Many studies have explained how spatial economies evolve according to specific path dependencies. They also show how cities and regions may specialize their economies in regard to technological innovations. These studies also reveal how institutions mediate in subtle but pervasive ways regional economic development and thus also development strategies. The contemporary city and regional development approaches are based on a conviction that various development policies need to be combined for identification and selection of a limited number of priority areas for knowledge-based investments that ought to focus on strengths and comparative advantages of a country, city or region in question. Simultaneously, there is a growing need to address the gap between prosperous places and less prosperous ones. Policy makers ought to be able to promote both the knowledge core and the non-growth agendas. All this is easier said than done, as contemporary policy wisdom not only calls for more sophisticated policies and policy processes but also conscious efforts to change policy institutions framing city and regional development in general and specific strategies in particular.

Consequently, it has been stressed that there is an increasing need to add to the literature on city and regional development by specifically focusing on institutional agency. Earlier studies on these lines have shown that (a) various actors often need to innovate against the logics of institutional arrangements that are supposed to support them, (b) organized actors not only comply with institutions but consciously aim to create them or to transform existing institutions, and (c) efforts to change institutions are not based on grand plans or sophisticated policies but rather phase-by-phase processes, an evolving search for next steps and visions.

This paper argues that obstruction of agency, intentions and interests is a weakness in studies focusing on city and regional development. This paper focuses on, first, the basic tenets of institutional agency in city and regional development, and, second, trinity of change agency (institutional entrepreneurship, innovative entrepreneurship and place leadership). Third, several cases are discussed to highlight how actors mould institutions, navigate them and thus push for path creation.

**Dr. Markku Sotarauta** Dr. Markku Sotarauta is professor of regional development studies in Faculty of Management and Business at Tampere University, Finland. In 2011-2013, he served as the founding Dean of the School of Management and, in 2009-2010, as the last Dean of the Faculty
of Economics and Administration. In 2008 he was appointed as a Visiting Professor in the Newcastle University Business School (UK) for a three year period.

Professor Sotarauta specialises in leadership, innovation systems, and institutional entrepreneurship in city and regional development. He has published widely on these issues in international journals and edited books. His latest publications include 'Leadership and the city: Power, strategy and networks in the making of knowledge cities', published by Routledge. Professor Sotarauta has worked with the Finnish Parliament, Swedish Innovation Agency (Vinnova) many Finnish ministries as well as cities and regions both in Finland and in other countries.

Sotarauta serves OP Financial Group as the 1st Vice-Chairman of the Supervisory Council, and Tampere District Co-operative Bank (OP Tampere) as the Chairman of Board of Directors.

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