



UvA-DARE (Digital Academic Repository)

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

Folmer, E.C.

Publication date
2014

[Link to publication](#)

Citation for published version (APA):

Folmer, E. C. (2014). *From shop fronts to home offices: Entrepreneurship and small business dynamics in urban residential neighbourhoods*.

General rights

It is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), other than for strictly personal, individual use, unless the work is under an open content license (like Creative Commons).

Disclaimer/Complaints regulations

If you believe that digital publication of certain material infringes any of your rights or (privacy) interests, please let the Library know, stating your reasons. In case of a legitimate complaint, the Library will make the material inaccessible and/or remove it from the website. Please Ask the Library: <https://uba.uva.nl/en/contact>, or a letter to: Library of the University of Amsterdam, Secretariat, Singel 425, 1012 WP Amsterdam, The Netherlands. You will be contacted as soon as possible.

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 (SME⁸⁵) 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:

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 cities⁸⁷. Third, I conducted 27 in-depth interviews with entrepreneurs and policy-makers in the period January-July 2012⁸⁸. 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:

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).

SUMMARY

- 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

SUMMARY

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

SUMMARY

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

SUMMARY

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

SUMMARY

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.