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Patterns of Place Leadership

Institutional Change and Path Development in Peripheral Regions

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1 Introduction

In this chapter, we argue for the need to focus more explicitly on patterns of place leadership in different types of regions. We aim to shed light on leadership patterns by exploring by whom and how local path development is promoted in two different types of peripheral regions in Finland.

The rapidly expanding stream of studies on place leadership shows the importance of human agency in any effort to unlock the many negative path dependencies regions are struggling with and simultaneously to create conditions for new paths to emerge. Neffke et al. (2011, 241) argue that the ways regional development paths emerge and change in time raise the most thrilling sets of questions for economic geographers and regional development scholars. We endorse their view, and from our perspective, understanding the role of human agency in path development is the most interesting issue among all the other interesting issues. Hassink et al. (2019, 3) highlight human agency and, in line with many others, stress the importance of understanding how development paths emerge and are created by multiple actors. McKinnon et al. (2019) write that actors work to construct new development paths by coupling strategically regional and extra-regional assets to the mechanisms shaping and directing path development in a specific place. In so doing, they operate at the crossroads of placeless actors' ambitions and unforeseen economic-social-political powers as well as the needs and ambitions of regional businesses, politicians and other actors (see Sotarauta this volume). In these kinds of situations, place leadership, as a form of strategic agency, is to be approached as a distributed but strategic and foresighted driver for change (Dawley 2014). Moreover, place leadership, ideally, is the force making human agency at least slightly more collective for regional development.

We follow the spirit of this handbook and define place leadership 'as mobilization and coordination of diverse groups of actors to achieve collective effort for enhancement of the development of a place. It works across institutional, organizational, geographical and/or sectoral boundaries to amplify the local power base for strengthening the capacity to influence those with great powers' (Sotarauta this volume). In this chapter, we do not dig deep into the concept of place leadership as it is discussed from several perspectives in other chapters. Instead, we focus on path development and place leadership patterns in peripheral regions, using two Finnish peripheral sub-regions as cases in point.

As Grootens summarises (2019, 10), 'peripheralisation is intrinsically linked to processes of centralisation, and this process has both material and discursive elements'. From this premise, we follow Willet and Lang (2017), who argue that peripheral regions should not be seen as passive 'victims' of their locational destiny but that their capacity to challenge their peripherality should be analysed. In this chapter, we do not scrutinise in detail the processes of peripheralisation or the many specificities of peripheral regions. Instead, we approach the challenges faced by peripheral regions from an economic development perspective and acknowledge that our view is narrow and incomplete. However, by doing so we are able to shed

light on the interrelationships between place leadership and path development in the context of peripheral places, a complex issue in itself.

We are interested in the ways core actors aim to deal with the process of peripheralisation (Lang 2011) and aim to construct their own futures by adapting to the external changes (or fail to do so). Market-related entrepreneurial agency is generally stressed in the industrial path development literature (Holmen and Fosse 2017), but, as the entrepreneurial sector is usually thin in peripheral regions, there is a need to better understand place leadership (and institutional agency more broadly), which works to shape the playing field for businesses. Of course, in peripheral regions, actors have no control over many powers and structures that influence their path development. Therefore, it is of importance to understand the patterns of such place leadership that are aiming to reach beyond structural limitations. We focus on how actors mobilise local, regional and extra-regional resources, powers and capabilities to seek possible, imaginable and desirable paths. Bailey et al. (2010) observe that local businesses co-evolve gradually with institutional stakeholders and global demand (Martin et al. 2019) but may sometimes face external shocks, causing abrupt changes locally (Christopherson et al. 2010). For these reasons, we also investigate the institutional change process underpinning place leadership. Consequently, we are interested in how change agency emerges and how it unfolds.

The main objective of the paper is to explore the patterns of place leadership in peripheral regions by answering the following research questions: (a) Are there different patterns of place leadership at a local level in a country? and (b) What are the differences and similarities in place leadership in the case sub-regions?

2 Path development in peripheral regions

2.1 The basic tenets of path development

In evolutionary thinking, regional economies are approached as processes of economic growth or decline in which socio-politico-economic processes are central targets of attention (Martin and Sunley 2006; Benner 2019). In path development studies, the focus is on all the ways regional structures and endogenously derived development processes shape economic development trajectories. There is an abundant body of literature showing how scientific excellence and an engaged research community, a vibrant entrepreneurial culture and well-established regional knowledge creation and circulation processes, accompanied by strong global pipelines, direct transformation processes (Bathelt et al. 2004). More often than not, it has been observed that a large number of innovative firms in related industries trigger dynamic branching processes (Boschma and Frenken 2011).

In the literature, several path-development typologies have been presented. They are converging, and an overall view on the various forms of path development is emerging, with some nuances added publication by publication. We satisfy ourselves by introducing the main conceptualisations, drawing on several studies. *Path extension* refers to the continuation – and

potential growth – of existing trajectories, mainly through incremental innovation. *Path upgrading* refers to existing paths changing qualitatively by, for example, a change of position in the global hierarchy of production and enhanced products, services or processes or a new niche in markets. *Path diversification* points towards diversified industries. It is characterised by firms moving to become something else, with new products or services for new markets, and thus a part of a new industry.

For its part, *path branching* is about firms and industries shifting to a different but related sector. Often, regions branch into industries that are technologically related to the pre-existing industrial base of a region (Boschma and Frenken 2011). *Path emergence* refers to the creation of a completely new industry or new industries that are not based on an existing knowledge base or prevailing regional industries. *Path importation* occurs when an industry – or some firms or other activities to launch the process – moves from elsewhere to a region. *Path exhaustion* refers to a state in which the innovation potential of local firms has been reduced, or innovations are restricted to a specific technological path; regional industry has low adaptability with regard to technological and market changes. Thus, exhaustion may lead to the entire industry losing its position in global value chains (see Beer 2018). (The typology briefly introduced here is based on Grillitsch and Asheim 2018; Blazek et al. 2018; Isaksen 2015; Lester and Sotarauta 2007.)

2.2 The challenge faced by peripheral regions

The regional path development literature is quite largely focusing on core regions, and path development in peripheral regions has remained in the shadows of scholarly attention. In the words of Isaksen and Trippl: ‘current models of path-dependent regional industrial development, however, fall short of providing a sound theoretical framework for analysing the emergence of new paths in the periphery’ (Isaksen and Trippl 2017, 438).

Central in our approach is the fact that, by definition, peripheral regions are not rooted in agglomeration economies; they do not have large clusters or advanced regional innovation systems. Consequently, their conditions for innovation and clustered economic development are poorer than those in central places. Peripheral regions are often locked into past development paths, which are dominated by traditional and often resource-based industries struggling to adjust to global demands (Isaksen, 2015). The organisational structures supporting business development and innovation processes are not particularly well-developed and are in many places geared towards supporting something that already exists in a region (Tödtling and Trippl 2005; Isaksen 2015). In peripheral regions, new economic development paths do not usually emerge from regional branching occurring between and within industries, as is the case in more dense regions (Boschma and Frenken 2011). For these reasons, peripheral regions are dependent on external inputs and path importation and thus on top-down policies and resource allocations or the relocation of firms from elsewhere or other forms of resource and knowledge flows (see, e.g., Virkkala 2007; Varis et al. 2014; Dawley et al. 2015).

As Isaksen and Trippel (2014) summarise, peripheral regions lack key assets for path development. Or, they need to mobilise different key assets from the ones commonly stressed in the regional economic development literature – this is a place leadership challenge, if any. According to Isaksen and Trippel (2017, 438), several studies have indeed shown that new economic development trajectories may also emerge in peripheral regions. Firms in peripheral regions may be innovative, but their interaction patterns and innovation processes are different from those located in core regions (Shearmur 2015). Firms in remote regions adopt low-frequency strategies and rely more on publicly sourced technological information than firms in core cities (Shearmur 2015). Therefore, for a scrutiny of path development in peripheral regions, we need to see beyond Martin and Sunley's (2006, 403) argument that past economic development in a region 'sets the possibilities, while the present controls what possibilities are to be explored' (Martin and Sunley 2006, 403) and study how actors work to build and mobilise new key assets for unleashing a region from the chains of path dependency.

3 Institutional change and agency

It is a generally shared observation that institutions shape path development in subtle but pervasive ways (Gertler 2010); the interplay between institutions and agency is one of the cornerstones in any study of place leadership. Existing institutional arrangements frame and shape not only the emergence of new development paths, or the transformation of existing ones, but also the way actors work for regional development. Place leaders never work in an institutional void but are always embedded in a complex and multi-scalar institutional environment. As Cooke (2002) states, actors take pains to transform institutions when they are working for regional development and aiming to adjust local/regional institutions to better fit the changing economic landscape.

The basic premise here is that path development is essentially about institutional change, both intentional and emergent – changes in dominant mindsets and discourses, in industrial structures and ways of operation and in regulatory environment and normative assumptions – that is, all those regulatory, normative and cognitive-cultural things (Scott 2001) that frame and shape decisions and choices made in a particular place. *Regulative institutions* are the constraining force legitimising behaviour. Setting the rules and monitoring behaviour as well as sanctioning some activities but rewarding others are the ways to influence actors to stay on a selected path or start diverging to a new one. The basis of compliance is expedience. *Normative institutions*, referring to values and norms, highlight rules and introduce an obligatory, evaluative and prescriptive dimension into path development. Social obligation is the basis of compliance. For their part, normative institutions emphasise factors that inform actors on what is preferred and/or desirable (Scott 2001, 51–54) and hence also point to the standards the desired path development is evolving on. *Cultural-cognitive institutions* are drawing on external frameworks that shape, in many ways, internal interpretation processes (Scott 2001, 57). Shared understanding is the basis of compliance. Abolished, renewed and/or totally new institutions

change the ways actors see, interpret and understand their role, actions and positions in the context of path development. In practice, institutions are often in conflict with each other, sending mixed messages that different actors may interpret in their own ways.

Place leaders are intentional actors, but the context in which they operate is shaped by difficult, if not impossible, forces to anticipate and a whole set of institutions to comply with or to challenge; many surprises emerge to challenge local and regional intentions in many ways. In studies on place leadership, one of the challenges is to distinguish between emergent institutional changes and those that can be shaped locally. Of course, in the real world, the many efforts to change institutions and adapt both to externally and internally driven emergent development patterns are in many ways intertwined. Intentionality place leaders' actions are to be seen against the emergent properties being outside the immediate reach of place leaders (Sotarauta 2016). Relatedly, the basic challenge in studies focusing on place leadership and institutional change is an implicit assumption that it might be possible to separate periods of stable development from periods of abrupt changes. It may be possible to differentiate these two forms of change both conceptually as well as in real life from each other. In studies focusing on change, a distinction between abrupt, discontinuous and periodic, on the one hand, and a continuous, incremental and relatively linear view, on the other hand, is fairly common (Sotarauta and Pulkkinen 2011). From this perspective, change is seen as a discontinuous period between periods of stability and continuity. Change scholars have turned this notion upside down and argued that we should approach change as the normal state of affairs and see stability as an anomaly (Pettigrew 1992; Weick and Quinn 1999).

For these reasons, we build on Streeck and Thelen's (2005) position that gradual transformation, as a point departure, is the most auspicious view on a study of change instead that of 'breakdown and replacement' (abrupt change) leading to discontinuity. Streeck and Thelen's position is important as it is built on an observation that incremental changes may lead to considerable discontinuity. Contrary to the general notion, incremental changes are not only about protecting the existing development path, the institutional continuity, in which the main process is to reactively adapt to changes and reproduce the past. Indeed, new development paths may progress gradually, under the policy and scholarly radar. As Streeck and Thelen (2005) phrase it, major changes may emerge beneath apparent stability. Consequently, all those changes that may appear as abrupt and dramatic to actors may, in practice, be less seditious than they may seem on the surface. Of course, the actors often perceive them as dramatic as they are not able to detect the effects of slowly accumulating incremental changes, which may potentially be many. All in all, we base our view on change on Streeck and Thelen's (2005) 'gradual transformation' – creeping change – which emphasises constant change and search as a core in any path development institutional change process. This ontological argument is crucial for efforts to understand and explain place leadership and path development.

Table 1. The four types of institutional change (Streeck and Thelen 2005, 9)

		Result of change	
		<i>Continuity</i>	<i>Discontinuity</i>
Process of change	<i>Incremental</i>	Reproduction by adaptation	Gradual transformation
	<i>Abrupt</i>	Survival and return	Breakdown and replacement

4 Methodology, data and cases

4.1 Methodology and data

This chapter is drawing on, and contributing to, the project ‘Regional Growth Against All the Odds: The Driving Forces of Long-term Growth in Nordic Regions’, or ‘ReGrow’, which aims (a) to identify regions that in certain periods of time show exceptional high or low regional growth after considering structural preconditions; (b) to explain exceptional high or low growth in certain regions and time periods by focusing on the role of actors, networks and institutions at multiple spatial scales (regional, national, global); and (c) to develop a context-sensitive model of regional economic growth that accounts explicitly for the regional heterogeneity and time dynamics. This chapter analyses two of 12 cases (from Finland, Norway and Sweden) that were analysed in the project. We do not explain case selection in detail but refer to Grillitsch et al.’s chapter (this volume). It explains the procedure that was followed in the project and thus also in the analysis presented here. The two cases focused on here were selected drawing upon an extensive econometric analysis covering the three countries over a 20-year time period.

In the ReGrow project, the final phase of the empirical study followed a case study design, one of the main ambitions being to reveal how structure conditions agency and how agency subsequently changes or reproduces structure. In this chapter, instead of painting a picture of place leadership and changes in the two case sub-regions drawing on the entire dataset of the ReGrow project, we add the temporal dimension into the analysis by applying the institutional change typology presented above. This allows us to relate patterns of place leadership to change without discussing the entire timelines, the critical incidents and the key actions stretching over 20 years.

At all events, the two case studies were carefully chosen to illustrate the differing place leadership patterns in Finnish sub-regions. The two different sub-regions, with their differing industries, past paths and distinct patterns of agency, were chosen to provide us with two institutional contexts and two sets of experiences, policies and prospects to study manifestations of place leadership. Therefore, strictly speaking, the study does not follow a matched-pair design but rather draws on two parallel single cases.

The qualitative study, following the econometric analysis, began with a literature review of relevant material describing and analysing the overall development of the case sub-regions or

some specific critical junctures of them. This included written material from the Internet, relevant journals, related newspaper articles and policy documents from local, regional and national levels. We studied, first, each case independently to construct an overall understanding of the main actors and their means of influence by drawing on the said material. Second, we moved to compare patterns of place leadership. Drawing on this collected secondary data, the overall development patterns of the two cases were outlined. In this way, general views on changes and agency were constructed. All this paved the way for the next round of data collection. This phase identified generic path development patterns, the main policy instruments and other actions for further data gathering and analysis.

Finally, key actors (17 in the Jakobstad sub-region and 15 in Eastern Lapland) were interviewed from the local/regional development agencies as well as from firms and research/educational organisations. The interviews followed the idea of a thematic interview (semi-structured interview). The themes were the following: (a) What was the interviewee involved in and why? What was the main ambition? (b) What were the most important activities? Why is what the respective organisation is doing important? Is there a formulated strategy guiding its actions? What are some examples of success and/or failure? and (c) Who were the most important actors in his/her field and why? Who/what influences the developments in the field and her/his activity, and how, locally, regionally, nationally and globally? The main aim was to construct an overall view on the main activities, to identify the actions of key people in their efforts to influence the process and thus to find how key actors work to drive the path development.

4.2 The case sub-regions in brief

The two places under scrutiny are sub-regions, according to the Finnish classification of regions. There are 18 regions and 70 sub-regions in Finland. According to Eurostat, sub-regions are level 1 local area units (LAU1).

Eastern Lapland is located in northern Finland by the Russian border (see the map below), with a population of 15,808 in 2019, having decreased by 31% from 2000 (StatFin 2020). The sub-region is peripherally located far from the main cities of Finland. According to the Finnish spatial classification of rural areas (Suomen maaseututyypit 2006), Eastern Lapland belongs to the category of 'sparsely populated rural areas'. The Central town – Kemijärvi – used to have, relatively speaking, strong pulp and electronics industries. The closures of the electronics factory in 2004 and paper mill in 2008 resulted in increased unemployment and outmigration. Eastern Lapland does not have a high number of SMEs; especially growth-oriented enterprises are few. Traditionally, small-scale operations (for example, reindeer herding) and public sector and large industrial corporations have been the main sources of livelihood. Establishing one's own enterprise has not generally been a potential choice among the local people. There are some signs of hope as tourism has started to grow in the eastern parts of Lapland, and a few service providers are finding their way to the markets, which are blooming elsewhere in Lapland.

The Jakobstad sub-region is located on the west coast of Finland (see the map below), with a population of 49,663 in 2019. According to the Finnish spatial classification of rural areas, it belongs to the category of ‘core rural areas’. Its population has increased by 3% from 2000 (StatFin 2020). The sub-region is characterised by family-owned small and medium-sized enterprises (SMEs), a strong export orientation, a well-established industrial sector, a Swedish speaking majority (75% of the population, 5,2% in Finland as a whole), higher numbers of immigrants than in Finland on average and an emphasis on vocational education. The industrial base is versatile, including food, forest, machine and boat industries as well as agriculture. The unemployment rate has consistently been among the lowest in Finland.

The industrial base of the Jakobstad sub-region has become more versatile over time, both in size and diversity. Until the 1990s, the forest industry and its core, the pulp industry, were the most dominating businesses, along with the metal industry, being partially connected to pulp production. There is no single reason for this transformation, but we can see that the recessions of the early 1990s and 2009 reduced jobs in traditional big corporations, and the employment pattern shifted from a few big employers to multiple family owned SMEs. The forest industry has diversified into several enterprises, with smaller firms serving the pulp core. Importantly, the food industry has developed favourably and has become a new star in the sub-region. All in all, Jakobstad has a strong entrepreneurial culture, which is reflected widely, being the ground for a micro-level diversification of the industrial landscape.

Table 2. The case-study regions in brief (StatFin 2020)

	Jakobstad sub-region	Eastern Lapland sub-region
Largest municipality and its population	Jakobstad (19,248)	Kemijärvi (7,280)
Population	49,663	15,808
Number of municipalities	5	5
Major industries as they are today	Food, paper and pulp and boat industries	Forestry and related industries, tourism

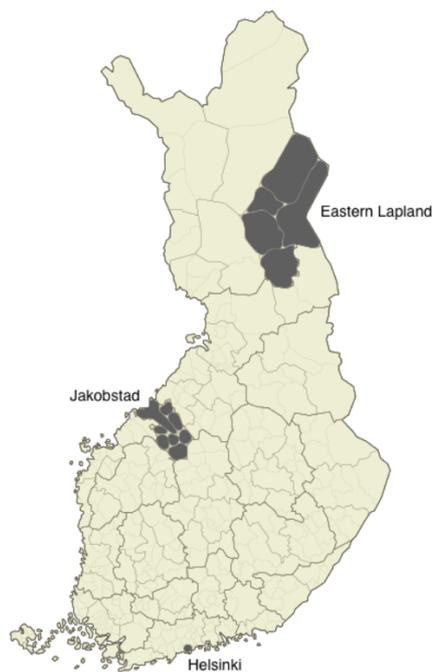


Figure 1. The location of the two case sub-regions in Finland

5 One country, two patterns of place leadership

5.1 The system of governance in Finland

It is generally acknowledged that the system of governance frames place leadership in many ways as it reflects formal structures of power and administration but also the nation's capacity to create new institutions and reshape existing ones (Sotarauta and Beer 2017). The relationship between agency and governmental or other powers either enables or constrains place leadership significantly; place leadership cannot be investigated in isolation (Beer 2014). Place leadership is therefore to be approached as a particular role in a governance system; it is a role focused on the achievement of joint development work in a region (Normann 2013).

Finland is a unitary state with a two-tier government system; central government is strong, but significant responsibilities and powers have been devolved to self-governing municipalities. At a regional level, regional councils, statutory joint municipal authorities, are responsible for regional development. While the regional councils have statutory responsibility for development at the regional level, the management of development funds is divided amongst many organisations, including state development agencies (Haveri 2015). Since the 1990s, the Finnish regional development system has treated regions and localities as the authors of their own development, municipalities being responsible for these efforts with the State of Finland under the Regional Development Act (Vartiainen 1998; Moisio 2012). In Finland, due to the strong local government, places not only have voice but also money, which is a strikingly different position from those places where centralised power rules out a 'voice' for rural regions

and regional towns. As Beer (2014, 256) puts it, these 'communities are effectively denied the capacity to determine their own futures'.

The Finnish local government enjoys constitutionally guaranteed local autonomy and fiscal powers. Municipalities' revenue comes from local income tax, real estate tax and a share of corporate tax as well as state subsidies, which vary significantly depending on the socio-economic status of a municipality. Especially city councils but also smaller municipalities have invested both financial and human resources in the promotion of local economic development. Over the past decades, municipalities have formulated, in varying capacities, strategies both independently and in collaboration with other municipalities and the central government. Haveri (2015, 138) reminds that, in the Finnish local government, 'there is a strong tradition of consensus-seeking between different interests and avoidance of open conflict'.

Finland is a country with a sparse population (18,2 per km²) and long distances, and a distinct south/north but also west/east dichotomy has existed in Finland for centuries. Southern and Western Finland has, in general, been developing more favourably than the eastern and northern parts of the country (Nenonen 2018). For these reasons, the Finnish regional policy has traditionally been more periphery oriented than regional policy in the European context in general (the same goes for the other Nordic countries) (Mönnelund 1994). What has also greatly affected the Finnish regional policy is the 'Great Migration' in the 1960s and 1970s, when people moved in great numbers from rural areas to cities and from north to south (Tervo 2005). For several decades, regional policy focused on the peripheral regions – not only because of their structural problems but also to reduce the economic handicaps created by long distances to markets and an inadequate supply of skilled labour.

Especially during the first phase of the Finnish regional policy legislature (1966–1975), the explicit objective in the regional policy was to industrialise the entirety of Finland. From the late 1970s towards the end of the 1980s, it was realised that industrialisation alone is not enough, and promoting versatility of local/regional sources of livelihood was emphasised more than before. A comprehensive regional planning system for distributing welfare was created, and the core public services distributed all over Finland, including higher education to all regions (Vartiainen 1998). As always in Finland, the regional policy objectives merged with the national industrial (later innovation) policy, and the justification for regional policy was to create a welfare state and enhance Finnish industries. From the 1960s to late 1980s, regions were seen as objects of the top-down regional policy, and since the late 1980s, and especially upon joining the European Union, Finland began seeing regions as subjects of their own destiny, and both vertical and horizontal partnerships were highly emphasised (Sotarauta 1997; Mäkinen 1999).

Consequently, drawing on the fairly long tradition in regional policies, as well as strong local government, 'place leadership in Finland appears grounded in well-developed public sector institutions, with specialist staff, with specialist training, underpinning economic development efforts at the regional or local scale' (Sotarauta and Beer 2017, 220). Moreover, Sotarauta and Beer concluded that place leadership 'is institutionally based in the context of a balanced

governance system' (220). However, they also acknowledge that 'a more nuanced comparative analysis is likely to reveal that underneath the high-level similarities ... there are grassroots differences in the ways place leaders mobilize themselves and other actors' (216). As our analysis of place leadership in two Finnish sub-regions shows, first, there indeed are significant differences between place leadership patterns even in a unitary state such as Finland, and, second, place leadership is institutionalised differently in two different types of peripheral sub-regions. Next, we present an overview of the place leadership patterns in the two sub-regions one by one and then present our comparative observations before moving on to conclusions.

5.2 Case Eastern Lapland

We divide Eastern Lapland's economic evolution into the following three main phases: the era of industrialisation (from the 1960s to the early 2000s), the era of external shocks (2000s) and decay by reproduction (from 2010 onwards). We focus mainly on the last two phases, but as the agency is highly path dependent in itself, we briefly describe the first phase, too.

The era of industrialisation (from the 1960s to the early 2000s)

Eastern Lapland was one of the designated recipients for regional policy aids, with the aim to promote its industrialisation, and during this period its industrial path was constructed. Local, regional and national public authorities worked to attract investments to Eastern Lapland. The modes of agency were very typical of the Finnish regional development thinking of that time. The central government focused on promoting industrialisation and building infrastructure by providing firms with tax reliefs and investments aid. In short, place leadership was characterised by an active central government and responsive local/regional actors (especially municipalities), with local actors lobbying for external resources and participating in implementation of the industrialisation and infrastructure projects. Municipalities prepared the local landscape for external investments. The state harnessed the Kemijoki River to the production of hydropower in the 1950s and 1960s and in 1965 a pulp factory was established in Eastern Lapland. In addition, the development of the first modern skiing resorts began in the 1960s. In the 1970s, there were big expectations for but also resistance to opening a phosphor mine and constructing an artificial lake for hydropower, but these projects did not materialise. The second surge of industrialisation occurred in the 1980s, when pharmaceutical (1984) and electronics (1985) factories were set up. Additionally, there were private investments in the skiing business (1987), and Finland's first-ever World Cup in Freestyle was organised at Suomu Fell. This era was characterised by steady path importation and extension, drawing mainly on external investments and resources.

The era of external shocks (2000s)

The first years of the new millennium witnessed industrial path exhaustion in Eastern Lapland. Several decisions were made external to the sub-region that demolished industrial structures in

a relatively short period of time. Again, the agency was in the hands of external actors – major corporations making independent decisions based on the market situation in each market, resulting in the closures of the pharmaceutical (2002), electronics (2004) and pulp (2008) plants. There were also some positive developments, which did not, however, compensate for the losses in the main industries but that provided some hope for the future. These included the opening of the Salla Border Crossing Point between Finland and Russia (2002), investments in Pyhä Fell (from 2004 to 2010) and the state establishing a call centre for the social insurance institution of Finland (2009).

In the 1990s, the Finnish regional policy thinking moved towards emphasising endogenous development, including a strong emphasis on innovation, technology and competitiveness. Consequently, the significance of many of the top-down instruments that were used from the 1960s to early 1990s decreased notably. Additionally, the demands of the global economy pushed the corporations to change their strategies. In brief, both the Finnish economy and the modes of regional policy were different from those during the era of industrialisation, and the changes in the operational environment revealed how weak the place leadership in Eastern Lapland had actually been.

Decay by reproduction (2010 onwards, post closures)

The closures of the plants left Eastern Lapland bleeding. The sub-region had become dependent on public employment, with the population decreasing steadily. As Eastern Lapland had for a long time been a place of large industries (relatively speaking), it did not have a tradition for entrepreneurship; the number of SMEs is low. Especially growth-oriented enterprises are a scarce commodity. The sub-region was trapped by its past path, and it became overly reliant on the agency of the central government and a few corporations. As the state agency was central in industrialising Eastern Lapland, there was no space or need for local actors to develop leadership skills. Local networks to seek new paths were weak, and both financial and human resources were scarce. Additionally, the formal governance system for regional policy had earlier created a formal space for the sub-region to interact with national-level resource holders and decision makers. With the formal system changing drastically, local actors struggled to access national networks as well as earlier.

The sub-region has struggled to create new jobs in the 2000s. The policy and economic landscapes have changed, but local leadership has not kept up with changing times. The main focus in creating new jobs is on finding a way to attract investments external to the sub-region, but this time the gaze is turned to east, and there is a serious effort to attract Chinese investment in a new large-scale biorefinery that would meet all the contemporary standards set for a circular bioeconomy. Some attempts to attract domestic manufacturing establishments have been fruitful. A sawmill (2014) and a refrigeration equipment manufacturer (2015) were newcomers. The key local actors have also lobbied for a new railroad. So, local actors have not been idle, but it is striking how the place leadership follows the pattern learnt in the past: Key

actors aim at radical developments (big projects) and work to lobby for external resource and power holders. All this is expected to be led by public actors, municipalities most notably. None of the mega-projects have come to fruition as of the time of writing; some of the projects are waiting for the final decisions to be made elsewhere.

In addition to a hunt for mega-projects to take Eastern Lapland back to its industrial path – on an upgraded version of it – place leadership is characterised by a sporadic civil society mobilisation to protest the plant closures or to demonstrate publicly for a need to improve train connections. These kinds of campaigns have emerged with a strong leading figure surfacing from the sub-region for a short period of time.

In sum, the latest development phase, post-industrial path exhaustion, may be labelled as reproduction by gradual decay. The situation was caused by gradual transformations in the global demand on the main products of the local corporations, which led them to change their strategies and to the closing of plants in Eastern Lapland. Place leaders in the sub-region share the conviction that the sub-region should continue pursuing its industrial path in spite of all difficulties; their wish is to attract investment to the sub-region such that would allow them to continue on an industrial path but upgraded to the demands of the 21st century bioeconomy. In other words, they are dreaming about positive abrupt changes to replace the consequences of the negative ones.

Table 3. The patterns of place leadership in relation to institutional change, case Eastern Lapland

Process of change	Agency	
	Continuity	Discontinuity
<i>Incremental</i>	Reproduction by gradual decay <i>2010 and onwards</i>	Gradual transformation in the main markets <i>Prior to external shocks</i>
<i>Abrupt</i>	Dream: an investment in a new plant <i>The future?</i>	Closure of plants <i>The era external shocks</i>

In Eastern Lapland, for decades, the most central of the national institutions shaping path development and related agency were those normative institutions that provided the entire country with a moral legitimisation to support peripheral regions. Eastern Lapland readily complied with the national normative and regulative institutions, providing them with human and financial resources from the outside. Quite naturally, strong national institutions, supported by many policy instruments, shaped a shared understanding of the place and perceptions of successful leadership. In the 1990s, when regulative and normative institutions of ‘the old regional policy’ withered away, local cognitive-cultural institutions and a shared understanding

of the needed actions continued to provide place leaders with guidelines for development strategies and concrete actions. Consequently, the development strategy may be labelled as path defensive, an ambition to return to the industrial past. The policy ambition, or wish rather, is to move to 'upgraded path extension' after a nasty hiccup.

5.3 Case Jakobstad

If path development in Eastern Lapland has been characterised by abrupt changes leading to significant discontinuities, Jakobstad is in stark contrast to it. According to our analysis, it is one of the sub-regions in Finland that has been outperforming its structures. Changes in the industrial path have been incremental but still leading to discontinuities in time. Even though the changes are not dramatic, the sub-region has changed continuously over the last 20 years. The industrial variety has increased both in size and businesses present in the sub-region. Jakobstad has adapted well to changes in the global markets by continuous adaptation, the industrial path extending and several enterprises strengthening their position in international markets. The institutional changes framing and shaping path development have been creeping by nature.

Until the 1990s, the forest industry, especially the pulp industry, was the most dominating business along with the metal industry, which was partially serving pulp production. There is no single reason for this transformation. Still, it seems to be evident that the economic recessions in the early 1990s and the global financial crisis of 2009 reduced jobs in the leading local corporations. Simultaneously, some of the small manufacturing enterprises have grown into the class of middle-size enterprises by successfully accessing global markets. Generally speaking, the relative significance of the few big corporations has decreased as several family-owned SMEs have begun to employ more local people. Most notably, the food industry has developed well, and the forest industry has been divided into several companies – a number of smaller enterprises have emerged around the core formed by a company producing pulp.

Again, in stark contrast to Eastern Lapland, the entrepreneurial culture is strong in Jakobstad. It is fairly common and even popular to seek employment by establishing an enterprise. Business opportunities are often sought, especially from abroad, and export is a natural step of growth in many companies. Interestingly, according to our interviews, the key actors are not actively seeking partners, funding or institutional influence to support local economic development from Finland. They do not consider the national policy making as particularly important, either. They seek partners and influence from abroad, in particular from Sweden, which is natural for a Swedish-speaking part of Finland located next to Sweden, just across the sea. So, the combination of the diversified industrial base, entrepreneurial spirit and international orientation is an undeniable asset in the sub-region and is also shaping place leadership.

Our interviewees provided us with rich stories about, and convincing evidence for, the tight local networks being based both on strong business and personal ties. The manifold subcontract networks and personal-level interaction support mutual learning and a continuous search for

emerging problems and opportunities. As several of the interviewees maintained, place leaders want to ‘keep moving all the time’ and ‘do things a little bit better all the time’. The core actors, in close collaboration, proactively seek ways to tackle developmental challenges. They focus on niche opportunities instead of grand projects and creeping changes instead of radical jumps to something new. It is not only their place leadership that is different from Eastern Lapland but also their perception of spatial scales and time.

It is beyond any doubt that local agency in Jakobstad is strong, proactive and well-rooted in the local community and its traditions. Interestingly, in a country with a tradition of the local government taking the lead in the promotion of local economic development, it is the business community that has taken the role of place leadership in Jakobstad; however, the business community does not work against the public sector, which may be the case in different types of places (cf. Beer 2014), but rather mobilises collaboration across organisational and institutional borders to continuously shape and reshape local thinking patterns on local economic development. They have been successful in pooling local expertise and in building strong international networks for sources of ideas, both for the individual companies and the local economic development work.

If Eastern Lapland is a place that has experienced abrupt changes and seeking for investments to make big change on big investments, the notion of change and related leadership are strikingly different in the Jakobstad region. Instead of searching for big leaps to the future, they believe in adaptation by continuous renewal, being collectively on the move and hence working to adapt strategically in the long run. As some of the interviewees indicated, being continuously prepared is the core of success in the long run.

Table 4. The patterns of place leadership in relation to institutional change, case Jakobstad

Process of change	Agency	
	<i>Continuity</i>	<i>Discontinuity</i>
<i>Incremental</i>	Adaption by continuous renewal	Strategic adaptation in the long run
<i>Abrupt</i>	Continuous preparedness to face surprises	Continuous preparedness to face surprises

In Jakobstad, the most central of the local institutions shaping path development and related place leadership are the cognitive-cultural ones. There is a highly developed social obligation to work not only for an individual or an individual enterprise but also for the place. There is a widely shared understanding of the sub-region’s position and its main assets, and even more importantly there is a widely shared understanding of local economic strategy and how to

implement and renew it. Place leadership is rooted in a common belief in the position of the place in core networks and the local change agency required to work for the future.

6 Comparison and discussion

In each of the two cases, the stronghold of the Finnish economy, the forest industry, has played a central role in economic evolution. The changing patterns of the consumption of forest-based products, and the emerging forest-based bio-industry, have shaped the Finnish economy and many of its regions significantly. In his typology, Herrschel (2011, 90) discusses peripheries in relation to their geographical location (spatial peripherality) and position in networks (network-shaped peripherality). Eastern Lapland is clearly a high spatial peripherality and high network-shaped peripherality, which is the least connected type of a peripheral place, combining spatial and social peripheral characteristics. These types of periphery, according to Herrschel, are in danger of sliding into a downward spiral of marginalisation. For its part, Jakobstad is not as spatially peripheral as Eastern Lapland but is not one of the core sub-regions, either. Herrschel labels peripheral places, such as Jakobstad, as 'held back' places. Their well-developed network-based connectivity is the institutional playground that allows them to construct a strong position in a global economy, often in niches. This is crucial as it is place leaders that are expected to mobilise local networks and connect a place to networks external to it. Network leadership is one of the cornerstones in place leadership (Sotarauta 2016).

Our empirical observations show place leadership co-evolving with economic development, governance systems and dominant policy making rationales. However, our two cases suggest that the cognitive-cultural institutions framing place leadership are changing more slowly than the economic or policy landscape. Both cases, in their own ways, show how place leaders work to pool scattered resources, powers and competences and thus amplify their leverage in complex networks crossing spatial scales, reaching from local to global spheres and back. They work to shape as early as possible the notoriously complex multi-actor decision-making processes for the benefit of the place. In both places, as suggested in the place leadership literature (e.g., Sotarauta 2016; Liddle 2010; Beer and Clower 2014), local change agents work in many ways to reach beyond their familiar fields of activity towards such spheres and spaces where they do not have direct authorisation or formal power (see Sotarauta this volume). The patterns of doing all this differ greatly between our two cases.

While in Jakobstad the business community and its key individuals have taken the lead, in Eastern Lapland it is a few key public organisations and key individuals whose vision shows the way to the future. Place leadership in Eastern Lapland is fragmented and sporadic, weak on all fronts, and change agency is rooted in a traditional 'recipient mode'. The public sector is expected to take the lead in attracting resources from elsewhere. This is most likely due to the fact that Eastern Lapland has for a long time been a target of top-down policies and development strategies (by both the State of Finland and major corporations). Consequently, place leadership has not developed, and essential capabilities have not been learnt; place

leadership is weak, if not completely absent, and the efforts to change institutions for path development are based more on waiting for something to happen external to the sub-region than proactive local agency. The main development ambitions are targeted at lobbying the government and/or corporations for major development projects. In a crisis, civil society, on occasion, is mobilised (protests) if a strong leading figure surfaces. In all events, mobilisation is more ad hoc than strategic. Also, local business networks are thin, and the few main employers are not locally embedded. Both local and extra-regional forms of networking are weak, and there are no actors aiming to lead network formation beyond the selected mega-projects. In Eastern Lapland, the closure of two major plants is the main challenge but also a factor influencing the local operating culture.

In Jakobstad, place leadership is shared and mutual, co-constructed informally all the time. There are strong local networks, largely led by the local business community and supported by local and regional public actors. Place leaders in Jakobstad have had fertile soil in which to grow to meet the challenges from the constantly changing economic landscape and to learn the capabilities required in the mobilisation and coordination of resources and powers. Conversely, business community-based place leadership has contributed in many ways to continuous adaptations. Instead of being targeted at radical changes and related mega-projects, place leaders believe in incremental development – ‘doing things better all the time’. Interestingly, local actors strongly emphasise their own capacity to enhance economic development, and again, in a stark contrast to Eastern Lapland, they do not expect the state of Finland to take a role in the promotion of local economic development. Rather, they rely on continuously evolving place leadership as well as well-developed international networks.

Table 5. Comparison of place leadership in the two case sub-regions

	Jakobstad	Eastern Lapland
<i>Place leadership</i>	Shared and mutual, constantly informally co-constructed. Business community in the lead	Based on a few key organisations' and key individuals' visions Fragmented and sporadic
<i>Mobilisation</i>	Largely self-organising Occasional lack of coordination	A few key individuals and public actors organise project-based development work
<i>Path development rationale</i>	Continuous path extension and upgrading; Risk taking	Path restoration and upgrading by attracting external resources
<i>Mode of action</i>	Proactive	Reactive
<i>Perception of institutional change</i>	Creeping: 'Doing things better' continuously	Abrupt: Pursuing big development projects (new railroads, mines, mega-factory investments)
<i>Spatial scale</i>	Strong local activity and international orientation National scale less important	National and international emphasised Local scale less important
<i>Networking</i>	Intensive local networks to reach international markets Strong international networks	Weak local networks and narrow networks external to the sub-region

7 Conclusion

This study adds to the literature on place leadership by specifically focusing, in peripheral regions, on the patterns of place leadership in path development. We show how the notions and development practices differ from each other in two different types of sub-regions even though being embedded in the same national governance system. Additionally, we show how development paths shape not only industries but the patterns of place leadership. It is too early to propose a causal connection between top-down policy making and weak place leadership, but we suggest that a region which has been an object of regional policy making, a recipient of top-down influence, does not have fertile soil from which place leaders can emerge and learn the art of mobilisation. Our observation supports one of the main ambitions of the European Union's smart specialisation strategy, which is to mobilise 'a process of discovery and learning on the part of entrepreneurs, who are the best positioned agents to search for the right types of knowledge' (Estensoro and Larrea 2016, 1321). We remind of the importance to analyse not only regional assets but also the leadership capabilities called for in smart specialisation processes (see Laasonen and Kolehmainen 2011; Sotarauta 2018).

Our ambition was to reach beyond the established targets of attention in local economic development policies, and place-based policy studies, and to shed light on the ways actors in different regions are connected to path development and to each other's activities – that is, how they aim to lead institutional change processes when aiming to boost industrial paths. This

chapter proposes that to enhance path development and to construct agency-oriented regional development theories for the future, we need to understand not only leadership practices or the positions of place leadership in different governance systems but also the manifold patterns of place leadership across countries, places and spatial scales. Indeed, what we need is a robust theory and practical recommendations not only on what kind of policies are needed but on *how* to influence, to lead complex processes and hence to embed the capacity to transform regions strategically. This chapter is embedded in a conviction – and an associated rapidly emerging body of literature – that place leadership, and its connections to past paths and wider governance systems, need to be better understood than they have been up to this point.

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