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

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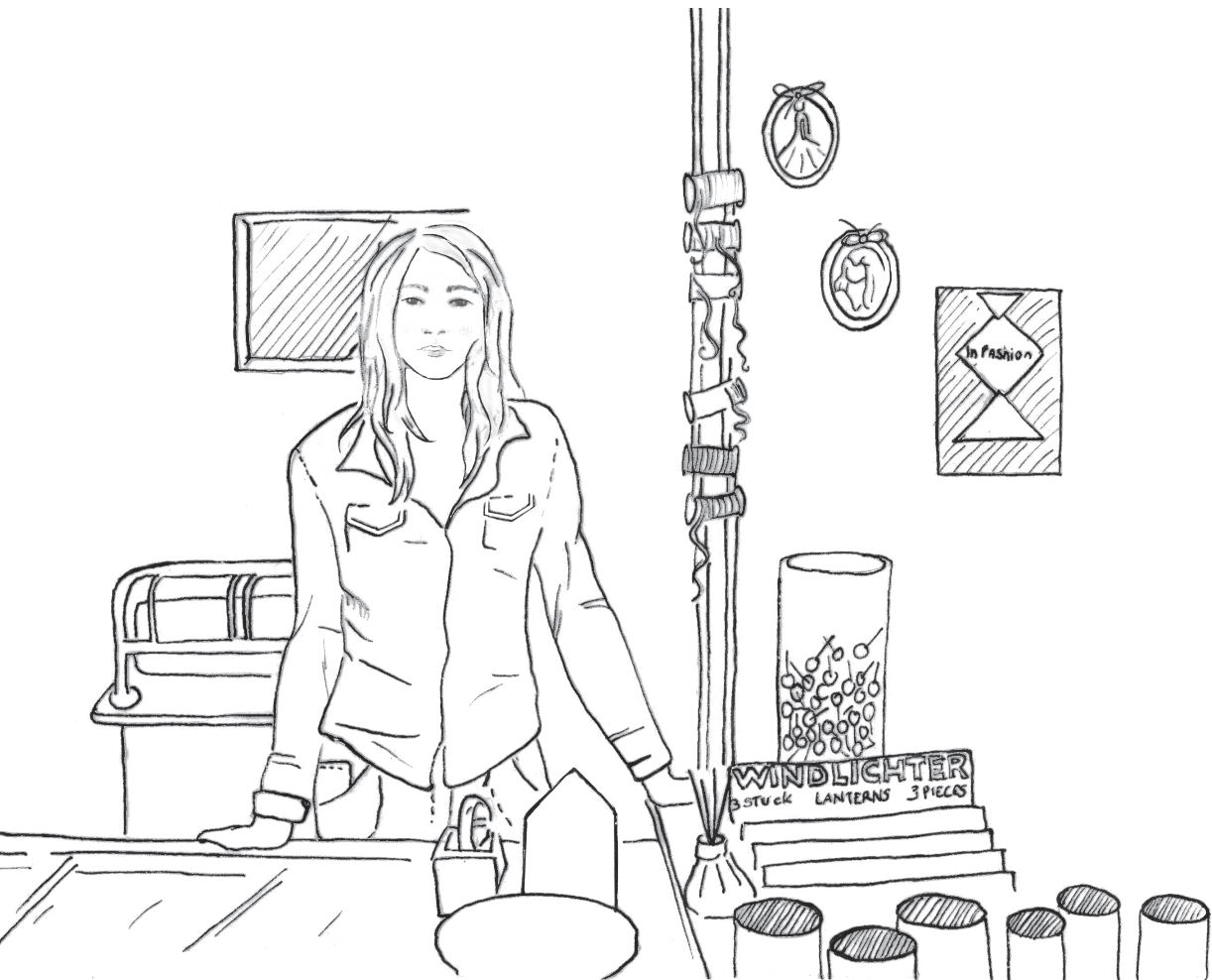
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# Chapter 6. Conclusions

## 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

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

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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 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 of 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 be 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-

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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<sup>84</sup> 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

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<sup>84</sup> See appendix II

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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

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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

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promote ethnic neighbourhoods (Rath & Aytar, 2012). Although these ideas on commercial gentrification are quite transferrable from one city to another, or one neighbourhood to another, their actual outcomes and the practices of local actors working with these ideas differ substantially.

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

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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.

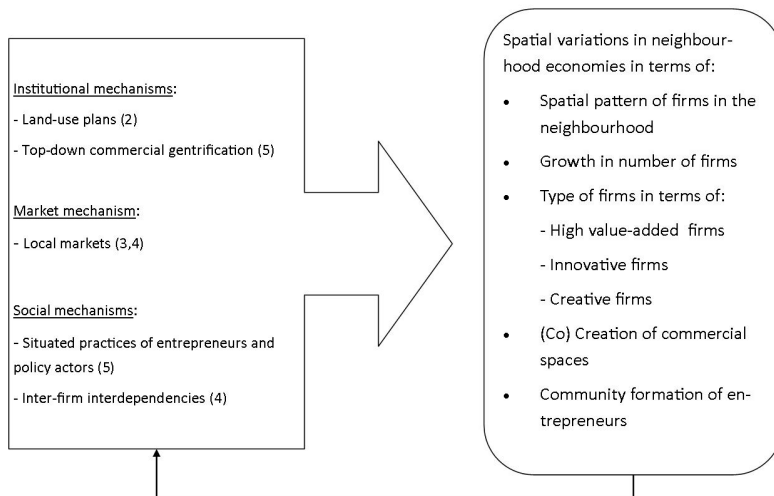
### 6.4 Revisiting the mixed embeddedness approach

*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 milieu 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.

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**



\*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

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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

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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

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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 shop-fronts 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

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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

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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

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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.