterized as ‘markets’. This type of economic zoning occurs often in Post-War neighbourhoods that were built according to the Modernist principle of separation of functions in space. The idea was that a concentration of economic amenities in one neighbourhood, located in a shopping centre, would serve the surrounding neighbourhoods.

• Desert: Neighbourhoods adjacent to the aforementioned type of ‘market neighbourhood are often characterised by a very restricted type of economic zoning that we called ‘the desert’. In the desert, restrictive rules govern economic activity. These neighbourhoods have very few buildings allocated to economic functions, thereby limiting (re)location possibilities for existing firms in the neighbourhood that are growing, or firms that want to locate within the neighbourhood.

• Mix: In the ‘mix’ type of neighbourhood, land-use plans have a high number of mapped economic functions. Also, businesses are not concentrated in one place, but allowed to spread across the neighbourhood. Here, we can observe higher growth rates for firms, indicating that the neighbourhood becomes more attractive as a (home-based) business location. This type of ‘mixed’ neighbourhood offers a much stronger mixing of the residential and the economic function.
• Dormitory: At the start of this research, the expectation was that more firms would be accommodated in neighbourhoods with land-use plans where more buildings are allocated to economic functions, and vice versa. However, it was found that there is a type of neighbourhood that is conducive to business growth yet is characterised by a general lack of economic zoning. This ‘dormitory’ type of zoning represents a lack of economic functions on the land-use map, as well as a general lack of economic regulation. These ‘dormitory’ neighbourhoods seem to create space for entrepreneurship through a regulatory vacuum. They differ from ‘deserts’ because economic activity is not actively restricted. Since a ‘dormitory’ neighbourhood is characterised by a limited number of mapped economic functions on its land-use plans, most of the new firms settling here can assumed to be home-based.

Chapter 2 demonstrated that in particular the ‘mixed’ and ‘dormitory’ type of neighbourhood have seen growth in the number of firms locating there over the period 1999-2007. In both types of economic zoning, the spatial and functional result is an increasing mix of working and living – indicating that residential neighbourhoods are becoming more important as sites of production. The (legal) power inherent in land-use plans illustrates how municipal and district governments can take the driver’s seat in determining the production milieu of a neighbourhood. The other side of this coin is that once land-use plans are in place, they are quite complex to change. The reticence of municipal authorities with regard to changing land-use plans is related to ownership rights and juridical implications of changing real-estate values as a consequence of changing uses and functions of buildings.

What is the relationship between neighbourhood characteristics and entrepreneurship in terms of the level of entrepreneurial activity, growth in activity and type of activity at neighbourhood level?

The residents of a residential neighbourhood actively and passively shape its ‘look and feel’ as well as its production milieu. They walk the streets, buy in the local stores and in some cases even run a business from their home. They colour local demand with their tastes, preferences, and purchasing power. They can become part of the supply-side of entrepreneurship when they start up a business from home or in commercial property in their neighbourhoods. In chapter 3, the socio-demographic characteristics of neighbourhoods were therefore conceptualised as being influential for the distribution of different types of firms over neighbourhoods. It was shown in this chapter that the size of companies operating in residential neighbourhoods has decreased in the period 1999-2008. Smaller firms are arguably more affected by micro-economic conditions than large multinatio-
nal firms. Local market conditions on the level of the neighbourhood therefore matter strongly to a large part of these firms. The capacity of a neighbourhood to sustain a certain level and certain type of firms, depends partly on the socio-demographic composition of a neighbourhood.

Chapter 3 illustrates how cognitive-cultural firms, which have – in principle – a high growth potential, are unevenly distributed within the cities studied. The phenomenon of ‘urban resurgence’ within cognitive-cultural capitalism thus seems to manifest itself unevenly within cities. High value-added, innovative and creative economic activities are more often located in neighbourhoods where a process of residential gentrification has taken place, signalled by a rise in average incomes and real-estate value. This finding provides evidence that residential and commercial gentrification go hand in hand. Although it has often been assumed that amenities and firms in a neighbourhood change as the socio-economic composition of the neighbourhood changes, this has remained empirically under-determined in previous research (Bridge & Dowling 2001). However, neighbourhood firms do not exclusively produce for a local market, so it is likely that processes of agglomeration also play a role. The milieu of economically ‘successful’ neighbourhoods, in terms of the number of firms as well as their location as centres of high-end production, is reproduced through clustering of high-end firms and rising real-estate prices. These firms gravitate to neighbourhoods with high socio-economic status partly for the local market and the status of these neighbourhoods, but possibly also for other advantages of co-location like transfers of (tacit) knowledge and information (Storper & Venables 2004). Also, the appeal and proximity of the business location to their desired workforce plays a role. This process of an upward reproduction of the economic milieu indirectly bars access to these locations for starting entrepreneurs or more marginal economic activities with less economic capital.

The reproduction process of neighbourhoods that are attractive locations for business settlement can possibly lead to a ‘destruction of diversity’ (Jacobs, 1962). Jacobs describes this process as the result of fierce competition for space in attractive locations for firms, ranging from a single street to a whole neighbourhood. The competition will favour one type of activity, or a limited type of activity such as high-end firms, resulting in one-sided production milieus. Although these one-sided production milieus might be successful on their own terms, they do result in an unbalanced distribution of value-added activity in cities. The results of chapter 3 suggest that neighbourhood economies in the wealthiest neighbourhoods are rather one-sided, skewed to the high end of the market. These are neighbourhoods with, for example, clusters of law firms and financial-services companies located in embellished, spacious lofts, former factories or urban villas.
The other side of the story is that marginal, low-end firms with high turnover rates are more likely to concentrate in poorer neighbourhoods. A possible economic consequence of homogeneous, economically less-diversified places is that these are less protected from an economic downturn in times of sudden market crises or radical shifts in organisation of production. Another consequence of this commercial segregation in the city is that disadvantaged neighbourhoods can get ‘locked in’ (Scott, 2008) to a downward economic spiral, increasing economic volatility in these neighbourhoods. This lock-in effect is a process whereby failed firms leave behind vacant business space, making commercial environments less attractive, which results in fewer customers. Ultimately, this increases the risk of a high turnover-rate. The results presented in chapter 3 indicate that the number of new business start-ups is higher in neighbourhoods with larger shares of non-Western immigrants. However, it does not necessarily indicate a ‘healthy’ local economy since high start-up rates can also be an indication of high turnover rates. High turnover rates are inclined to accompany less attractive and less safe living environments. Furthermore, the commercial presentation of neighbourhoods matters for the public perception of these neighbourhoods and can also influence residential preferences. Eventually this might lead to a situation of building up of added value in ‘core’ areas and the creation of an economically marginal ‘periphery’. Providing some counterweight to this concern are the numbers of creative firms settling in more-disadvantaged neighbourhoods. In the analysis in chapter 3, creative firms did not seem particularly prone to settle in neighbourhoods with the highest average incomes, so it is likely that their location patterns are more diffused than those of high value-added firms. Creative firms can provide a source of innovation and attract other creative businesses. However, a rather narrow definition of creative firms was adopted in this chapter, so the findings can differ if a broader definition of creative firms is taken.

6.3 Business organisation and neighbourhood embeddedness

To what extent do cognitive-cultural economic activities occur in residential neighbourhoods and how does their neighbourhood embeddedness differ from ‘traditional’ industries?

With the study of land-use plans in chapter 2, it is demonstrated that many residential neighbourhoods flourish as sites of economic activity, as evidenced by the increase in the number of firms active in the period 1999-2007. That residential neighbourhoods are becoming more attractive sites for firms operating in the 'new' economy has been confirmed in chapter 4, where it was demonstrated how the share of cognitive-cultural industries in residential neighbourhoods has risen.

See appendix II
in the period 1999-2008. In particular, residential neighbourhoods in Amsterdam and Utrecht are places of cognitive-cultural production. Overall, Amsterdam and Utrecht are attracting many cognitive-cultural activities, whereas in Dordrecht, Leiden and Zoetermeer, the increase of this type of economic activity predominantly takes place in residential neighbourhoods. In this respect, residential neighbourhoods are a harbinger of a changing economy. Many economic activities in cognitive-cultural industries are suitable to be performed from the home since many of them do not require large spaces or heavy machinery. The home offers a safe and affordable place to start a business, especially if market prospects and profit margins are uncertain. Dutch zoning regulations often specify a share of the home that can be used for business purposes, while always prohibiting retail in the home environment. Nevertheless, on an aggregate level, residential neighbourhoods are becoming attractive locations for businesses, also outside the home environment. The (re)mixing of functions of living and working that is examined in chapter 4, suggests the need for a new perspective on residential neighbourhoods as areas of production and consumption.

Chapter 4 captures the differences in embeddedness between types of entrepreneurs by using the comparative dimension of the ‘new’ versus the ‘old’ economy. These differences come to light by looking at the nature of the work that firms carry out, resulting in a dichotomy between ‘cognitive-cultural’ and ‘traditional’ firms. Cognitive-cultural firms involve mostly non-standardised labour processes, as well as highly skilled or creative labour inputs. Traditional firms are defined as firms that mostly engage in standardised work processes and outputs with low semiotic or symbolic content. The entrepreneurial practices and mechanisms of organisation differ in many respects between cognitive-cultural businesses and more traditional firms. Intuitively, we can expect that a local grocery store is embedded in a neighbourhood quite differently compared to a consultancy firm, or compared to a web designer working from home. Chapter 4 demonstrates empirically that two important dimensions on which these firms differ are in their market base locality and their level of interdependency with other firms. Traditional firms rely more strongly on local markets, making them more susceptible to changes in local markets. Traditional firms are more often non-home-based compared to cognitive-cultural firms. So it is traditional firms that are likely to be influenced by a negative lock-in effect if vacant business space increases and turnover rates rise. The traditional firms that are non-home based, operate on a walk-in basis, and have the majority of their customers in their own and adjacent neighbourhoods, are also more strongly affected by developments like e-commerce and one-stop shopping.
‘Connectedness’ and ‘buzz’ are much-discussed concepts with regards to cognitive-cultural firms and the ‘new economy’ in general. The entrepreneurial activity in cognitive-cultural firms aims at recombining properties of existing products and services to create new ones, constantly searching for opportunities and responding to, as well as driving, new trends and fashions. The literature dealing with the economic geography of these industries contends that this type of activity depends on inter-personal relations in order to capitalise on innovative opportunities (see for instance Currid, 2007; Storper & Venables, 2004; Hutton, 2004). It is suggested that these inter-personal relations are best developed in inner cities because these offer ‘micro-scale ways of working, socialising, and labour market access’ (Hutton 2004: 92). How does this work in residential neighbourhoods? The results presented in chapter 4 offer valuable empirical insights into the workings of inter-firm interdependencies for cognitive-cultural firms in residential neighbourhoods. Controlled for being a home-based firm, we see that cognitive-cultural firms are more likely to maintain more contacts with other entrepreneurs for business as well as informal reasons. However, the age and location of the firm seem to be stronger determinants of inter-firm interdependencies, indicating that being home-based is negatively related to being part of inter-firm networks.

The findings further indicate that entrepreneurs seek out contacts with other entrepreneurs on multiple scale-levels, suggesting multi-layered, multifunctional networks. These networks and the resources they provide can be tapped into when entrepreneurs see themselves confronted with particular spatial or organisational issues. A network based on geographical proximity can be valorised when entrepreneurs are confronted with area-based policy schemes such as described in chapter 5. Relational proximity generally is more important for firms that depend on input from others to keep their products and services innovative and competitive. In conjunction with Chapter 5, I argue that the nature and configuration of local networks of entrepreneurs connect strongly with situations of local symbolic ownership, a sense of urgency and common goals of entrepreneurs in a neighbourhood. However, chapter 4 does indicate that home-based firms are less likely to be part of neighbourhood-based networks of entrepreneurs, suggesting an organisational nature and local embeddedness altogether different from non-home-based firms, either traditional or cognitive-cultural.

*How do governmental interventions and practices of entrepreneurs interact on a neighbourhood level to (re)produce urban commercial spaces?*

Chapter 5 shows how city governments try to combat spatial concentrations of (socio)economic disadvantage by attempting to jumpstart commercial gentrification in disadvantaged neighbourhoods. Although the institutional landscape of Dutch
urban governance is such that there is always some formal policy involvement in neighbourhood economies, socio-economically disadvantaged neighbourhoods are specifically targeted by policy strategies to upgrade the business climate. The rhetoric behind these economic ‘revitalisation’ policies is that an influx of new entrepreneurship will increase the vibrancy and attractiveness of a neighbourhood. In the long run, new (successful) firms will in turn attract other firms (Welter et al., 2008). Economic revitalisation policies mostly consist of individually-centred and spatial-centred policy instruments. Individually-centred instruments target the individual entrepreneur through tax cuts, subsidies or grants. Spatial-centred instruments mainly consist of restructuring the built environment, such that it becomes (more) attractive as a business location. Often, a combination of these two types of instruments is implemented and coordinated by a local policy actor who operates as a ‘neighbourhood manager’ or ‘street manager’. He or she functions as an intermediary between entrepreneurs in the neighbourhood and policy-makers at city level.

These arrangements of area-based instruments are directed at creating a commercial space that becomes, at least partly, used by more affluent users. This ‘upgrading’ of commercial space contains elements that are similar to the top-down upgrading of residential parts of neighbourhoods, commonly identified as state-led gentrification (Van Gent, 2013). From the analysis of policy instruments in chapter 5, it can be concluded that most policy arrangements work with a circumscribed (aesthetic and functional) idea of commercially attractive areas intended for more affluent users. Part of what these top-down commercial gentrification strategies are aiming to achieve is to change the drivers of economic development in a neighbourhood. One of these drivers is the market, expressed in the purchasing power of the local population and outside visitors. By ‘upgrading’ the commercial presentation of neighbourhoods, for instance by introducing a certain thematic representation or aesthetic improvements to shop-fronts, different audiences are targeted and drawn into to a neighbourhood. In the long run, this is also meant to make neighbourhoods more attractive to new residents with higher disposable incomes. Top-down policy strategies also aim to influence the supply of entrepreneurship by attracting new, upscale firms and entrepreneurs to locales where they otherwise might not venture. This is done by scouting and subsidising entrepreneurs to start a business in municipal-owned commercial real-estate or by actively negotiating with real-estate owners about lease conditions and practices.

There are several homogenising forces at work in current global capitalism, and local policy makers are harnessing these in order to achieve ‘upgrading’ processes locally. State-led commercial gentrification strategies try to foment a ‘Greenwich Village’ (Jacobs, 1965; Zukin, 2009), or ‘Chinatown’ or ‘Little Italy,’ if the aim is to
In this research, three situations are identified that suggest different (situated) responses of policy actors and entrepreneurs to ‘blueprint planning’ of neighbourhood economies by these economic revitalisation or commercial gentrification strategies. The three situations are: *Sense of urgency, local symbolic ownership, and commitment to a common goal*. These situations entail an image that local actors (policy-makers and entrepreneurs) have of ‘their’ neighbourhood or street, the configuration of actors involved in that neighbourhood and an agenda of action. At the same time, this also means that (associations of) local entrepreneurs can resist the redefinition of a neighbourhood that policy-makers aim to pursue. In the example of Wielwijk, a disadvantaged neighbourhood in Dordrecht that was explicitly targeted by economic revitalisation policies, the lack of a shared idea of local shop owners about the identity and functions of the neighbourhood contributed to the design of policies that were ‘made for’ instead of ‘made with’ local entrepreneurs. The economic performance of this neighbourhood was poor, with many entrepreneurs going out of business, resulting in a negative growth rate of firms in 2012. In other neighbourhoods, local entrepreneurs have been engaged in bottom-up processes of improving commercial areas, as local shopkeepers and business associations collectively try to build resilience against increased competition and decreasing consumption in the current economic crisis. Buiten Wittevrouwen in Utrecht is an example of a neighbourhood where entrepreneurs collectively set intermediary goals to improve the commercial identity of ‘their’ neighbourhood. Such an intermediary goal is, for instance, the collective promotion of the street through coordinated coupon actions. Working with a set of situations allows for assigning meaning to actions within that particular situation, therefore assigning reflexive cognition to the various actors involved. The local situations identified in chapter 5 demonstrate how neighbourhood context interacts with the mechanism of commercial gentrification, creating diverging local outcomes.

In addition to the more tangible individual-centred and spatial-centred instruments that are part of top-down revitalisation strategies, a third, more intangible instrument of shaping local networks of entrepreneurs is also often used in targeted areas. Chapter 5 shows that in some neighbourhoods, local commercial associations are already strong and cohesive, while in others, entrepreneurs are more fragmented. Informal social organisations of entrepreneurs are addressed by policy interventions, often trying to ‘professionalise’ or ‘formalise’ these social organisations. On the one hand, this seems to make these organisations more...
of an interlocutor for policy-makers; on the other, it can also amplify the dilemma of collective action in a specific area by assigning tasks to specific actors and organisations, thereby interfering with an existing system of reciprocity and communal responsibility. High-level communicators, people who can perform a certain ‘brokerage’ between policy-makers and local entrepreneurs, seem capable of gauging the local situation and adapting policy strategies accordingly. In two of the four cases there was a street manager who functioned as a ‘high-level communicator;’ in one case it was the president of the local association of entrepreneurs. When a high-level communicator is present, it is more likely that revitalisation strategies result in the co-creation of commercial spaces instead of a ‘blueprint’ or top-down planning of those spaces. The case presented in chapter 5 of a street manager who tries to attract retail chain stores to a street is an example of an initiative that seems counter-intuitive to the standard commercial gentrification strategy of attracting independently owned businesses, yet it seems to better fit the local economic circumstances.

6.4 Revisiting the mixed embeddedness approach

The main research question of this study is: How can we characterise the economy of urban residential neighbourhoods in advanced urban economies, and which social, economic and institutional differences contribute to explaining variegating outcomes in neighbourhood economies?

Applying a mixed embeddedness approach, it was researched how economic actors are embedded in the spatial context of the residential neighbourhood. This approach has highlighted the relevance of wider macro-economic and political developments that influence the production milieus both at city level and at neighbourhood level. These developments, the shift towards a cognitive-cultural economy as well as the proliferation of entrepreneurialism in urban governance, shape the functioning of residential neighbourhoods as places of production and consumption. The results, as presented in the previous sections, demonstrate the mechanisms of embeddedness that were identified in residential neighbourhoods. Some of these mechanisms work through structural qualities of neighbourhoods that are external to the businesses present in the neighbourhood. These were discussed in section 6.2; the delineation of functions in space through zoning plans and the socio-economic composition of neighbourhoods. Other mechanisms operate on the level of the individual firm or networks of firms; the relationships that are maintained between firms and the practices of entrepreneurs which can result in communities that are able to shape local production milieus. In some neighbourhoods where revitalisation strategies are implemented to alter local production milieus, a co-creation of commercial spaces takes place.
CHAPTER SIX

Figure 1 presents a schematic overview of the mechanisms identified within each dimension of embeddedness. The mechanisms are connected to diverse local outcomes, shedding light on the specific spatial component of the institutional, market and social dimension of the mixed embeddedness approach. The results also make clear that these dimensions are interlinked, and that although it is analytically useful to separate them, in practice, they are interwoven in a web of factors that influences the composition, development, and dynamics of neighbourhood economies. Figure 1 also makes clear that there is a dialectic between the operative mechanisms and composition of neighbourhood economies. I will elaborate on this dialectic below.

Figure 1: overview of identified mechanisms* within the mixed embeddedness approach

Institutional mechanisms:
- Land-use plans (2)
- Top-down commercial gentrification (5)

Market mechanism:
- Local markets (3,4)

Social mechanisms:
- Situated practices of entrepreneurs and policy actors (5)
- Inter-firm interdependencies (4)

Spatial variations in neighbourhood economies in terms of:
- Spatial pattern of firms in the neighbourhood
- Growth in number of firms
- Type of firms in terms of:
  - High value-added firms
  - Innovative firms
  - Creative firms
- (Co) Creation of commercial spaces
- Community formation of entrepreneurs

*Numbers between brackets refer to the chapter(s) where these mechanisms are discussed.

This study started from a critique of the neo-classical tradition of economics, arguing that a highly formalised, mathematic notion of economic actors is not very helpful in grasping the everyday reality of economic processes. The main research question and the resulting study of neighbourhood economies has led to three more general conclusions on how economic actions are embedded in ‘structures of social relations’ (Granovetter, 1985). The first relates to the dialectic between the structural qualities of production milieus and the agency of economic actors. The second relates to the socio-political dimension of the institutional context within which economic actions are embedded. The third relates to the relevance of the spatial dimension for embeddedness approaches.

The various mechanisms that structure neighbourhood economies, shown in figure 1, make clear we can understand economic (trans)actions as embedded in
CONCLUSIONS

a social system. The businesses in a neighbourhood are embedded in the social system of that neighbourhood. This idea of a neighbourhood economy as a social system also implies that the system has certain characteristics that cannot be reduced to individual actions (Engelen, 1995). The space of a neighbourhood with its specific qualities and characteristics represents a particular production milieu; a production milieu that is, at least partly, produced by the interaction of the different mechanisms shown in figure 1. The production milieu forms the context within which decisions and actions of economic actors are taken, producing diverse local outcomes. This means that it is hardly sensible to conceptualise economic actions according to the framework of general laws that operate independent from time and place. There are certain mechanisms at work in residential neighbourhoods that structure economic actions, yet these are time-specific and are open to change. They are time-specific because they are expressions of a certain historic development of economic circumstances and institutions. The regulative power inherent in land-use plans for example, is a result of a tradition of top-down urban planning according to the logic of separation of functions in space characteristic of ‘modern times’. However, in post-modern, post-industrialist economies, the deregulation and downscaling of economic production are more amenable to mixed-use development and less stringent land-use plans. Eventually, this might result in changes in the practice of planning at the neighbourhood level.

We can conceptualise economic actors as agents of change if we ascribe to their actions a certain transformative power (Watson, 2013a). This means that economic actions cannot simply be understood as a set of choices constrained by social structures. Although social structures have a certain generative power that influences people’s behaviour, they are also part of us and made by us. Structures therefore can change as a result of the aggregated actions of economic actors. This is especially likely when existing ‘scripts, rules and classifications’ seem inadequate to deal with new, uncertain circumstances (DiMaggio & Powell, 1983).

This study has highlighted some of the ways in which existing structures are subject to change. Figure 1 also shows this dialectic between neighbourhood economies and structure-changing mechanisms. For example, whether initially triggered by the presence of a local market or by a set of economic revitalisation policies, neighbourhoods can become characterised by a clustering of particular type of businesses such as high value-added firms and innovative firms. This process influences the structural qualities of place because it alters the local production milieu. For instance, it can change inter-firm interdependencies by altering the accessibility of a neighbourhood to other entrepreneurs, firms and physical resources in these places of co-location (Logan & Molotch, 2007). A second example is the co-creation of commercial spaces by policy actors and entrepreneurs in residential
neighbourhoods. In this process, the practices of associations of entrepreneurs and policy actors at neighbourhood level can influence the adaptation of revitalisation strategies to the local situation in that neighbourhood. Besides the potential to change the structural qualities of the production milieu, this situated adaptation of revitalisation policies can be seen in any future economic revitalisation strategies and area-based policies that are implemented. In both these processes of change, ‘old’ elements of structures get combined with current practices, leading to a recombination of elements that represent changing contexts of production.

In addition, the socio-political dimension of the institutional context needs to be considered in order to understand and interpret economic actions as well as government interventions in local economies. The ‘institutional landscape’ of Dutch cities (Peck et al., 2009) can be thought of in terms similar to that of a ‘double movement’. This term, coined by Polanyi (1944), refers to the connection between state intervention and price-making markets. Polanyi describes how the introduction of price-making markets is accompanied by the diffusion of market logic to all spheres of social life. State interventions enable the functioning of price-making markets through the commodification of labour (people), land and money. This was done by setting up a regulatory system that would enable their exchange (through wages, rent and interest) while at the same time protecting these ‘fictitious commodities’ from pure market logic. Protection took the form of ‘factory laws and social legislation’ (1944:87). The idea of enabling the exchange of these fictitious commodities while at the same time safeguarding their supply by protection is what the ‘double movement’ refers to. This protection was aimed at ‘the conservation of man and nature as well as productive organisation, relying on the support of those most immediately affected by the deleterious action of the market’ (Polanyi cited in Birchfield, 2011:39).

In the Dutch context, we can observe a trend of urban entrepreneurialism that can be distinguished, albeit in different forms, in most city governments in advanced economies. Urban entrepreneurialism is closely related to processes of global industrial restructuring and the emergence of a world market. The trend of increased inter-urban competition is accompanied by a model of urban development in which corporate interests and private actors play a substantial part. The market logic becomes dominant in thinking about the ‘revitalisation’ or ‘regeneration’ of local economies – including neighbourhood economies.

Places are to a certain extent treated as commodities that can generate revenues for a variety of stakeholders. The commodification of place is not just a profit-seeking activity through the exchange of land through rents. Commodification of place also changes the meaning and use of places. Local governments facilitate this
commodification by entering into ‘growth coalitions’ with private and semi-public parties (Logan & Molotch, 2007). With respect to private parties, it is important to note that small business owners and the self-employed are often not part of these growth coalitions. Instead, large-scale investors and owners of real-estate as well as chain stores and branded retail outlets get involved in initial stages. Chapter 5 shows how in the Dutch context, a ‘double movement’ is expressed in the determinacy of local governments to stay in charge of this commodification process by specifying strategies and instruments on how regeneration can and should be achieved. In this way, local governments enable the process of commodification of place while they prevent the arrangement of people and economic activities along purely ‘market’ logics. This is an example of how government is ‘checking the expansion [of the market] in definite directions’ (Polanyi cited in Birchfield, 2011:39). This is mainly exemplified by the aim to improve the economic milieu in disadvantaged neighbourhoods. Even though local governments might be concerned about the equitable distribution of production capital throughout city districts, the emerging focus on creating ‘good business climates’ in neighbourhoods can narrow the valuation of place to the definition that is held by the ‘growth coalition’. The more vulnerable participants in this process of commodification of place – residents and small business owners – have much less say over the change in the use-value of their surroundings and locational resources (Logan & Molotch, 2007).

Several studies give examples of local governments trying to influence the commercial infrastructure in a neighbourhood in a comprehensive way; from the tangible aspects such as shop-fronts to the intangible aspects of quality of entrepreneurship. Studies of commercial gentrification in the US context (Zukin, 2009; 2011) are helpful in interpreting the socio-cultural processes involved, but have less to say about the governance of these processes. The observation of a ‘double movement’ in the Dutch socio-political sphere interprets the governance of revitalisation processes and can shed light on actions of state agencies in (commercial) gentrification processes in other European countries such as the UK and Germany (Fuller, 2012). Moreover, this study shows that the rhetoric of urban entrepreneurialism is closely connected to neighbourhood revitalisation strategies – creating a ‘level playing field’ for the market. If we want to understand the local consequences of the ‘commodification of place’, we need situated accounts from all actors involved.

A final conclusion concerns the relevance of including a spatial dimension in studies concerned with the social and institutional embeddedness of economic actors. The issue of diverging conditions of embeddedness according to different scale levels has been discussed by Kloosterman and Rath (2010). They emphasise
that the qualities of a national production milieu do not automatically extend to the urban/regional level and the neighbourhood level. They assert that cities and neighbourhoods can offer very different production milieus in themselves, with distinct opportunities for entrepreneurs. This study has mainly focused on the scale level of the neighbourhood, and it has shown that on this analytic level, highly diverse production milieus can be discerned. The residential neighbourhood, as a distinctive space, has dimensions and properties that shape economic activity in that space. One of the most striking dimensions is the explicit mixing of residential and economic functions. This creates a very specific landscape of production, distinctive from the more typical places of production such as Central Business Districts or industrial estates. Also, the location of a neighbourhood within a wider urban space is relevant for its production milieu – its location with respect to other neighbourhoods as well as the city of which it is part. In this study, it has been shown, for example, that in general, residential neighbourhoods in Amsterdam accommodate a different firm population compared to Dordrecht (see section 6.3). This is not to say that neighbourhoods within Amsterdam itself could not represent different production milieus, because they do in fact, yet these are also connected to the scale level of the city. Therefore I argue that the dimensions of a space and its location within a wider space should play a more dominant role in (mixed) embeddedness approaches.

6.5 Implications for policy

Section 6.3 has already hinted at some implications for policies aimed at social and economic revitalization of neighbourhoods. The most important point regarding economic revitalization strategies is that these are more likely to build stronger entrepreneurs and communities when these strategies are adapted to local situations by a ‘high-level communicator’ or ‘policy broker’. Instead of working with narrowly circumscribed ideas of local economic development trajectories, policies aimed at creating stronger and more knowledgeable entrepreneurs seem more beneficial for the local community and individual entrepreneurs in the long run. Related to the critique of blueprint planning is the observation that the most of these economic upgrading strategies are concerned with the exterior functioning of commercial areas, focusing on the ‘look and feel’ (i.e. external qualities) of commercial spaces instead of the social and economic functioning of a specific configuration of entrepreneurs. Requiring entrepreneurs to invest in their shopfronts or attracting creative start-ups to a deprived neighbourhood only pays off in the long run if the entrepreneur gets a return on this investment. This means that policy-makers should not only look at what they want commercial areas to look and feel like, they should also take existing markets into account. Especially when dealing with a population of entrepreneurs that is aiming to serve local
markets such as retailers, restaurants, and personal services.

All of this provides an argument for implementing area-based policies, since these are the most effective way to take local markets and local situations into account. Arrangements where both government bodies and entrepreneurs contribute financially, such as the shop-front improvement subsidy or the Business Improvement District, seem fruitful. These arrangements have potential in neighbourhoods with low socio-economic status as well as in richer neighbourhoods. They are able to create diverse commercial areas, avoiding overcrowded markets and volatile entrepreneurs. In some cases, the sectoral homogeneity of an area is its commercial strength; for instance, when a neighbourhood is marketed as a specific ethnic neighbourhood. However, it is important to note that although these neighbourhoods might be presented as coherent communities of ethnic entrepreneurs, the competition in these one-sided markets is harsh (Ram et al., 2000).

The attention given to home-based business in urban economic policy differs between cities. In the neighbourhoods studied, some urban policy-makers acknowledged home-based businesses as part of their neighbourhood economy; others focused exclusively on ‘visible’ economic activity. It is important to take into account the organisational needs of home-based entrepreneurs as these differ substantially from non-home-based firms. In the Netherlands, urban policy makers concerned with neighbourhood economies are often aware that many entrepreneurs start from home and that there has been a general increase in self-employed people. Even so, existing economic policy and zoning regulations very often do not include any reference to home-based firms. In many area-based schemes and programs this type of firm is excluded from both individual-centred and spatial-centred instruments aimed at improving local business climates. In the city of Utrecht, however, serious efforts are being directed at integrating home-based entrepreneurs into local networks, opening up network resources for them. Investments like these do not have to be very costly, assuming that once entrepreneurs know where to find each other they will seek each other out for mutual benefits. Neighbourhood economies are characterised by informal interdependencies, as many entrepreneurs seek connections to others that are confronted with similar geographical, locational or organisational issues. In many cases, these connections take shape in an association or organisation of entrepreneurs at neighbourhood or sub-neighbourhood level. The initiative of city district councils to professionalise these associations is understandable since it formalises communication and increases the legitimisation of local decision-making. However, the subtleties of reciprocal relations in networks of entrepreneurs cannot be gauged from City Hall, and this again emphasises the importance of ‘high-level communicators’ or ‘policy brokers’. This does not have to be someone from a (semi)governmental
organization, as we have seen instances of local entrepreneurs being very well connected with government actors.

Lastly, the use of local ‘experiments’ in neighbourhoods or a more experimental attitude in general with regard to neighbourhood economies might offer opportunities. There is awareness amongst both policy-makers and entrepreneurs that land-use plans in residential neighbourhoods have, by ensuring the primacy of the residential function, a particular obstructing or stifling power with regard to economic activities. A land-use plan works as a limitation on the degrees of freedom regarding the location of firms in residential neighbourhoods and the capacities of neighbourhoods to function as incubators. At the same time, land-use plans provide stable and predictable spatial conditions for economic activity, and play a role in the conservation of existing economic functions in the neighbourhood. There are opportunities towards more flexible regulation that is adjustable to specific economic and social contexts. For instance, in the current economic crisis, many shopping streets are affected by vacancies which can cause a downward spiral in the revenues of shopkeepers by diminishing safety and attractiveness of a shopping area. Policy-makers in the city of Utrecht are adjusting land-use plans to allow businesses operating in consumer services and health care to locate in retail spaces. This creates multi-use, multifunctional spaces that are more adaptable to macro-social and economic changes. Likewise, ‘experimental zones’ could be an option, where land-use plans would be less strict and entrepreneurs would be encouraged to brainstorm about spatial uses and functions. This could possibly lead to innovative uses of urban (commercial) space.

6.6 Agenda for future research

This study has shown how entrepreneurial activities and businesses are embedded in residential environments. It advocates a reconsideration of the separation of work and living arrangements. In fact, we seem to be entering a new period in our system of production and consumption that is characterised by changing patterns of work, home and leisure activities. Many of the institutions that organise our work and home environments are slowly adapting to these changes, including changing practices of entrepreneurship. To understand the increasing fragmentation of entrepreneurship styles we need different ways of gathering data on phenomena like home-based businesses and the self-employed. Below, I will discuss a few inter-related issues that offer fertile ground for future research.

The first is the issue of the increasing numbers of self-employed (often starting from home) and small business start-ups. We live in a time where we are observing fundamental changes to conventional wage-labour relations and an increase
of self-employed people. People start businesses for various reasons and under varying circumstances, leading to fragmented styles and practices of entrepreneurial activity. Entrepreneurs are often conceived of as adventurous, even heroic individuals who can exploit their own innovative capabilities (Watson, 2013b). Also, many entrepreneurship studies incorporate an implicit assumption that more entrepreneurship is better than less (Engelen, 2001). However, we know relatively little about varying trajectories of entrepreneurship, including the precarious circumstances under which some entrepreneurs start their business. We need to enhance our knowledge about varieties and conditions of self-employment, career-trajectories as well as the business development trajectories of self-employed people and institutional and social support systems. Some entrepreneurs keep a steady job on the side and in other cases entrepreneurs might engage in a ‘portfolio’ of different entrepreneurial undertakings to sustain their livelihood. A comprehensive study of the institutional logics of entrepreneurship in different national and sectoral contexts will deepen our understanding of what moves entrepreneurs, in what institutional contexts they operate, thrive and struggle. Also, it will offer pathways for exploring how discourses on the phenomenon of entrepreneurship are a driving factor for changing production systems.

The second issue is the changing geography of work, care and leisure activities. The changes in the modes of production that have been discussed in this study have real consequences for how people organise and arrange their daily lives. The rise in the number of self-employed and home-based business and the qualitative differences between trajectories of entrepreneurship, also implies a changing geography of work. The rise of home-based business represents an actual integration of the home and work environment. This is not a new development, since in times before the Industrial Revolution home production was the most common form of making a living. However, since then we have experienced a long-term trend of separation of functions in space that created mostly mono-functional spaces in our cities. This means that the current changes in the organisation of labour and entrepreneurship have far-reaching consequences for the spatial design and functioning of urban environments. As the places where people work change, so do the relationships between places and activities as well as the meaning of places. We need further research to render the largely invisible trend of home-based business visible, and to understand its social and spatial consequences. Alongside the more inwardly, invisible trend of home-based business there is the related, observable trend of people working anytime, anywhere. Airports, cafés, public libraries and other so called ‘third places’ all function to some extent as workplaces. We need to deepen our understanding of the impact these developments have on our use of space and on our lives. The new distribution of work in the city and its neighbourhoods also means that regulations, planning practices and zoning plans that were
designed for a ‘bricks and mortar’ economy (Mason, Carter, & Tagg, 2011) need to be reviewed for continuing appropriateness in a residential environment where home, care and work activities are far more intertwined than ever before.

Combining these two issues, future research should be focused on embedding the variegating trajectories of entrepreneurship in the wider context of changing geographies of work and production. This type of research leaves traditional notions of the firm as a static, closed-off entity behind and aims at conceptualising entrepreneurial activity as an on-going, pragmatic activity thereby producing useful knowledge for both entrepreneurs and spatial planners.
Epilogue: Methodological considerations and reflection

Mixed methods

In this study, I have used both quantitative and qualitative methods in order to investigate different aspects of the neighbourhood economy. The mixed methods approach is preferable when one wants to discover overall patterns, but also wants to shed light on the mechanisms that lie at the base of these patterns, and the practices that make up the daily lives of your research subjects. I used survey and register data as well as data from interviews with both entrepreneurs and policy makers. Although these methods have complementary strengths, they each also have their shortcomings. The cross-sectional nature of the survey data applied in chapter 4 for instance, does not allow for comparisons between types of entrepreneurs over time. For example, changes over time in the interfirm-interdependencies that entrepreneurs maintain cannot be captured. This study contains two main comparative dimensions: that of residential neighbourhoods of differing socioeconomic status as well as a comparison between five Dutch cities. It would have also been interesting to compare economic dynamics of residential neighbourhoods with those of other types of urban districts such as city-centres and industrial estates. Although this would entail a highly complex comparative research design it could offer interesting insights into spatial variations between these different production milieus. The same argument can be made for a comparison with urban residential neighbourhoods in other countries.

The LISA register data has the disadvantage that it is not possible to distinguish between home-based and non-home-based businesses. In this case, the relatively unexplored terrain of home-based business has consequences for the availability of data on these businesses. The nature of the data that is available on firms in the Netherlands does not distinguish between home-based and non-home-based firms. If you want to determine if a business is home-based you have to link the firm level register data to municipal real-estate registers, which many municipalities are reluctant to make available (see for instance Risselada, Schutjens, & Van Oort, 2013).

There have been many other instances, as with all research projects, where the social world turned out to be much messier than the categorizations applied to it. Consider the issue of when a firm can be said to be home-based. Is it sufficient to have the home address listed as the business address or does the entrepreneur need to spend a specific amount of work-time there? Also, the terms
‘self-employed’, ‘freelancer’ and ‘entrepreneur’ are often used interchangeably in academic literature, in policy documents and in research reports, each with different definitions. This makes it hard to compare developments between cities and countries. Or consider the example of a group of freelancers engaging in a project-based cooperation while registering their coop as a firm for tax reasons. Can we categorize their collaboration as a firm? Likewise, the rise of websites like E-bay where private sellers are trading anything from old furniture to brand-new electronic devices further obfuscates boundaries between what is a firm and what is not. On the same note, many people who engage in commercial activities from their home do not register as a firm in the start-up phase and some might never do so. Several scholars dealing with the topic of small firms and entrepreneurship have argued that some of the concepts used in the field should be redefined.

**Revisiting concepts of entrepreneurship and the firm**

Tony Watson (2013) has argued to redefine the rather static concept of ‘the entrepreneur’ into ‘entrepreneurial action’ as a type of action, and study the people who engage in that type of activity. Watson defines entrepreneurial action as ‘the making of adventurous, creative or innovative exchanges (or ‘deals’) between the entrepreneurial actor’s home ‘enterprise’ and other parties with which the enterprise trades’ (Ibid: 26). Entrepreneurship as action emphasizes the dynamics that are involved in the entrepreneurial process and it opens up possibilities to study the contingency and unplanned events in entrepreneurial trajectories. Also, people who run a business may not constantly engage in entrepreneurial action and be more focused on stability and risk aversion. The emphasis Watson puts on entrepreneurship as action is appealing, although it should also be acknowledged that not all exchanges (of goods and information) take place within the (legal) boundaries of the ‘enterprise’ as much of the social embeddedness literature on economic processes already emphasizes. Both Watson (2013; 2013b) and Taylor (1999) have criticized the narrow focus on the legal or administrative boundaries of the firm as the most commonly used unit of analysis. Taylor states that this encourages the treatment of the firm as a ‘black box’ that is easily assigned qualities like linear growth ambitions, rationality, and maximization of economic utility. He also pleads for a more dynamic perspective on entrepreneurship, shedding the ‘stylized shells’ of the legal form of enterprise (Ibid: 16). This treatment of the firm as black box has also been questioned from within the discipline of economics. Especially the Austrian school of micro-economics argues that there should be a stronger emphasis on the role of entrepreneurial processes for the working of markets (see for instance Kirzner, 1997).
EPILOGUE

The criticisms of these scholars reflect much of the discrepancies between large-N data and narrative data that I encountered in doing this study. Nevertheless, the register and survey data are very useful if you want to paint with broader strokes and want to illustrate structural developments in (neighbourhood) economies. These data sources do have to evolve with time though, and we have to start collecting data on home-based business and new forms of business. This also relates to the criticism of Doreen Massey who, already in 1984, highlighted the difficulties that are inherent in using standardized categories of industries (SIC-codes) for economic geographic analyses. Her main argument was that in practice, economic activities with a common SIC-code often display more differences than commonalities. This critique has practical as well as theoretical implications. On the practical side, we need to rethink our approach to classifications of industries, because since publication of Massey’s critique, we have seen an increase in economic activities that are difficult to classify. Chapter 3 makes an attempt towards re-classifying economic activities based on the nature of the work that they involve. On the theoretical side, we need to acknowledge that the shape and form of firms and businesses as well as the social relations in which they are embedded have changed considerably. There is a need to work towards a new conceptualization of ‘the firm’.
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## Appendices

### I: Neighbourhood selection

<table>
<thead>
<tr>
<th>Socio-economic status</th>
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<th>Utrecht</th>
<th>Zoetermeer</th>
<th>Dordrecht</th>
<th>Leiden</th>
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<td>Apollobuurt (8,020)* pre-war</td>
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<td>Rokeveen West (8,660) post-war</td>
<td>Oad-Dubbeldam (7,510) post-war</td>
<td>Raadsheerenbuurt (9,200) pre-war</td>
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<td>Wilhelminapark (3,200) pre-war</td>
<td>Rokeveen Oost (13,830) post-war</td>
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<td></td>
<td>Schenkwijk (2,360) post-war</td>
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<td>Vredenburg (2,360) post-war</td>
</tr>
<tr>
<td>Low</td>
<td>De Krommert (11,190) pre-war</td>
<td>Onsliep (5,880) pre-war</td>
<td>Meerzicht west (9,230) post-war</td>
<td>Crabbetshof Zuid (4,320) post-war</td>
<td>Noorderkwartier (5,140) mixed pre- and post-war</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>De Kooi (6,210) pre-war</td>
</tr>
<tr>
<td></td>
<td>Overtoomse Veld (9,650) post-war</td>
<td>Pijsweerd-Noord (1,190) pre-war</td>
<td>Meerzicht oost (5,890) post-war</td>
<td>Crabbetshof Noord (2,760) post-war</td>
<td>Slaaghswijk (4,580) post-war</td>
</tr>
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<td></td>
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<td></td>
<td>Van</td>
</tr>
<tr>
<td></td>
<td>Westlandgracht (4,500) post-war</td>
<td>Pijsweerd-Zuid (3,320) pre-war</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
*Number of inhabitants in 2007 is expressed between brackets.*

<table>
<thead>
<tr>
<th>Neighbourhood</th>
<th>Number</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kinsbergenstraat</td>
<td>1470</td>
<td>post-war</td>
</tr>
<tr>
<td>Dorus Rijkerstraat</td>
<td>1660</td>
<td>post-war</td>
</tr>
<tr>
<td>Van Ewijkstraat</td>
<td>1340</td>
<td>post-war</td>
</tr>
<tr>
<td>Zeehavenlaan</td>
<td>520</td>
<td></td>
</tr>
</tbody>
</table>
II: Sectoral categorisation

Category ‘other’ (figure 1) consists of:
- Extraction of natural gas, minerals and oil, sand, gravel and clay.
- Industry: production of foodstuffs and food, tobacco, clothes, wood and paper
- Industry: manufacturing of chemicals, synthetic fibers, metals and electronics
- Industry: manufacturing of cars and furniture

Service sectors (figure 1) are all business-to-business and personal services (excluded are: logistics, transport, construction, retail & wholesale)

High-value-added sectors are high value added in terms of human capital. Distributed in the following sub-sectors:

Construction:
- real estate development / project planning

Retail:
- pharmacies

Information and communication:
- Telecommunication
- Services related to information technology

Financial services (consumer & business oriented)
Consultancy, research and specialist business services
Other business service - consists mainly of firms providing specialist services
Education and education related services (for-profit)
Health services (for-profit)

Innovative sectors are selected sub-sectors of the high-value added sectors:
- publishing houses (of newspapers, journals, computer games and software)
- development of software, information technology consultancy
- specialist services related to accountancy, finance and legal services (consumer & business oriented)
- technical design, architecture and technical consultancy
- research & development
- industrial design

Creative sectors are selected sub-sectors of the high-value added sectors (except for fabrication of jewellery)
- processing of precious stones and fabrication of jewellery
- production of film and television programs
- advertising agencies
- arts (includes paint, photography, sculpture, literature, dance, music and theatre)
- education in arts

(Innovative and creative are mutually exclusive categories)

The Business to business category consists exclusively of business services that do not cater to a consumer market, without regard for human capital levels necessary to operate in these activities. Ranging from trade brokerage, business accounting and pay rolling services.

Standard Business Index no. 52.21 – 52.23, 58, 62, a sub selection of no. 64-66, a sub selection of no. 69 and 70, a sub selection of no. 72, 73.12, a sub selection of no. 74, 77, 78 and 80, 82.

A complete list can be retrieved from the author.

The personal services category consists of consumer services and includes dry-cleaning, hairdressing, beauty salons (sub selection of SBI 96), taxi services (49.32), event-catering (56.21) and gardening services (81.30).

Retail is the businesses that are defined in the ‘Standard Business Index’ of 2008 (International Standard Industrial Classification of all economic activities, ISIC) as ‘shops’ as well as snack bars and take-away food shops (SBI no. 47). Pharmacies are excluded from this group.

Data availability independent variables models 1-12:

- Average income: measured over the year 2007 for all 5 cities
- Share of high incomes is the share of incomes that exceeds the 80-percentage point of the national income distribution.
- % non-Western immigrants: measured over the year 2008 for all 5 cities
- % highly educated: Amsterdam, Leiden and Dordrecht measured over the year 2009, Utrecht and Zoetermeer measured over the year 2008. Highly educated refers to higher vocational training (HBO) and University degree.
- % owner occupied housing: All cities measured over the year 2009, except Utrecht: measured over the year 2008.
III: Principal Component Analysis

A principal component analysis (PCA) was conducted on the thirteen survey items displayed below with orthogonal rotation (varimax). The Kaiser-Meyer-Olkin Measure verified the sampling adequacy, KMO = .75. Bartlett’s Test of Sphericity indicated sufficient correlations between items for PCA (See table 1). Two components were retained in the final analysis. Table 2 shows the factor loadings after rotation. The interpretation of the loadings suggests that one component represents the issues pertaining to the location of customers as well as business relationships (i.e. involving monetary compensation). The other component represents the frequency of contact with other entrepreneurs in different locations as well as the nature of these contacts.

Table 1 – KMO and Bartlett’s test

<table>
<thead>
<tr>
<th></th>
<th>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</th>
<th>Approx. Chi-Square</th>
<th>Bartlett’s Test of Sphericity</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1170.580</td>
<td>df</td>
<td>78</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sig.</td>
<td>.000</td>
</tr>
</tbody>
</table>

Table 2 – Summary of factor analysis (factor loadings below .40 are not shown)

<table>
<thead>
<tr>
<th>Item</th>
<th>Market Locality</th>
<th>Interfirm-interdependencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of customers from the own neighbourhood</td>
<td>.821</td>
<td></td>
</tr>
<tr>
<td>Share of customers from outside the city</td>
<td>- .856</td>
<td></td>
</tr>
<tr>
<td>Share of customers that consists of consumers</td>
<td>.789</td>
<td></td>
</tr>
<tr>
<td>Share of business relationships in the neighbourhood and adjacent neighbourhoods</td>
<td>.847</td>
<td></td>
</tr>
<tr>
<td>Share of business relationships outside the city</td>
<td>- .800</td>
<td></td>
</tr>
<tr>
<td>Main reason for contact with other entrepreneurs is to acquire work</td>
<td>- .410</td>
<td>.578</td>
</tr>
<tr>
<td>Main reason for contact with other entrepreneurs is exchange information on labour market</td>
<td>.494</td>
<td></td>
</tr>
<tr>
<td>Main reason for contact with other entrepreneurs is exchange information on business strategies</td>
<td>.539</td>
<td></td>
</tr>
<tr>
<td>Main reason for contact with other entrepreneurs is to start up collaborative projects</td>
<td>.602</td>
<td></td>
</tr>
<tr>
<td>Frequency of contact with entrepreneurs from the neighbourhood</td>
<td>.402</td>
<td>.643</td>
</tr>
<tr>
<td>Frequency of contact with entrepreneurs from adjacent neighbourhoods</td>
<td>.776</td>
<td></td>
</tr>
<tr>
<td>Frequency of contact with entrepreneurs from other parts of the city</td>
<td>.742</td>
<td></td>
</tr>
<tr>
<td>Frequency of contact with entrepreneurs from outside the city (but within the country)</td>
<td>- .513</td>
<td>.484</td>
</tr>
<tr>
<td>Eigenvalues</td>
<td>4.05</td>
<td>3.09</td>
</tr>
<tr>
<td>% of variance explained</td>
<td>31.15</td>
<td>23.54</td>
</tr>
</tbody>
</table>
IV: Topic lists interviews

Both policy makers and entrepreneurs were interviewed in Amsterdam, Dordrecht and Utrecht. The goal of these interviews was to get an understanding of what policies directed at neighbourhood economies were implemented in the various cities and the subjective understanding and reception of these policies by entrepreneurs. Also, the entrepreneurs were asked several questions about their business and about their neighbourhood and relations with other entrepreneurs. Excerpts from these interviews were used in chapter four and five. I have changed the names of the interviewees who wanted to remain anonymous.

Topic list interviews policy advisors/officials:
  • Introduction by the respondent about his/her function and tasks

Neighbourhood economy
  • History of the topic neighbourhood economy- it’s position on the policy agenda and in practice
  • What are the expectations of economic activity in the neighbourhood?
  • What are the goals of policies directed at the neighbourhood economy?
  • What resources are being deployed to reach neighbourhood economy policy goals?
  • Perception of neighbourhood X
  • What does the neighbourhood economy of neighbourhood X look like?
  • What is the place of home-based business in current economic policy?

Implemented policy instruments
  • Who is currently involved in the policies that target the neighbourhood economy?
  • Do you signal problems with neighbourhood economies? Please elaborate
  • Spatial-centred instruments:
    o Is there a street manager or neighbourhood manager
    o Is the street manager/ neighbourhood manager independent or does he/she follow certain policy directives
  • Individual-centred instruments
  • Do you have a sense of what entrepreneurs expect of the municipality?
  • Results of the implemented policy instruments
  • What would you change about implemented policies, if anything?

Collaboration with other parties
  • Please elaborate on the current collaboration in the field of neighbourhood economy. What parties are involved?
  • How has this collaboration (if any) developed in the past 5 years?
APPENDICES

• What is the role of housing corporations in these collaborations?
• Results of these kind of collaborative efforts
• Is there collaboration with entrepreneurs or organisations of entrepreneurs?
• Can you identify common goals with entrepreneurs?

Topic list interviews entrepreneurs:

About the company / shop
• Introduction respondent, type of company/shop, when was it started?
• Do you employ other people?

About the neighbourhood & business space
• Location in the neighbourhood – for how long. How did you end up in this neighbourhood?
• What kind of neighbourhood is neighbourhood X?
• Satisfaction with current location: business space (if applicable) and neighbourhood
• Situation of business space (if applicable): rent (from whom), owner occupied?
• How did you acquire the current business space (if applicable)
• (For shop owners) Can you tell me about this particular shopping street?
• Is there vacant business space? Probe: How does this affect your business?

Business organisation
• Customer base
• Do you apply any marketing strategies? How do people get to know you / your company?
• Would you like to change anything about your company? Please elaborate
• What does a regular workday look like for you?

Relationships with other entrepreneurs
• Can you tell something about the other entrepreneurs in the neighbourhood
• Interactions – relationships – and how these developed
• Could you describe the network of people that has something to do with your business?
• Is there a merchants association? Or other form of organisation of entrepreneurs in the neighbourhood?
• What goals does the merchants association pursue?

Implemented policies in the neighbourhood
• (if applicable) Do you know the street manager (name)
• What role does the municipality play in this neighbourhood?
• Do you get direct support from the municipality – in what form?
• (shop owners) Have you noticed changes in the shopping street in the past years? Please elaborate
V: Questionnaire

This questionnaire (translated from Dutch) was distributed amongst 1,683 entrepreneurs in fifteen urban residential neighbourhoods in the five research cities. It was completed by 370 entrepreneurs, resulting in a response rate of 23%. The analysis of the survey data was used in chapter four and five.

General information / business history
1  When did you start your business? (Year of starting or approx. age of business)

2  How long has your business been in this neighbourhood?

3  What type of location is your firm?
   □ Home based
   □ Shop
   □ Commercial real-estate (no shop)
   □ Other:_______________________________

4  Do you have employees? (Multiple answers possible)
   □ No
   □ Yes _____fulltime employees
   □ Yes_____part-time employees
   □ Yes_____freelancers
   □ Yes_____family members

5  Where do your employees/freelancers live? (Multiple answers possible)
   □ I don't have employees / freelancers
   □ In this neighbourhood:_____ employees / freelancers
   □ Not in this neighbourhood, but in this city:___employees / freelancers
   □ Outside this city:____employees/freelancers

6  How would you describe the main activity of your business?

________________________________________________________________________________

7  In what sector does your business operate? (Only one answer possible)
   □ Industry
   □ Construction
   □ Wholesale / retail; car repair
   □ Transport & storage
   □ Restaurant, café, hotel
   □ Information & communication
Financial services
Lease / sale of real-estate
Consultancy, research & business services
Education
Health and wellbeing
Culture, sport & recreation
Other services

8 Do you have growth ambitions for your business in the next 2 years? (Multiple answers possible)
   - Yes, I want to increase my sales
   - Yes, I want to increase my profit
   - Yes, I want to increase the no. square feet of my business
   - Yes, I want to hire more personnel
   - Yes, I want to develop innovative products
   - No, I want to downsize
   - No, I don't have any specific growth ambitions
   - No, I want to end my business

9 What have been the expectations for your business in the past 2 years?
   - Growth
   - Decline
   - Stabilise
   - Other: ____________________________

10 Have the developments in the last 2 years met your expectations?
   - Yes
   - Somewhat
   - No

11 Do you have 'face-to-face' contact with your clients?
   - Yes, daily
   - Yes, weekly
   - Yes, monthly
   - Not applicable

12 Do you receive business contacts or clients on your business address?
   - Yes, daily
   - Yes, weekly
   - No
13 What part of the working time do your employees generally spend on the business address?
- Less than half of their working time
- More than half of their working time
- About half of their working time
- Not applicable

Work-life information

14 Is your business:
- Completely independent
- Part of a franchise
- Part of a chain store

15 Are you owner of the business?
- Yes, full owners
- Yes, shared ownership
- No

16 What is your function in the business?

17 How many hours do you spend on the business in an average week?
- 
How many of these hours do you spend on the business address?
- 

18 On which source of income do you depend most?
- Income from this business
- Income from other members of my household
- Income I have from other employment
- Income from another source like benefits or private capital

19 Do you have any other activities (Minimum of 8 hours a week)
- Studies
- (Co)owner of another business
- Paid employment
- Working in a family business
- Household tasks
- Caretaking tasks
- Retired
- Disabled
- Looking for work
- Other:______________________
At the start of this questionnaire you indicated which area you define as ‘your’ neighbourhood. This is very valuable for the research. In order to increase comparability of your answers, for the remainder of this questionnaire we assume that the area defined on the map below represents your neighbourhood. -map is shown here-

Environment (neighbourhood characteristics)

20 Could you please indicate which amenities are available in the neighbourhood of your business? (Multiple answers possible)
- Large businesses with more than 500 employees
- Parks / Green spaces
- Shops
- Public facilities like hospital, school etc.
- Leisure facilities: theatre, movie theatre, museum etc.
- Cafés & restaurants
- Other: __________________________
- I don’t know

21 Please indicate to what extent the following aspects are important for your business:

That my business is in a neighbourhood with many other businesses
- Very unimportant
- Somewhat unimportant
- Somewhat important
- Very important
- Don’t know

That there are other businesses in the surrounding area that are active in the same sector as I am
- Very unimportant
- Somewhat unimportant
- Somewhat important
- Very important
- Don’t know

That there are other businesses in the surrounding area that are active in a different sector than I am
- Very unimportant
- Somewhat unimportant
- Somewhat important
- Very important
- Don’t know

That I can receive my clients in agreeable surroundings
- Very unimportant
- Somewhat unimportant
- Somewhat important
- Very important
- Don’t know

That there are facilities in the neighbourhood
- Very unimportant
- Somewhat unimportant
- Somewhat important
- Very important
- Don’t know

That there is sufficient parking space in the neighbourhood
- Very unimportant
- Somewhat unimportant
- Somewhat important
- Very important
- Don’t know
That my business is well connected to public transport  
☐ Very unimportant  ☐ Somewhat unimportant  ☐ Somewhat important  ☐ Very important  ☐ Don't know

Please indicate to what extent you agree with the following statements:

22    My business is located in a neighbourhood with many other entrepreneurs  
☐ Strongly disagree  ☐ Somewhat disagree  ☐ Somewhat agree  ☐ Strongly agree  ☐ Don't know

Many businesses in this neighbourhood are active in the same sector as my business  
☐ Strongly disagree  ☐ Somewhat disagree  ☐ Somewhat agree  ☐ Strongly agree  ☐ Don't know

Many businesses in this neighbourhood are active in a different sector than my business  
☐ Strongly disagree  ☐ Somewhat disagree  ☐ Somewhat agree  ☐ Strongly agree  ☐ Don't know

The neighbourhood has a pleasant atmosphere  
☐ Strongly disagree  ☐ Somewhat disagree  ☐ Somewhat agree  ☐ Strongly agree  ☐ Don't know

There are many facilities in this neighbourhood  
☐ Strongly disagree  ☐ Somewhat disagree  ☐ Somewhat agree  ☐ Strongly agree  ☐ Don't know

There is sufficient parking space in the neighbourhood  
☐ Strongly disagree  ☐ Somewhat disagree  ☐ Somewhat agree  ☐ Strongly agree  ☐ Don't know

My business is well connected to public transport  
☐ Strongly disagree  ☐ Somewhat disagree  ☐ Somewhat agree  ☐ Strongly agree  ☐ Don't know

If you had to describe this neighbourhood, would you say that:

(Please tick only 1 box)

☐ This neighbourhood is a congenial mix of residences and business
☐ This is mostly a busy neighbourhood where a lot of new things happen
☐ This is mostly a calm residential neighbourhood
☐ This is mostly a neighbourhood that people visit for the shops and amenities
Clients and Market

The following questions use the word ‘clients’. We define this as all relations to whom your business sells products and/or services.

24 Can you estimate the percentage of your clients that are:

Private ______ %

Public / Government ______ %

Other businesses ______ %

Total 100 %

25 Can you estimate the percentage of your clients that come from:

The same neighbourhood as where my business is located _____ %

Other neighbourhoods in this city (non-adjacent to mine) _____ %

Not from this city _____ %

Outside this country (international) _____ %

Total 100 %

26 My business aims to serve a market that is mainly:

☐ Local (this neighbourhood and this city)
☐ Non-local (outside of the city and international)

27 The product strategy of my business is mainly:

☐ Specialisation in 1 product / service
☐ Offering a broad spectrum of goods and/or services

28 My products/services are mainly: (Please tick 1 box)

☐ Craft- oriented (labour-intensive, mainly made by hand)
☐ Knowledge- or technology oriented (creative process / computerised)
☐ Standardised (produced in factory / mechanical process)
☐ Other: ___________________________
APPENDICES

29 Does your business make use of external suppliers?

☐ Yes
☐ No

If yes, where are these located? (Multiple answers possible)

☐ In the same neighbourhood as my business
☐ In the same city as my business, but in a different neighbourhood
☐ Outside this city

30 Consider the main activity of your business. Where in the production chain would you say you are located?

☐ At the start; forming ideas in a creative process
☐ In the middle; production
☐ At the end; distribution & sales

Contact with organisations

The following questions are about contact with organisations during various time-periods in the life cycle of your business. The first questions are about the start-up phase of your business, followed by questions about managing your business in the past and possible contact with organisations in the future.

31 How often did you contact one of the following organisations during the start-up phase of your business:

Organisation for Small- and Medium Sized enterprise (MKB-Nederland)

☐ Never ☐ Rarely ☐ Regularly ☐ Often

Chamber of Commerce

☐ Never ☐ Rarely ☐ Regularly ☐ Often

Local entrepreneurs’ association

☐ Never ☐ Rarely ☐ Regularly ☐ Often

Municipality or National government

☐ Never ☐ Rarely ☐ Regularly ☐ Often

Housing corporation

☐ Never ☐ Rarely ☐ Regularly ☐ Often

Bank

☐ Never ☐ Rarely ☐ Regularly ☐ Often
In the past, I have received help from one of the following organisation(s) in the matter of: (Multiple answers possible)

Drafting my business plan
- Organisation for SME
- Chamber of Commerce
- Local entrepreneurs’ association
- Municipality
- Business relation(s)
- Personal relation(s)
- Housing corporation

Arranging financial matters
- Organisation for SME
- Chamber of Commerce
- Local entrepreneurs’ association
- Municipality
- Business relation(s)
- Personal relation(s)
- Housing corporation

Gaining information about competition in my sector
- Organisation for SME
- Chamber of Commerce
- Local entrepreneurs’ association
- Municipality
- Business relation(s)
- Personal relation(s)
- Housing corporation

Gaining information about the (potential) market for my product / service
- Organisation for SME
- Chamber of Commerce
- Local entrepreneurs’ association
- Municipality
- Business relation(s)
- Personal relation(s)
- Housing corporation

Gaining information about a (potential) location for my business
- Organisation for SME
- Chamber of Commerce
- Local entrepreneurs’ association
- Municipality
- Business relation(s)
- Personal relation(s)
- Housing corporation

Legal aspects surrounding the usage of commercial property
- Organisation for SME
- Chamber of Commerce
- Local entrepreneurs’ association
- Municipality
- Business relation(s)
- Personal relation(s)
- Housing corporation

In the future, I would ask the following organisation(s) for help if I needed help with:

Future investments
- Organisation for SME
- Chamber of Commerce
- Local entrepreneurs’ association
- Municipality
- Business relation(s)
- Personal relation(s)
- Housing corporation
Expansion plans

☐ Organisation for SME  ☐ Chamber of Commerce
☐ Local entrepreneurs’ association ☐ Municipality ☐ Business relation(s)
☐ Personal relation(s)  ☐ Housing corporation

Problems with the management of my business

☐ Organisation for SME  ☐ Chamber of Commerce
☐ Local entrepreneurs’ association ☐ Municipality ☐ Business relation(s)
☐ Personal relation(s)  ☐ Housing corporation

Legal issues

☐ Organisation for SME  ☐ Chamber of Commerce
☐ Local entrepreneurs’ association ☐ Municipality ☐ Business relation(s)
☐ Personal relation(s)  ☐ Housing corporation

34 Are you a member of an entrepreneurs’ association or local shopkeepers’ association?
☐ Yes
☐ No

If yes, what kind of association? (Multiple answers possible)
☐ A shopkeepers association, namely:____________________
☐ An industry-related association, namely:________________
☐ An entrepreneurial association, namely:__________________

Contact with other entrepreneurs

35 Please indicate how often you have contact with other entrepreneurs:

Entrepreneurs in this neighbourhood
☐ Never  ☐ Rarely  ☐ Regularly  ☐ Often

Entrepreneurs in adjacent neighbourhoods
☐ Never  ☐ Rarely  ☐ Regularly  ☐ Often

Entrepreneurs in other parts of the city
☐ Never  ☐ Rarely  ☐ Regularly  ☐ Often

Entrepreneurs from outside this city
☐ Never  ☐ Rarely  ☐ Regularly  ☐ Often
36 What is the most important reason for having contact with other entrepreneurs?

☐ We are located in the same neighbourhood
☐ We are active in the same sector / industry
☐ We have a personal relationship (friends, family)
☐ Other: ______________________________________

37 When you have contact with other entrepreneurs, how often do you talk about:

Gaining information about the neighbourhood
☐ Never ☐ Rarely ☐ Regularly ☐ Often

Gaining information about their business management and strategies
☐ Never ☐ Rarely ☐ Regularly ☐ Often

Gaining information about the labour market
☐ Never ☐ Rarely ☐ Regularly ☐ Often

Exploring how we can improve the neighbourhood together
☐ Never ☐ Rarely ☐ Regularly ☐ Often

Starting up collaborative business projects
☐ Never ☐ Rarely ☐ Regularly ☐ Often

Acquisition of assignments and projects
☐ Never ☐ Rarely ☐ Regularly ☐ Often

Social contact, collegial contact
☐ Never ☐ Rarely ☐ Regularly ☐ Often

38 Please give an estimate of the share of your business relations (clients, suppliers and/or partners) that is located in:

This neighbourhood______ %
Adjacent neighbourhoods______ %
The rest of the city______ %
Outside this city ________ %
Outside the Netherlands______ %
Total 100 %
Are there collective activities where entrepreneurs who run a business in this neighbourhood can meet each other?

☐ Yes
☐ No

If yes, what are these activities? (multiple answers possible)

☐ Activities / meetings organised by the municipality
☐ Activities / meetings organised by the shopkeepers association
☐ Activities / meetings organised by the entrepreneurs’ association
☐ Activities / meetings organised by other local entrepreneurs
☐ Other: ____________________________________

How valuable are activities where you can meet other entrepreneurs from the neighbourhood to you?

☐ Very valuable
☐ Somewhat valuable
☐ Not valuable
☐ Don’t know

Location choice and relocation behaviour

The following questions are about your choice of business location. Please answer the questions regardless of your location, also if your business is home-based.

What is the ownership situation of your current business location?

☐ I own the premises
☐ I lease from the municipality
☐ I lease from a private owner
☐ Other: ____________________________________

Has your business been located elsewhere in the past?

☐ No
☐ Yes, my business was located elsewhere in the past

Please indicate how important the following characteristics of your current business premises were for your choice of the business location.

A Availability of the premises at the moment I was looking for a business location

☐ Very unimportant  ☐ Somewhat unimportant  ☐ Somewhat important  ☐ Very important  ☐ Don’t know

B Size of the premises

☐ Very unimportant  ☐ Somewhat unimportant  ☐ Somewhat important  ☐ Very important  ☐ Don’t know
APPENDICES

C The outside appearance of the premises
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don’t know

D The interior floor plan of the premises
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don’t know

E Other:______________________________________

44 Please indicate how important the following neighbourhood characteristics were for your choice of business location.

F Local amenities: services and restaurants + café’s
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don’t know

G The local market potential
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don’t know

H Image of the neighbourhood
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don’t know

I The mix of residential and economic functions in the neighborhood
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don’t know

J The presence of other businesses
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don’t know

K The presence of potential business partners in the neighbourhood
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don’t know

L Place of residence of my employees
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don’t know

M Other:______________________________________

45 Please indicate how important the following characteristics were for your choice of business location.

N The costs compared to other locations
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don’t know

O Considerations related to my private life
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don’t know

P Accessibility by public transport
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don’t know
Q Accessiblity by car
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know

R Favourable conditions in the lease- or purchase contract
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know

S Other: ________________________________

46 Which of the previous factors (A – R) were decisive in your choice of business location? (Example: 'Factors A, C & P')
________________________________________________________

47 Did you consider multiple locations during the decision process for the current location?
☐ Yes
☐ No

If yes, what was the crucial aspect that made you choose your current location?
________________________________________________________

48 Would you say that your choice for the current location was a conscious decision or rather a combination of circumstances that lead to this choice?
☐ Rather more a conscious decision ☐ Rather more a combination of circumstances

49 Did the municipality play a role in your choice of the current business location?
☐ No
☐ Yes, they subsidise this location
☐ Yes, they helped me find this location
☐ Yes, they gave me a permit for this location

50 How many square meters is the business premises? (For home-based business please indicate the size of your home in square meters)
________________________________________________________

51 Is your business located in a ‘flexible’ building that is suitable for expanding the number of square meters of the business?
☐ Yes, I could occupy more square meters if I needed/wanted to
☐ No, I cannot expand or decrease the number of square meters
If you had an unrestrained choice, would you choose to:
- Run a home-based business
- Run my business from individual commercial property
- Run my business from a business complex / communal office building
- Run my business from an incubator space

If you had an unrestrained choice, would you choose to run your business from:
- An urban residential neighbourhood
- The inner city
- An industrial estate
- An office park

How often do you use the following locations outside your business location to work?
Flexible office space / workspace or studio
- Never
- Rarely
- Regularly
- Often

A café, restaurant or other public space in my own neighbourhood
- Never
- Rarely
- Regularly
- Often

A café, restaurant or public space outside my own neighbourhood
- Never
- Rarely
- Regularly
- Often

Other:______________________________________

If you ever work in a different place than your business location, please indicate the main reasons for doing so. (multiple answers possible)
- For a change of scenery
- To receive (potential) clients or customers
- In order to meet other entrepreneurs
- Because I work for a client on location
- Because I need facilities that I don’t have

What do you think of when you think of the ‘image’ of a business premises?
____________________________________________

What do you think of when you think of a neighbourhood with a ‘positive image’?
____________________________________________
58 Please indicate how important it is to have your business in a neighbourhood with a positive image? How important is it for:

Your clients / customers
- Very unimportant
- Somewhat unimportant
- Somewhat important
- Very important
- Don't know

You as an entrepreneur
- Very unimportant
- Somewhat unimportant
- Somewhat important
- Very important
- Don't know

Your employees
- Very unimportant
- Somewhat unimportant
- Somewhat important
- Very important
- Don't know

59 Please indicate how important it is to be located in a business premises with a positive image or ‘feeling’? How important is it for:

My customers / clients
- Very unimportant
- Somewhat unimportant
- Somewhat important
- Very important
- Don't know

You as an entrepreneur
- Very unimportant
- Somewhat unimportant
- Somewhat important
- Very important
- Don't know

My employees
- Very unimportant
- Somewhat unimportant
- Somewhat important
- Very important
- Don't know

Home based business

60 Do you run a home-based business?
- Yes
- No (please continue to question 70)

61 Did you have the business prior to moving into your current dwelling?
- Yes
- No, I started the business from my current house

62 Please indicate how important the following factors were for your decision to run a home-based business.

There was not suitable business location available when I was looking for one
- Very unimportant
- Somewhat unimportant
- Somewhat important
- Very important
- Don't know
Combining work- and care tasks
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know

There is sufficient space in the house
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know

63 Is there any factor missing that was important in your decision to run your business from your home?
☐ No
☐ Yes, the following aspect:

64 Please indicate how important the following neighbourhood aspects are for you as a home-based entrepreneur?

That there are print-, fax-, and copy facilities in the neighbourhood
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know

That I can lease office- or studio space for a day or a few hours per day in the neighbourhood
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know

That there are restaurants or cafés in the neighbourhood where I can work
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know

That there are restaurants or public spaces in the neighbourhood where I can receive clients / guests
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know

65 Please indicate to what extent you agree with the following statements.

There are sufficient print-, fax-, and copy facilities in the neighbourhood
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know

It is possible to lease office- or studio space for a day or a few hours a day in the neighbourhood
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know

There are restaurants or public spaces in the neighbourhood where I can receive clients / guests
☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know
66 What do you miss as a home-based entrepreneur? (Multiple answers possible)

☐ Communication technology i.e. internet, fax
☐ Printing and copy facilities
☐ Technical support
☐ A room to receive clients / guests
☐ Nothing
☐ Other: _______________________________________

67 Are there disadvantages of having a home-based business?

☐ No
☐ Yes.

If yes, please elaborate:
________________________________________________________

68 There are some municipalities that are developing homes with attached working units. This means that there is extra space available for running a business at home. Additionally, zoning rules are more flexible for these homes. We would like to know whether home-based entrepreneurs would be interested in this kind of dwelling. Please indicate if you agree with the following statements.

I see the added value of a dwelling with a working unit

☐ Agree
☐ Disagree

I would be willing to pay higher housing costs for a dwelling with a working unit

☐ Agree
☐ Disagree

I would use the extra space for something else than work

☐ Agree
☐ Disagree

69 Please indicate how many home-based businesses there are in your neighbourhood

☐ Less than 5
☐ 5-10
☐ 11-20
☐ More than 20
☐ I don’t know
Business relocation

70 Did you relocate your business at least once?

☐ Yes
☐ No (please continue to question 83)

71 What type of business location was the previous location of your firm?

☐ A home-based business
☐ Business premises (shop or office)
☐ Other: __________________________________________

72 What was the address of the previous business location?

Street: _____________________________

Postal code: ___________________________

73 For how many years was your business located on that address?

______________ years

74 Please indicate how important the following characteristics of the business premises were in your decision to move from the previous business location?

A Lack of space (Insufficient m2 to meet my business’ needs)

☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know

B Surplus of space (surplus m2)

☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know

C The business premises (building / direct surroundings) were in a bad condition

☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know

D The costs were unfavorable compared to the number of m2

☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know

E The interior floor plan of the premises

☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know

F The premises did not have the right representativeness for my business

☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know

G My lease was not renewed

☐ Very unimportant ☐ Somewhat unimportant ☐ Somewhat important ☐ Very important ☐ Don't know
Please indicate how important the following neighbourhood characteristics were in your decision to move from the previous business location?

I. A negative image of the neighbourhood
   - Very unimportant
   - Somewhat unimportant
   - Somewhat important
   - Very important
   - Don't know

J. Insufficient market potential in the surrounding area
   - Very unimportant
   - Somewhat unimportant
   - Somewhat important
   - Very important
   - Don't know

K. Insufficient potential business partners in the surrounding area
   - Very unimportant
   - Somewhat unimportant
   - Somewhat important
   - Very important
   - Don't know

L. The neighbourhood is too far away for my employees
   - Very unimportant
   - Somewhat unimportant
   - Somewhat important
   - Very important
   - Don't know

M. Insufficient parking space in the surrounding area
   - Very unimportant
   - Somewhat unimportant
   - Somewhat important
   - Very important
   - Don't know

N. Other: ______________________________________

Please indicate how important the following other aspects were for your decision to move from the previous location.

O. Aspects in my private life
   - Very unimportant
   - Somewhat unimportant
   - Somewhat important
   - Very important
   - Don't know

P. Insufficient public transport accessibility
   - Very unimportant
   - Somewhat unimportant
   - Somewhat important
   - Very important
   - Don't know

Q. Insufficient car accessibility
   - Very unimportant
   - Somewhat unimportant
   - Somewhat important
   - Very important
   - Don't know

R. Other: ______________________________________

Which of the foregoing aspects (A - R) were critical for your decision to move from the previous location? (Example: 'Aspects A, C & P')
78 Were there any other parties involved in the decision process for relocating the business to the current location? (Multiple answers possible)

- [ ] No
- [ ] Yes, other members of the management
- [ ] Yes, the employees
- [ ] Yes, a professional realtor or consultant
- [ ] Yes, the municipality
- [ ] Other: ____________________________________________________________

79 Were you (or your business) owner or tenant of the previous business premises?

- [ ] Owner
- [ ] Tenant

80 Please indicate the size of the previous business premises in m² (For home-based business: please indicate the m² of the dwelling)

_____________________________________________________________

81 Was the previous business premises ‘flexible’, so it could be expanded in terms of m²?

- [ ] Yes, I could adjust the space to my needs (expand and reduce)
- [ ] No, the space could not be adjusted

82 Please indicate what happened to your previous business premises after you moved

- [ ] Another, unfamiliar, business moved into the premises
- [ ] Another private household moved into the premises
- [ ] Another, familiar, business moved into the premises

Did you know this business privately or professionally?

_____________________________________________________________

- [ ] The property was empty when we left
- [ ] It was torn down
- [ ] I don’t know
- [ ] Other: ____________________________________________________________
The following questions apply to a potential future business location

83 Are you planning to relocate your business in the coming two years?
   ☐ No
   ☐ Maybe
   ☐ Yes
   In case of maybe or yes, what location would you prefer?
   ☐ A location in the same neighbourhood
   ☐ A location in the same city but not in the same neighbourhood
   ☐ A location outside of this city
   ☐ I don't have a preference for a specific neighbourhood or city

84 What type of premises would you prefer for your future business location?
   ☐ A home-based business
   ☐ Individual commercial property
   ☐ A business complex / communal office building
   ☐ An incubator space

85 What would be the most important reasons for (potentially) relocating your business?

Resources and Limitations

86 Are there any laws or regulations that limit you in running your business?
   ☐ No
   ☐ Yes
   If yes, please indicate which laws/ regulations:

87 If you are looking for (temporary) employees, would you use the following resources?

   I put a notice on the shop window
   ☐ No ☐ Yes ☐ Not applicable

   I ask around within my business network
   ☐ No ☐ Yes ☐ Not applicable

   I ask around within my personal network
   ☐ No ☐ Yes ☐ Not applicable
I place an advert in the (local) newspaper
☐ No ☐ Yes □ Not applicable

I contact an employment / recruitment agency
☐ No ☐ Yes □ Not applicable

I contact the municipal work service
☐ No ☐ Yes □ Not applicable

**Background information**

88 What is your highest educational qualification?
☐ Elementary school
☐ Secondary school
☐ Lower vocational training
☐ Higher vocational training
☐ College - undergraduate
☐ University - graduate

89 Since when have you been an entrepreneur? Or for how many years have you been involved in the management of this business?

---------------------------------------------

90 Do you own multiple businesses?
☐ Yes, _______ businesses
☐ No

91 What is your age?

---------------------------------------------

92 What is your gender?
☐ Male
☐ Female

93 Do you have children living at home?
☐ No
☐ Yes
If yes, what is/ are the age(s) of your child/ children?

---------------------------------------------

94 What is your country of birth?

---------------------------------------------
We would like to thank you very much for completing the questionnaire. In future stages of the research we would like to conduct some personal interviews with entrepreneurs. Would you be willing to participate in an interview in the near future? This interview will last between 1-2 hours.

Yes, I’m willing to be interviewed. You can contact me using the following phone number or e-mail address:

No, I’m not willing to be interviewed, but I would like to get the research results of this questionnaire. My e-mail address: ________________________________

☐ No, I’m not interested
Summary

Introduction

Urban economies have changed considerably in the last few decades. Generally, these changes comprise a shift in dominant sectors as well as shifts in the organisation of production. Smaller firms that can respond swiftly to changing consumer demands and operate in a networked way to foster innovation through knowledge exchange have become somewhat of an emblematic image of the ‘resurging’ urban economy (Storper & Manville, 2006; Maskell & Lorenzen, 2004). These firms mainly operate in financial services, design- and technology intensive industries, and cultural industries. This transformation to a post-industrial or ‘cognitive-cultural’ economy (Scott, 2008, 2011) works out differently in different cities – and also has divergent spatial articulations within cities. However, we know relatively little about this spatial articulation of this so called ‘urban resurgence’ within the city. Urban residential neighbourhoods are a site where these structural changes in economic structures are expected to become manifest; changing the landscape of production and consumption that influences the daily experiences of city dwellers. Also, the changing demographic composition of cities plays an important role in this re-configuration of economic activities. Migration and residential gentrification have altered the pool of (nascent) entrepreneurs as well as the customer base in the city. This dissertation is about neighbourhood economies of urban residential neighbourhoods: it includes shops, offices and also home-based business. As such, these mostly involve small to medium-sized enterprises (SME\textsuperscript{85}) and a large share of self-employed, i.e. one-person firms. The study examines entrepreneurial opportunities and behaviours, yet does not involve an investigation into labour market dynamics or informal (unregistered) economic exchanges. A residential neighbourhood is a place where economic, residential, social, political and infrastructural characteristics intermingle and constitute a specific spatial context (Galster, 2001).

What do we gain by understanding economic dynamics in residential neighbourhoods? On the one hand, we can observe the residential neighbourhood as if it were a sort of ‘microcosm’ of fundamental social and economic changes that play out on urban, regional and a global scale level. Neighbourhoods offer us graspable, observable places where processes like migration, globalisation, and economic restructuring crystallise. On the other hand, it helps to understand overall urban economies. The main question I will answer in this dissertation is:

\textsuperscript{85} Defined by the European Commission as firms up to 250 employees.
How can we characterise the economy of urban residential neighbourhoods in advanced urban economies, and which social, economic and institutional differences contribute to explaining variegating outcomes in neighbourhood economies?

Theoretical framework

In addressing this question, the mixed embeddedness approach is used as a theoretical framework. This approach conceptualises the nature of economic processes as human activities that need to be interpreted as embedded in a context with specific market, institutional and social dimensions (Kloosterman, 2010a; Kloosterman & Rath, 2001). To adopt the mixed embeddedness approach means to include an analysis of changing economic and institutional structures that may affect neighbourhood economies. Changes in economic structures are addressed by examining a strand of literature that examines changes in economic production processes, centred around the transformation to a cognitive-cultural or post-industrial economy (Scott 2008; Hall, 1997). Indicative of this change are the emergence of economic activities characterized by output of high symbolic and semiotic value (Scott, 2008; 2011; 2012). Consumer demands change rapidly, and therefore production processes are increasingly flexible, often combined with a smaller firm size and fragmented production chains. Small firms and the self-employed generally form an important base of labour for outsourced tasks of larger firms or are exploiting innovative opportunities in rapidly changing consumer markets. Changes in institutional structures that affect economic processes in cities are addressed by examining literature concerning a shift to urban entrepreneurialism. This paradigm stresses how urban regimes are trying to adopt to the cognitive-cultural economy by competing for investment flows and growing sectors such as high-tech and creative industries and financial and business services.

Within this context of a changing system of production as well as changes in urban governance, we can expect to see changes in the economies of residential neighbourhoods. Small firms and self-employed can find suitable and (relatively) cheap business space in residential neighbourhoods, oftentimes starting from the home. These residential neighbourhoods are often located within an acceptable distance from city centres, characterised by a clustering of economic activities and (cultural) amenities. Also, within the paradigm of urban entrepreneurialism, economic activities in residential neighbourhoods are increasingly being seen as assets in creating attractive living environments. To foster (creative) firms and start-ups in residential neighbourhoods, city and district governments are implementing tailor-made policies focused on individual entrepreneurship as well as creating ‘good business climates’ in neighbourhoods. The mixed embeddedness approach to entrepreneurial activity stresses that to understand processes of entrepreneurship and firm development, one needs to understand how these activities are contex-
tually embedded. Therefore, this study analyses economic activities in residential
neighbourhoods with attention for the dimensions of this specific spatial context;
the social, market and institutional elements of the residential neighbourhood.

**Research area & Data**

This study is based on various sources of data coming from five Dutch cities: Amsterdam, Dordrecht, Leiden, Utrecht, and Zoetermeer. Three residential districts varying in socio-economic status were selected from each city. In each city a district of high, medium, and low socio-economic status was selected. Each of these districts breaks down into two or three neighbourhoods. The socio-economic status of the neighbourhoods was determined using data from the Dutch Central Bureau of Statistics (*CBS Nederland*). Within the research design, two main aspects of neighbourhood economies are investigated. Firstly, I examine the patterns of economic activity in urban residential neighbourhoods over the period 1998-2008, and the differences in this economic activity between cities and types of neighbourhoods. Secondly, I explore the institutional, market and social dimensions of economic activities in the spatial context of urban residential neighbourhoods. Three main data sources are used to address these aspects. First, a longitudinal dataset of company-level data of firms located in the five selected cities in the period 1998-2008 (LISA)\(^{86}\). Second, a survey of entrepreneurs in the selected residential districts in the five cities was conducted in 2011. The survey data provides information on the characteristics of entrepreneurs covering 370 firms in the five research cities\(^{87}\). Third, I conducted 27 in-depth interviews with entrepreneurs and policy-makers in the period January-July 2012\(^{88}\). Quantitative methods are used to address the patterns of economic activity in residential neighbourhoods. Both qualitative and quantitative methods are used to study how economic activities are socially, economically and institutionally embedded in residential neighbourhoods.

To answer the main question as formulated earlier, I make use of four sub-questions organized into the subsequent chapters of this book. Each chapter represents an article that is either published in, or under review with, an international peer-reviewed journal. The sub-questions are:

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86 LISA refers to The National Information System of Employment register (Landelijk Informatie Systeem Arbeidsplaatsen)

87 A total of 1,683 questionnaires was distributed over 15 residential districts in five cities of which 370 were completed, resulting in a response rate of 23%.

88 In total 13 entrepreneurs and 14 policy actors were interviewed (11 policy actors working for municipalities, two from housing corporations and one from the Dutch organisation for Small and Medium sized Enterprise – MKB Nederland).
1. Can we identify different types of economic zoning in neighbourhood land-use plans, and if so, which of these zoning types are more suitable and which are less suitable to accommodate local economic activities?

2. What is the relationship between neighbourhood characteristics and entrepreneurship in terms of the level of entrepreneurial activity, growth in activity and type of activity at neighbourhood level?

3. To what extent do cognitive-cultural economic activities occur in residential neighbourhoods and how does their neighbourhood embeddedness differ from ‘traditional’ industries?

4. How do governmental interventions and the practices of entrepreneurs interact on a neighbourhood level to (re)produce urban commercial spaces?

**Research Results**

In this section, I will present a brief answer to the sub-questions. The first sub-question was: *Can we identify different types of economic zoning in neighbourhood land-use plans, and if so, which of these zoning types are more suitable and which are less suitable to accommodate local economic activities?*

Yes, different types of economic zoning could be identified by studying the land-use plans of 44 neighbourhoods in the five research cities. These different types of economic zoning were used to characterise the pattern of economic activities in the studied neighbourhoods. This resulted in a typology of four neighbourhood economies according to the land-use plan: Market, Desert, Mix and Dormitory. Neighbourhoods with strongly centralised (Market) economic zoning were characterised by a relatively high level of economic activities, albeit centrally located in one place. Growth in economic activities is limited due to geographical restrictions of economic activities taking place outside the neighbourhood commercial centre. In neighbourhoods with restrictive economic zoning (Desert) there are very few buildings allocated to economic functions, thereby limiting (re)location possibilities of businesses. Neighbourhoods with strong mix-use economic zoning (Mix) are attractive locations for businesses, since they allow economic activity to spread throughout the neighbourhood and are characterised by fewer restrictions. Neighbourhoods with zoning that focuses solely on the residential function (Dormitory) are characterised by an unexpected high level of economic activity, that is most likely connected to a regulatory vacuum with regard to economic activity.

Sub-question 2: *What is the relationship between neighbourhood characteristics and entrepreneurship in terms of the level of entrepreneurial activity, growth in activity and type of activity at neighbourhood level?*

Neighbourhoods that are characterised by residents with above-average incomes...
and higher real-estate prices generally accommodate more firms that operate at the high end of the market. Also, neighbourhoods that have experienced an inflow of wealthier residents are characterised by an increase in the number of high value-added firms in the neighbourhood. However, growth in the level of economic activities (1998-2008) is not necessarily related to higher average incomes since the growth in the number of firms in neighbourhoods of lower socio-economic status was also considerable in the same period. The number of new business start-ups is higher in neighbourhoods with larger shares of non-Western immigrants. This explains the general growth in the number of companies setting up in less advantaged neighbourhoods. However, it does not necessarily indicate a ‘healthy’ local economy since high start-up rates can also be an indication of high turnover rates. Eventually these processes might lead to a situation of building up of added value in ‘core’ areas and the creation of an economically marginal ‘periphery’. Providing some counterweight to this concern are the numbers of creative firms settling in more-disadvantaged neighbourhoods. In the analysis in chapter 3, creative firms did not seem particularly prone to settle in the neighbourhoods with the highest average incomes, so it is likely that their location patterns are more diffused than those of high value-added firms. Creative firms can provide a source of innovation and attract other creative businesses.

Sub-question 3: To what extent do cognitive-cultural economic activities occur in residential neighbourhoods and how does their neighbourhood embeddedness differ from ‘traditional’ industries?

The share of cognitive-cultural industries in residential neighbourhoods has risen in the period 1999-2008. In particular, residential neighbourhoods in Amsterdam and Utrecht are places of cognitive-cultural production. In the same period, the share of traditional firms in residential neighbourhoods has declined. Cognitive-cultural firms involve mostly non-standardised labour processes, as well as highly skilled or creative labour inputs. Traditional firms are defined as firms that mostly engage in standardised work processes and outputs with low semiotic or symbolic content. Two important dimensions on which these firms differ are in their market base locality and their level of interdependency with other firms. Traditional firms are more often non-home based, but there are instances where more traditional firms (mostly consumer services such as beauticians or hairdressers) operate from the home. Traditional firms rely more strongly on local markets, making them more susceptible to changes in these markets. Controlled for being a home-based firm, we see that cognitive-cultural firms are more likely to maintain more contacts with other entrepreneurs for business as well as informal reasons. However, the age and location of the firm seem to be stronger determinants of inter-firm interdependencies, indicating that being home-based is negatively related to being
part of inter-firm networks. The findings further indicate that entrepreneurs seek out contacts with other entrepreneurs on multiple scale-levels, suggesting multi-layered, multifunctional networks. The research was able to grasp some of the important differences between cognitive-cultural and traditional firms. The research also provided evidence that the organisational nature and local embeddedness of home-based firms seems altogether different from non-home-based firms, either traditional or cognitive-cultural. The (re)mixing of functions of living and working suggests the need for a new perspective on residential neighbourhoods as areas of production and consumption.

Sub-question 4: How do governmental interventions and the practices of entrepreneurs interact on a neighbourhood level to (re)produce urban commercial spaces?

City governments try to combat spatial concentrations of (socio)economic disadvantage by implementing neighbourhood policies that are aimed at fostering attractive business locations. With these policy instruments, they hope to attract businesses, jobs and investments to the neighbourhood. These arrangements of area-based instruments are directed at creating a commercial space that becomes, at least partly, used by more affluent users. From the analysis of policy instruments in chapter 5, it can be concluded that most policy arrangements work from a rather circumscribed (aesthetic and functional) idea of what commercially attractive areas are. Associations of entrepreneurs in residential neighbourhoods are involved in these upgrading strategies, either passively or actively. In this research, three situations are identified that suggest different (situated) responses of policy actors and entrepreneurs to ‘blueprint planning’ of neighbourhood economies by these economic revitalisation or commercial gentrification strategies. The three situations are: Sense of urgency, local symbolic ownership, and commitment to a common goal. These situations entail an image that local actors (policy-makers and entrepreneurs) have of ‘their’ neighbourhood or street, the configuration of actors involved in that neighbourhood and an agenda of action. At the same time, this also means that (associations of) local entrepreneurs can resist the redefinition of a neighbourhood that policy-makers aim to pursue. The extent to which local entrepreneurs and policy actors are successful in co-producing the commercial area in the neighbourhood partly depends on the presence of a high-level communicator or policy broker – someone that functions as an intermediary between entrepreneurs in the neighbourhood and policy-makers at city level.

Synthesis

The main research question of this study was: How can we characterise the economy of urban residential neighbourhoods in advanced urban economies, and which social, economic and institutional differences contribute to explaining variegating
outcomes in neighbourhood economies?
The neighbourhood economy of residential neighbourhoods can best be characterised in terms of how neighbourhood businesses are economically, socially and institutionally embedded in the neighbourhood. Small- and medium sized firms (SME’s) are dominant in residential neighbourhoods, and a large part of these firms is home-based. The businesses in a neighbourhood are embedded in the social system of that neighbourhood. This idea of a neighbourhood economy as a social system also implies that the system has certain characteristics that cannot be reduced to individual actions (Engelen, 1995). The space of a neighbourhood with its specific qualities and characteristics represents a particular production milieu; a production milieu that is, at least partly, produced by the interaction of social, market and institutional mechanisms. The production milieu forms the context within which decisions and actions of economic actors are taken, producing diverse local outcomes. This means that it is hardly sensible to conceptualise economic actions according to the framework of general laws that operate independent from time and place. The mechanisms at work in residential neighbourhoods that structure economic actions are time-specific and are open to change. They are time-specific because they are expressions of a certain historic development of economic circumstances and institutions. The regulative power inherent in land-use plans for example, is a result of a tradition of top-down urban planning according to the logic of separation of functions in space characteristic of ‘modern times’. However, in post-modern, post-industrialist economies, the deregulation and downscaling of economic production are more amenable to mixed-use development and less stringent land-use plans. Eventually, this might result in changes in the practice of planning at the neighbourhood level.

The results indicate that the neighbourhood economy cannot be treated as a container category. Different types of businesses, in terms of sector and location, are distributed differently across neighbourhoods, and are characterised by different organisational practices. Also, the situational analysis in chapter 5 has illustrated the importance of local context in analysing economic processes – a context that can only be identified by looking behind statistical indicators of a neighbourhood. The research also indicates that further research into home-based business is necessary, since this type of economic activity is becoming more and more important in residential neighbourhoods.

Implications for policy
The most important point regarding policy arrangements aimed at upgrading of neighbourhood economies is that these are more likely to build stronger entrepreneurs and communities when these policies are adapted to local situations through the input of a ‘high-level communicator’ or ‘policy broker’. Instead of working
with narrowly circumscribed ideas of local economic development trajectories, policies aimed at creating stronger and more knowledgeable entrepreneurs seem more beneficial for the local community and individual entrepreneurs in the long run. Also, it is important to take into account the organisational needs of home-based entrepreneurs as these differ substantially from non-home-based firms. Existing economic policy and zoning regulations very often do not include any reference to home-based firms. In many area-based schemes and programs this type of firm is excluded from both individual-centred and spatial-centred instruments aimed at improving local business climates. In the city of Utrecht, however, serious efforts are being directed at integrating home-based entrepreneurs into local networks, opening up network resources for them. Investments like these do not have to be very costly, assuming that once entrepreneurs know where to find each other they will seek each other out for mutual benefits. Lastly, the use of local ‘experiments’ in neighbourhoods or a more experimental attitude in general with regard to neighbourhood economies might offer opportunities. Policy-makers in the city of Utrecht are for instance adjusting land-use plans to allow businesses operating in consumer services and health care to locate in retail spaces. This creates multi-use, multifunctional spaces that are more adaptable to macro-social and economic changes.
Samenvatting

Inleiding

Stedelijke economieën zijn in de afgelopen decennia aanzienlijk veranderd. Grofweg bestaan deze veranderingen uit een verschuiving in dominante sectoren evenals uit een verschuiving in de organisatie van productie. Er is sprake van een tendens naar kleinere bedrijven die snel kunnen inspelen op veranderende eisen van de consument. Deze bedrijven zijn op een genetwerkte manier georganiseerd om innovatie te bevorderen door middel van kennisuitwisseling. Deze bedrijven zijn voornamelijk actief in de financiële dienstverlening, design- en technologie-intensieve industrieën, en creatieve industrie. Ook de toename van eenmansbedrijven, of zzp-ers, voor een groot deel startend vanuit en gevestigd aan huis, spelen een belangrijke rol in de ‘opleving’ van stedelijke economieën.

Deze transformatie naar een postindustriële of 'cognitief - culturele ' economie (Scott, 2008, 2011) manifesteert zich niet hetzelfde in elke stad – en ook binnen steden kunnen we verschillende ruimtelijke patronen van deze nieuwe bedrijvigheid waarnemen. We weten echter relatief weinig over hoe deze ‘nieuwe economie’ zich ruimtelijk manifesteert in de stad. Stedelijke woonwijken vormen een specifieke plek waarvan we mogen verwachten dat de structurele veranderingen in de economische structuur zich daar voltrekken. Op het niveau van de woonwijk kunnen we het veranderende landschap van productie en consumptie dat de dagelijkse ervaringen van stedelingen beïnvloedt waarnemen. Ook de veranderende demografische samenstelling van steden speelt een belangrijke rol in de veranderende patronen van bedrijvigheid in woonwijken. De komst van migranten, en meer recentelijk de hernieuwde aantrekkingskracht van de stad voor hoogopgeleiden hebben ervoor gezorgd dat de bron van (potentiële) ondernemers alsook de lokale markten aanzienlijk veranderd zijn.

Dit proefschrift gaat over de wijkeconomie van stedelijke woonwijken: de wijk-economie bestaat uit winkels, kantoren en ook de bedrijven aan huis in de woonwijk. Als zodanig bestaat de wijkeconomie grotendeels uit kleine tot middelgrote ondernemingen (MKB) en een groot deel zelfstandigen of eenmansbedrijven. Deze studie onderzoekt bedrijvigheid en ondernemerschap in de woonwijk. Een woonwijk is een plek waar economische, residentiële, sociale, politieke en infra-structurele kenmerken bij elkaar komen en een specifieke ruimtelijke context vormen. Wat kunnen we leren van het functioneren van wijkeconomieën? Aan de ene kant kunnen we de woonbuurt waarnemen alsof het een soort 'microkosmos'
kant kunnen we de woonbuurt waarnemen alsof het een soort 'microkosmos' is van fundamentele sociale en economische veranderingen die zich afspelen op stedelijk, regionaal en mondiaal schaalniveau. Woonwijken bieden ons handelbare, observeerbare plaatsen waar processen als migratie, globalisering en economische herstructurering kristalliseren. Anderzijds helpt het ons de stedelijke economie als geheel beter te begrijpen. De hoofdvraag van dit proefschrift luidt als volgt:

_Hoe kunnen we de wijk- en woonwijken in geavanceerde stedelijke economieën karakteriseren, en welke sociale, economische, en institutionele verschillen kunnen bijdragen aan het verklaren van verschillende patronen van bedrijvigheid in de wijk?_

**Theoretische achtergrond**

Om deze vraag te beantwoorden, wordt de ‘mixed embeddedness’ benadering gebruikt als theoretisch uitgangspunt. Volgens deze benadering kunnen we economische processen het beste bestuderen als menselijke handelingen die zijn ingebed in een context met specifieke sociale, economische en institutionele kenmerken (Kloosterman, 2010a; Kloosterman & Rath, 2001). Dit in tegenstelling tot de gangbare neoklassieke benadering in de economie, die economische processen hoofdzakelijk benadert als een zaak van doel-middel rationaliteit. Het volgen van de mixed embeddedness benadering betekent dat eerst gekeken moet worden naar hoe de veranderende economie en veranderend stedelijk economisch beleid van invloed zijn op wijk- en woonwijken.

**SAMENVATTING**

De veranderingen in de institutionele omgeving van steden voltrekken zich op het gebied van economisch beleid en wijkgericht beleid. Enerzijds zien we binnen het economisch beleid van steden een algemene verschuiving naar ‘vermarkting’ van de stad als vestigingslocatie voor (creatieve) bedrijvigheid. Gemeenten en stedelijke
regio’s concurreren met elkaar in het aantrekken van bedrijvigheid, investeringen en inwoners. Om de concurrentiepositie te versterken proberen steden aantrekkelijk te worden als vestigingsplaats voor groeiende sectoren als technologische en creatieve industrie en financiële en zakelijke dienstverlening. De toenemende aandacht voor het creëren van aantrekkelijke vestigingsmilieus is ook te herkennen op wijkniveau – waarbij er onderscheid ontstaat tussen wijken die ‘hip en happening’ zijn, en wijken die weinig aantrekkelijk lijken voor bedrijven om zich te vestigen. Tegelijkertijd worden bedrijvigheid en ondernemerschap in de buurt door stedelijk beleidsmakers ingezet als middel om een opwaartse sociale en economische ontwikkeling in te zetten in buurten. De rol die bedrijven en voorzieningen spelen in het creëren van aantrekkelijke woonmilieus wordt hierbij onderstreept. De beleidsmatige aandacht voor wijk economie kreeg een impuls met het krachtwijkenbeleid van minister Vogelaar in de periode 2007-2012, waarbij ingezet werd op directe en indirecte beleidsmaatregelen om ondernemers naar krachtwijken te trekken, of bewoners zelf de stap naar ondernemerschap te laten maken.

Binnen deze context van een veranderend systeem van productie en consumptie, en veranderingen in het economisch beleid van steden, kunnen we verwachten dat we ook veranderingen in de economieën van woonwijken zien. Kleine bedrijven en zelfstandigen kunnen geschikte en (relatief) goedkope bedrijfsruimte in woonwijken vinden, of voeren hun bedrijf vanuit huis. Deze woonwijken bevinden zich vaak binnen aanvaardbare afstand van de stadscentra, dat gekenmerkt wordt door een clustering van economische activiteiten en (culturele) voorzieningen. De ‘mixed embeddedness’ benadering van ondernemerschap benadrukt dat om de processen van het ondernemerschap en de ontwikkeling van ondernemingen te begrijpen, men moet kijken hoe deze activiteiten ingebed zijn in de lokale context. De woonwijk is de specifieke ruimtelijke context waarbinnen ondernemerschap en bedrijvigheid bestudeerd zullen worden. Deze studie geeft inzicht in de (lokale) markten van wijken, de sociale relaties die ondernemers in wijken onderhouden en beleid op stads- en wijkniveau dat gericht is op bedrijvigheid en ondernemerschap. Deze verschillende dimensies van de wijkeconomie kunnen ruimtelijke verschillen in de samenstelling en ontwikkeling van wijkeconomieën helpen verklaren.

**Onderzoeksgebied & Data**

Voor deze studie is er onderzoek verricht in vijf Nederlandse steden: Amsterdam, Dordrecht, Leiden, Utrecht en Zoetermeer. In elke stad zijn drie woonwijken variërend in sociaal-economische status geselecteerd. In elke stad een wijk van hoge, gemiddelde en lage sociaal-economische status. Elk van deze wijken valt uiteen in twee of drie buurten. De sociaal-economische status van de wijken is bepaald met behulp van gegevens van het Centraal Bureau voor de Statistiek (CBS Nederland). Binnen het onderzoek zijn twee belangrijke aspecten van de wijkeconomie onder-

Om de eerder geformuleerde hoofdvraag te beantwoorden, maak ik gebruik van vier deelvragen onderverdeeld in de hoofdstukken van dit boek. Elk hoofdstuk beslaat een artikel dat gepubliceerd is in, of ingediend is bij, een internationaal peer-reviewed tijdschrift. De deelvragen zijn:

1. Kunnen we verschillende economische planningstypen identificeren in bestemmingsplannen van Nederlandse woonwijken, en zo ja, welke van deze economische planningstypes zijn geschikt voor het faciliteren van economische activiteiten?
2. Wat is de relatie tussen buurtkenmerken en ondernemerschap in termen van de mate van ondernemerschap, groei van het aantal bedrijven en de aard van de bedrijvigheid op buurtniveau?
3. In welke mate vinden cognitief-culturele economische activiteiten plaats in woonwijken en zijn deze bedrijven anders ingebed in de buurt in vergelijking met 'traditionele' bedrijven?
4. Hoe leidt de interactie van praktijken van ondernemers met lokale beleidsmaatregelen op wijkniveau tot herinrichting van de wijkeconomie?

Bevindingen en analyse

In deze paragraaf zal ik een kort antwoord geven op de deelvragen. De eerste deelvraag was: Kunnen we verschillende economische planningstypen identificeren in bestemmingsplannen van Nederlandse woonwijken, en zo ja, welke van deze economische planningstypes zijn geschikt voor het faciliteren van economische activiteiten?

Door het bestuderen van de bestemmingsplannen van 44 buurten in de vijf onderzoekssteden werden vier verschillende soorten economische planningstypes geïdentificeerd. Deze verschillende soorten economische planningstypes behelzen enerzijds een specifiek ruimtelijk patroon van toegestane economische activiteit in de buurt en anderzijds een verzameling regels over het soort bedrijvigheid dat wordt toegestaan in de buurt. De analyse van de bestemmingsplannen resulteerde in een typologie van vier wijkeconomieën: centraliserend, beperkend, gemengd

Deelvraag 2: Wat is de relatie tussen buurtkenmerken en ondernemerschap in termen van de mate van ondernemerschap, groei van het aantal bedrijven en de aard van de bedrijvigheid op buurtniveau?

Wijken met bewoners met voornamelijk een bovenmodaal inkomen en hogere huizenprijzen zijn wijken waar meer bedrijven gevestigd zijn in het hogere segment van de markt. Ook buurten die in de afgelopen tien jaar een instroom van rijkere bewoners hebben ervaren worden gekenmerkt door een toename van het aantal hoogwaardige bedrijven in de buurt. Echter, de groei in het aantal bedrijfsvestigingen in de periode 1998-2008 houdt niet noodzakelijkerwijs verband met hogere inkomen in de wijk, omdat de groei van het aantal bedrijven in buurten met een lagere sociaal-economische status in dezelfde periode ook aanzienlijk was. Het aandeel nieuwe bedrijven is hoger in buurten met een groter aandeel niet-Westere allochtonen. Dit verklaart deels de algemene groei van het aantal bedrijven in wijken van lager sociaaleconomisch niveau. Een groot aantal ‘start-ups’ duidt niet noodzakelijkerwijs op een ‘gezonde’ lokale economie omdat een groot aantal nieuwe bedrijven ook een indicatie van een hoge omloopsnelheid, en dus van een hoog ‘sterftecijfer’ van bedrijven, kan zijn. Uiteindelijk kunnen deze processen leiden tot een situatie van het opbouwen van toegevoegde waarde in rijkere buurten in de stad en het ontstaan van een economisch marginale ‘periferie’. De vestigingspatronen van creatieve bedrijvigheid kan enig tegenwicht aan deze tendens bieden omdat creatieve bedrijvigheid zich niet per sé vestigt in de wijken met de hoogste gemiddelde inkomens. Creatieve bedrijven kunnen een bron van
innovatie en inspiratie bieden en andere creatieve bedrijven aantrekken.

**Deelvraag 3:** *In welke mate vinden cognitief-culturele economische activiteiten plaats in woonwijken en zijn deze bedrijven anders ingebed in de buurt in vergelijking met ‘traditionele’ bedrijven?*


Traditionele bedrijven zijn sterker afhankelijk van lokale markten, waardoor ze ook vatbaarder zijn voor veranderingen in deze markten. Gecontroleerd voor het zijn van een bedrijf aan huis, zien we dat cognitieve-culturele bedrijven vaker meer contacten met andere ondernemers onderhouden voor zowel zakelijke als informele doeleinden. Echter, de leeftijd en de locatie van de onderneming (aan huis of niet aan huis) lijken de aard van onderlinge relaties tussen bedrijven in sterkere mate te bepalen. Bedrijven aan huis onderhouden over het algemeen minder relaties met andere bedrijven. De bevindingen geven verder aan dat ondernemers die op zoek gaan naar contacten met andere ondernemers dit doen op meerdere schaalniveaus, hetgeen het bestaan van multifunctionele netwerken op meerdere schaalniveaus suggereert. Het onderzoek was in staat om vat te krijgen op een aantal belangrijke verschillen tussen cognitief-culturele en traditionele bedrijven. Het onderzoek toonde ook aan dat de organisatie en de lokale inbedding van bedrijven aan huis verschilt van die bedrijven die niet aan huis gevestigd zijn, ongeacht de sector waarin men actief is. De sterkere menging van de woon- en werkfunctie maakt duidelijk dat het nodig is om woonwijken te zien als plekken van cognitief-culturele productie en consumptie.

**Deelvraag 4:** *Hoe leidt de interactie tussen lokale beleidsmaatregelen en de praktijk van ondernemers op wijkniveau tot herinrichting van de wijkeconomie?*

**SAMENVATTING**
SAMENVATTING

Stedelijke overheden proberen door middel van wijkgericht beleid ruimtelijke concentraties van sociaal-economische problematiek te bestrijden. Dit doen ze onder andere door het implementeren van beleidsmaatregelen die gericht zijn op het bevorderen van de woonwijk als aantrekkelijke bedrijfslocatie. Met deze beleidsinstrumenten hopen ze bedrijven, banen en investeringen aan te trekken naar de wijk. Deze gebiedsgerichte instrumenten zijn gericht op het creëren van een commerciële ruimte of ruimte met gemengde functies die tenminste gedeeltelijk bestemd is voor gebruikers van hogere sociaal-economische status. Uit de analyse van beleidsinstrumenten in hoofdstuk 5 kan worden geconcludeerd dat de meeste combinaties van gebiedsgerichte instrumenten werken vanuit een tamelijk nauw omschreven (esthetisch en functioneel) idee van wat commercieel aantrekkelijke gebieden zijn. Verenigingen van ondernemers in woonwijken zijn betrokken bij deze opwaarderingsstrategieën, hetzij passief, hetzij actief. Door het analyseren van interviewdata met beleidsmakers, uitvoerders en ondernemers kunnen er drie situaties geïdentificeerd worden die duidelijk maken hoe lokale beleidsactoren en ondernemers reageren op 'blauwdruk-planning' van de wijkeconomie. De drie situaties zijn: urgentie, lokale symbolische identiteit, en streven naar een gemeenschappelijk doel. Deze situaties omvatten een bepaald beeld dat de lokale actoren (beleidsmakers, uitvoerders en ondernemers) hebben van 'hun' buurt of straat, de configuratie van de betrokken actoren in die buurt en de actie-agenda die lokale actoren hebben. Tegelijkertijd betekent dit ook dat (verenigingen van) lokale ondernemers de herdefiniëring van een wijk zoals beleidsmakers die nastreven kunnen weerstaan. De mate waarin lokale ondernemers en beleidsactoren er in slagen om door middel van samenwerking een gezamenlijke productie van de winkelgebieden in de wijk te realiseren is mede afhankelijk van de aanwezigheid van een bemiddelaar; iemand die fungeert als intermediair tussen ondernemers in de buurt en het niveau van beleidsmakers op stedelijk niveau.

Synthese

De centrale onderzoeksvraag van dit onderzoek was: Hoe kunnen we de wijkeconomie van woonwijken in geavanceerde stedelijke economieën karakteriseren, en welke sociale, economische, en institutionele verschillen kunnen bijdragen aan het verklaren van verschillende patronen van bedrijvigheid in de wijk?

De wijkeconomie van woonwijken kan het beste worden gekarakteriseerd aan de hand van de economische, sociale en institutionele verankering van ondernemers in de buurt. In woonwijken zijn kleine- en middelgrote ondernemingen (MKB) dominant, en een groot deel van deze bedrijven is gevestigd aan huis. Al deze bedrijven maken onderdeel uit van een systeem van relaties in de buurt. Dit idee van een wijkeconomie als sociaal systeem houdt ook in dat het systeem bepaalde kenmerken heeft die niet kunnen worden gereduceerd tot individuele acties.
(Engelen, 1995). Een woonwijk heeft specifieke eigenschappen waardoor het een bepaald productiemilieu kenmerkt, een productiemilieu dat, althans gedeeltelijk, wordt bepaald door de wisselwerking van sociale-, institutionele- en marktmechanismen. Het productie milieu vormt de context waarin ondernemers handelen en beslissingen nemen, handelingen en beslissingen die op hun beurt weer invloed hebben op het productiemilieu. Dit betekent dat het niet zinvol is om economisch handelen te conceptualiseren in de vorm van algemene wetten die onafhankelijk van tijd en plaats gelden. De mechanismen die economische activiteiten in woonwijken structureren zijn tijd-specifiek en staan open voor verandering. Ze zijn tijd-specifiek, omdat het uitingen zijn van een bepaalde historische ontwikkeling van de economische omstandigheden en instituties. Bijvoorbeeld de regulerende macht van bestemmingsplannen. Dit is een gevolg van een traditie van top-down stedenbouw volgens de logica van de scheiding van functies in de ruimte, een kenmerk van het modernisme. Echter, in postmoderne, postindustriële economiën, geven de schaalverkleining en flexibilisering van veel productieprocessen meer mogelijkheden voor gebiedsontwikkeling met gemengde functies en minder strenge bestemmingsplannen. Uiteindelijk kan dit leiden tot wijzigingen in de beleidspraktijk van bestemmingsplannen.

De resultaten geven aan dat de wijkeconomie niet kan worden beschouwd als een zogenaamde ‘container categorie’. Verschillende soorten bedrijven, in termen van sector en locatie, zijn uiteenlopend verdeeld over wijken, en worden gekenmerkt door verschillende organisatiepraktijken, die op hun beurt het lokale productiemilieu weer beïnvloeden. Ook hebben de situatieschetsen in hoofdstuk 5 het belang geïllustreerd van lokale context voor het analyseren van economische processen – een context die alleen kan worden vastgesteld door te kijken achter de statistische indicatoren van een wijk. Het onderzoek geeft ook aan dat verder onderzoek naar bedrijven aan huis noodzakelijk is, aangezien dit type economische activiteit steeds belangrijker wordt in woonwijken.

**Beleidsaanbevelingen**

Het belangrijkste punt met betrekking tot het beleid is dat beleidsmaatregelen die gericht zijn op het ‘upgraden’ van de wijkeconomie sterk gericht lijken op een ideaalbeeld van de wijkeconomie – beleidsmakers hanteren een vrij nauwe definitie van wat volgens hen succesvolle bedrijvigheid is. Deze definitie komt onder meer naar voren in de wens van de vestiging van ‘hoogwaardige horeca’ en ‘creatieve bedrijvigheid’. Echter, er is wat voor te zeggen om meer aandacht te besteden aan wat er al aan bedrijvigheid zit in de wijk – en meer te richten op het creëren van sterkere ondernemers en samenwerking, of tenminste dialoog, tussen ondernemers op lokale schaal. Dit lukt beter wanneer er een intermediair werkzaam is in de wijk – iemand die kan bemiddelen tussen de praktijken.
van ondernemers op buurtniveau en de ambities van beleidsmakers op stedelijk niveau. Beleid gericht op het creëren van sterkere en veerkrachtige ondernemers lijkt gunstig voor de wijk- en suiker en ook de individuele ondernemers op de lange termijn, en is minder vatbaar voor snel veranderende consumententrends. Een ander belangrijk punt is de beleidsmatige aandacht voor ondernemers aan huis. Een ondernemer aan huis voert zijn of haar bedrijf nu eenmaal onder andere omstandigheden dan een ondernemer in een bedrijfspand. Bestaand economisch beleid en bestemmingsplanvoorschriften bevatten vaak geen verwijzing naar bedrijven aan huis. In veel regelingen en programma’s is dit type bedrijf uitgesloten van zowel individuele als gebiedsgerichte instrumenten gericht op het verbeteren van het lokale ondernemingsklimaat. In Utrecht wordt echter speciaal aandacht besteed aan de integratie van aan huis gevestigde ondernemers in lokale netwerken, zodat zij betere toegang krijgen tot het sociaal kapitaal van dergelijke netwerken. Investerings als deze hoeven niet duur te zijn, in de veronderstelling dat zodra ondernemers weten hoe en waar ze elkaar kunnen vinden ze zelf op zoek zullen gaan naar wederzijdse voordelen. Ten slotte kan het gebruik van lokale 'experimenten' in buurten, of een meer experimentele houding in het algemeen met betrekking tot de wijk- en suiker, kansen bieden. Eveneens in Utrecht worden de bestemmingsplannen van sommige buurten aangepast om bedrijven die actief zijn in de dienstverlening en de gezondheidszorg te huisvesten in winkelruimtes die normaalgesproken alleen door detailhandel gebruikt mogen worden. Dit zorgt voor meer flexibele, multifunctionele ruimtes die beter aan kunnen sluiten bij macro-economische veranderingen.