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The practice of entrepreneurship in the non-wood forest products sector: Support for innovation on private forest land

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ABSTRACT

The paper sets out to examine the characteristics of support for innovation processes in Non-Wood Forest Products (NWFP). The typical enterprises and start-ups which emerge in this sector tend to be small-scale and family owned. We claim that there is a large unused potential for NWFP to support rural development and increase incomes of land owners and rural enterprises. In this article, we study what makes selected and so far successful product innovations in NWFPs special and subsequently what were the factors that supported their development and marketing? These questions we study at hand of four empirical innovative case studies in four European rural areas. We come to the conclusion that the entrepreneurs show some common features in the ways they started their business. However, they have applied individual strategies for the realisation of their own ideas. In line with recommendations from recent literature on creating innovations, all of them have used some "external" support, but at very different levels: They range from monetary support and consultation of effective support organisations to personal non-monetary exchange-relationships in social networks within a communal area. Our results contribute to an understanding of entrepreneurial behaviour as a very individual and context-specific undertaking on the one hand and as a "universal" activity with common features and attributes on the other.

1. Introduction

It was a French banker in the 18th century, Richard Cantillon who first wrote that "an entrepreneur is a person willing to buy at a certain price and to sell at an uncertain price" (Cantillon, 1931). This practice of certain "risk-taking" has not changed so much since then. The entrepreneurs under examination here either live on their own forest land or on land owned by their family and they all have developed their own business ideas. We define their projects as innovative, as all of them have brought a novel idea successfully to the market. However, very often such innovations are defined to contain technical shifts, e.g. in information technology, biotechnology and other material technologies (OECD, 2005, 5). Nonetheless, there have been attempts to understand and assess the importance of the other factors for having an impact on innovation, besides solely R&D and new technologies (Edquist, 1997, Edquist and Johnson, 1997, Weiss, 2011). Subsequently it seems to be one of the economic "examples" of lesser interest for the study of innovation processes. Yet we claim here that it is precisely of interest to study innovations in such a "small" personalised sector because small and medium enterprises are of increasing relevance given the general economic crisis in this decade. In this vein there has emerged a measure of scholarly interest in this field (Buttoud et al., 2011, Hirsch-Kreinsen, 2005, Rametsteiner and Weiss, 2006, Kubeczko et al., 2006, Weiss, 2011). Such recent innovation research in forestry is grounded in the fact that the forest sector is an important economic source of income for considerable parts of populations throughout Northern, Central and Eastern Europe. The forest sector has potential for economic growth and it is also exposed to technological and cultural-societal changes. These conceptualisations of a "forest-based sector" up to now have been mainly built around wood based products (Timber). Thus, non-wood forest products (NWFP) have often been perceived as being "outside" the forest sector, in consequence receiving little attention by forest-sectoral innovation systems (Weiss and Rametsteiner, 2005). Nowadays (in times of a global recession and falling timber prices) this is surprising, given the fact that such products possess significant potential for contributing to economic development, particularly in rural areas. In other words: there is large unused potential for NWFP to support rural development and income of land owners and rural enterprises (Emery et al., 2006; Niskanen, 2006; Niskanen et al., 2007;

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Nybakk et al., 2009); as complementary products they can also improve the economic value of small-scale forestry in marginal areas (Petenella et al., 2007). With example of mass-produced NWFPs in South America, Velde et al. (2006) have shown that it is very often "key entrepreneurs" who are the driving force behind a whole value chain.

In the present paper we therefore ask the question what are the characteristics of support for single entrepreneurs to develop innovation start-ups in NWFP? We want to learn from innovative examples and contribute to the study of entrepreneurship. In what follows the paper will shed light on the aspects that helped to create the innovation. Our study wants to crystallize the most important kind of support for development and marketing processes of their business.

For this we will examine the most important supportive factors identified by the entrepreneurs themselves. Our research used qualitative empirical data, therefore our results dig into the characteristics of "entrepreneurship" from a social science angle that emphasises the importance of practical knowledge and experiences in concrete economic developments and activities. All our cases are situated in specific regional cultural contexts. This is what renders them interesting. We do not claim to have quantifiable exemplary knowledge and yet assert that we can contribute to an understanding of some of the drivers for entrepreneurial behaviour, most of all the use of support mechanisms with our study. We have carried out empirical case study research and selected the cases for their exemplary status as successful innovations in a qualitative, small-*N* design (Yin, 2009) in these four European regions. Data were collected between August and September 2014. A total of five semi-structured qualitative interviews with the entrepreneurs themselves and an additional one with an official from the local administration[1] were carried out, transcribed and analysed. The categories for the interview guide questions as well as the subsequent analysis were developed deductively from literature along the research focus: How did the innovation come to place, how was the innovation developed, how was it introduced to the market and how was it supported both in financial and non-financial terms?

In the following sections we will first outline concepts of support mechanisms in theories of innovation. Second, the Results section will assess the support mechanisms that were most important for the start-ups. In conclusion, we will synthesise our analysis along the research questions of "support" and the actual practice in terms of explanations and strategies employed by the entrepreneurs. Finally, we will shed light on some differences between theoretical explanations of support for innovation/creativity in entrepreneurship and the actual practice of innovative entrepreneurship.

2. Theoretical framework

For conceptualising the link between innovation and support we firstly define innovation in the NWFP sector by leaning on Schumpeters five "types" of innovation; the introduction of a new good, a new method of production, the opening of a new market, new materials or resources and the creation of new forms of organisations (Schumpeter, 1934). In this framework the innovation in NWFPs happens when new products and services are offered for the first time. It also occurs, when technical changes in production processes or organisational changes in an operational procedure of working and labour organisation occur. A new product in this respect could be e.g. berry powder, spruce shoot syrup or medicinal health drinks from pine needles. A new service in this respect could be e.g. recreational or environmental services such as the renting of huts, guided tours or wellness seminars. Technical innovations can change already existing processes, introduce older (historical-traditional) methods for new purposes of production or introduce completely new techniques. Examples are the revitalisation of the extraction of natural resin in areas where this tradition is not used any longer. Organisation/marketing innovations can also change existing processes or introduce older (historical-traditional) methods for new purposes of management and marketing but also comprise the introduction of new methods of management or the foundation of cooperatives (see Weiss et al., 2010, Fig. 5 and Weiss, 2011). For instance a self-organised local shop that sells regional products and is owned by the customers is an example for this.

Secondly, when it comes to explaining entrepreneurship, most of the scholarly literature deals with the "who", the "what" (Dees, 2001, Drucker, 1985, Schumpeter, 1934) and the "how" of entrepreneurship (Hayek,, 1945). Some identify "practical knowledge" (Hayek,, 1945), opportunities and opportunity structures[2] and a "drive to the market" (Dees, 2001, Drucker, 1985) or social networks and connections (Burt, 2004) as core drivers for innovation processes. The sociologist Burt explains, by means of network theory, how managers in a firm can develop their social capital within social structures, discover opportunities and develop creative ideas. According to this research the people who are positioned "in-between" groups ("structural holes") seem to have the best and most successful ideas.[3] At the micro level there are studies of entrepreneurship dealing with the "who" of an entrepreneur in terms of individual features. Psychologists have made efforts to study the personal attributes of entrepreneurs (Cromie, 2000). Cromie's assumption is that they must have certain (personal) abilities which distinguish them from others, such as thinking in "non-conventional ways, to combine existing ideas and resources in different ways, and being flexible and adaptive regarding problem solving" (Cromie, 2000, 20). Ryan and Deci (2000) describe motivations of "creative people". They found out that intrinsic motivations are more likely to result in high-quality learning and creativity than extrinsic motivations. In more detail, intrinsically motivated individuals act for the fun or the challenge of the endeavour, whilst extrinsically motivated individuals act because of external pressures or rewards (Ryan and Deci, 2000, 56).

Thirdly, for identifying supporting factors for entrepreneurship, the economists Freire-Gibb and Nielsen (2014) examined single entrepreneurs in Denmark via longitudinal surveys and state that in rural areas social networks are especially important for entrepreneurs, "where the institutional environment is less supportive of entrepreneurship" (2014, 141). Earlier, Edquist and Johnson (1997) described the function of innovation systems as such: any support must reduce uncertainty by providing information, management of conflicts and cooperation and the provision of incentives (Edquist and Johnson, 1997, 51; Weiss, 2011, 19). Along the innovation process, innovation system functions may be related to input factors (provision of resources: human resources, information, finances), to the management of the complexity of innovation processes (within a firm or across various actors), and to the use (promotion) of innovations (Kubeczko et al., 2006). For the purpose of this paper, we translate these functions into three groups of support factors that innovation system actors provide to entrepreneurs all along the innovation process: information, coordination and incentives. Information would then include human resources, market information, technical know-how as well as knowledge on how to do business; coordination relates to business co-operations, relationships with stakeholders and management of possible conflicts; incentives are any pecuniary or non-pecuniary resources, including private or public sources for investments. We assume that innovation fields differ in how far these types of support are requested from the side of the

[1] For this case we needed to verify the information in terms of support given by the landowner himself. The additional interview shed light on the opposition of some actors in his region to his project. Those were the local tourist office and the regional landowner associations.

[2] "(…) the entrepreneur always searches for change, responds to it, and exploits it as an opportunity" (Drucker, 1985, 25).

[3] According to him, being in a "structural hole" in networks within a single firm is fostering creativity for brokers *between* different groups. Burts research was undertaken amongst the individual managers of a large electronics company in the US where in concrete he examined the discussion networks amongst 673 managers during 2001 via net based surveys. "[…]people who stand near the holes in social structure are at higher risk of having good ideas."(Burt, 2004, 349).