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Localism is an illusion (of power): the multi-scalar challenge of UK

enterprise policy-making

**Abstract:** 

This paper explores to what extent the new localism has effectively empowered Local

Enterprise Partnerships (LEPs) and local communities to deliver localised, place-based

enterprise policy at the subnational level. It identifies externally imposed constraints on local

enterprise policy-making which have seen this reoriented towards the support of high-growth

potential businesses. However, the scope and focus of enterprise policy at the LEP level

contrast with heterogeneous local realities and needs, highlighting a pronounced rhetoric-

reality gap. With little evidence of local knowledge transcending policy boundaries, the paper

reveals that the current arrangements constrain local agency and reduce the effectiveness of

enterprise policy-making at the local level. It concludes that the power to develop localised,

place-based enterprise policy exists only in rhetoric.

Keywords: Localism, Enterprise policy, Entrepreneurship, Multi-scalar governance, LEPs,

Local government

**JEL Codes:** O10, L26, L53, H79

1

# Introduction

Given entrepreneurship's role as an engine of economic development (Acs et al., 2016), promoting entrepreneurship has become integral to economic strategies of governments worldwide. However, some have observed that contemporary enterprise policies have not yielded expected results. In the United Kingdom (UK), for example, despite three generations of enterprise policies (Beresford, 2015), there is little tangible evidence that the different initiatives have stimulated start-up rates or increased employment and economic growth (Greene et al., 2008; Huggins and Williams, 2009). Recent research shows that governance arrangements can be the source of challenges. Arshed et al. (2014) for example, demonstrated the ineffectiveness of UK enterprise policy under the governance arrangements of the previous Labour government and specifically critiqued the nationally conceived nature of policies. The transition to a 'new localism' over the last decade was conversely premised on a rhetoric of localised, place-based development and on empowering local actors to shape policy. However, recent evidence casts doubt on the promises of the new localism, raising important questions as to how much the enterprise policy-making process has actually changed (Arshed et al., 2016).

The election of the Coalition government in 2010 was the catalyst for another change in UK's geography of economic development governance as Regional Development Agencies (RDAs) were abolished and replaced with LEPs, giving rise to a new localism (Pike et al., 2015). Underpinned by a rhetoric of economic and spatial rebalancing through public-sector cuts and private-sector-led growth, LEPs set out to stimulate enterprise-led recovery by focusing on businesses with high-growth potential (HMG, 2010; Mason, 2016). This new devolution wave was heralded as a stepping stone in shifting power to local communities and ending the 'Whitehall knows best' culture (HMG, 2010; Pike et al., 2015). Localism aims to

stimulate local growth through LEPs (HMG, 2010; Pike et al., 2015) and empower local authorities and actors in the policy-making process.

Nevertheless, serious concerns have been expressed regarding the capacity of LEPs to perform locally inflected roles and to foster the horizontal coordination of local actors. Recent research has highlighted that LEPs are confronted with significant constraints on their ability to fulfil these roles such as insufficient resources, a lack of democratic accountability, a lack of engagement with SMEs and entrepreneurs and fiscal conditioning (Lowndes and Gardner, 2016; Bailey and Wood, 2017). Such issues raise important questions as to whether devolution is empowering localised economic development and whether the new multi-scalar governance model is enabling a more effective design and implementation of enterprise policy at the local level. Bentley et al. (2010, p.536) went as far as arguing that "localism' is an illusion since the LEPs will not have the necessary power or resources to carry out the tasks set for them". With the local growth agenda driven by public expenditure cuts, the new arrangements cast doubt over the ability of LEPs to defend local interests in centre-local negotiations.

The devolution of power from the state to sub-national levels rests on the assumption that by bringing policy-making 'closer to the people' (Polverari, 2015, p.1075) the policies tailored to specific socio-economic realities would deliver better economic governance. However, these outcomes are also contingent on the configuration of multi-scalar governance that results from devolution and on the dynamics between actors at different scales (Arshed et al., 2016; Catney and Henneberry, 2016; Bailey and Wood, 2017). Specifically, they rely on the extent to which local actors are able to leverage their new and evolving position in the multi-scalar system to deliver meaningfully place-sensitive policy (Arshed et al., 2016). In this context, there is a need to better understand the governance dimension, the actors, and the processes within the overall enterprise policy framework in the newly devolved context.

Drawing on lessons from the Sheffield City Region (SCR), the paper asks to what extent the new localism has empowered LEPs and local communities to deliver localised, place-based enterprise policy-making at the subnational level. The key objectives are to understand how enterprise policy is designed and implemented locally by LEPs, to assess the relevance and sensitivity of the new approach to local contexts, and to investigate what impact the new localism has had on the ability of local actors to influence strategic priorities and enterprise policy at the subnational level. The paper argues that externally imposed factors related to the austerity agenda and the national imperatives of promoting private-sector-led growth and maximising public sector investment have constrained local enterprise policy. These have limited the scope and focus of enterprise policy to targeting high-growth potential and ambitious entrepreneurs. The approach, however, contrasts with heterogeneous local realities, and the primacy of national priorities over local needs highlights a pronounced rhetoric-reality gap. Critically, while the rhetoric of new localism emphasises the empowerment of local actors to shape their economic strategies locally, there is little evidence of embedded local knowledge filtering into LEP-level enterprise policy initiatives. The paper reveals that the current arrangements constrain local agency and reduce the effectiveness of enterprise policy-making at the local level, resulting in intrascalar tensions between local actors.

The paper concludes that the new localism is an illusion (of power) as the new arrangements have failed to empower local actors and suggests that an obsession with scale hampers a more meaningful reorganisation of economic development governance at the subnational level, one that places the values and objectives of localism, rather than scale, at its core. While LEPs are specifically an English construct, their formation is situated within the wider UK devolution context which saw power devolved to Northern Ireland, Scotland and Wales in the late 1990s, and therefore the insights drawn from experience of the SCR yield important policy lessons for enterprise policy-making and the future of UK devolution.

# Enterprise policy and the changing geographies of UK economic development governance

The development of enterprise policy in the UK was influenced by the Bolton Report published in 1971, which highlighted the role of small businesses in building a dynamic economy (Arshed et al., 2016). Greene et al. (2008) distinguish four eras of UK enterprise policy, namely no enterprise policy, or 'policy-off' (1930s-1970s), small business policy focused on increasing the 'quantity' of enterprises (1980s), enterprise policy focused on 'business quality' (1990s), and the New Regional policy (NRP) which adopted a 'balanced portfolio' approach (1997-2010). These are followed by the new post-2010 localist approach. Each approach was underpinned by different rationales for intervention and generated different economic outcomes (see Table A1 in Appendix A), as shaped by the changing geographies of economic development governance which, over the past three decades, have oscillated between localism and regionalism (Deas, 2014).

#### Enterprise policy before LEPs

Enterprise became a prominent vehicle for economic development in the 1980s as a response to the unemployment caused by industrial decline (Greene et al., 2008), and successive governments have since used it to promote entrepreneurship as an engine of economic renewal and growth (Curran, 2000; Williams and Vorley, 2014). Driven by the magnitude of job losses caused by deindustrialisation in the 1980s (Curran, 2000), the Thatcher administration shifted the focus from public-sector 'dependency' to an enterprise ideology with policy targeting job creation and increasing the business start-up numbers (Huggins and Williams, 2009). Nevertheless, small business support was expensive, the take-up was modest at best, and

economic growth was not markedly different during the 1980s, despite the sharp increase in start-up numbers (Curran, 2000).

In the 1990s the focus of enterprise policy shifted from 'quantity' to 'quality', targeting growth potential. This assumed that businesses with growth potential account for a higher share of job creation if supported to grow (Greene et al., 2008). Support included 'softer' methods such as consultancy, information and training (Arshed et al., 2016). A new initiative was the creation of Training and Enterprise Councils (TECs) in England and Wales which facilitated tailored local support (Greene et al., 2008). However, TECs attracted criticism based on insufficient funding, democratic accountability, and business reach (Huggins and Williams, 2009).

Following decades of centralism and persisting spatial disparities, a resurgence of regionalism occurred in the 1990s as a solution for achieving greater policy integration and regional accountability. The post-1997 UK Labour Government initiated what in hindsight was the first phase of devolution in the UK. This saw decision-making and policy delivery devolved to Scotland, Wales, Northern Ireland, English regions and London, shifting economic development governance from the remit of local authorities to that of the newly established RDAs. Aiming to improve productivity, close the 'enterprise gap' between more and less prosperous areas and enhance social inclusion (Derbyshire and Haywood, 2010), enterprise strategies shifted again. Key initiatives included the Small Business Service, aimed to support enterprises of all sizes, and the Local Enterprise Growth Initiative, which promoted enterprise in deprived areas through a focus on removing barriers to entrepreneurship.

However, the approach attracted criticism for its excessive diversity, difficulty identifying cost-effective interventions, short-termism and lack of coordination between the new initiatives (Huggins and Williams, 2009). The complex, fragmented, unpredictable and weak policy

implementation process under RDAs (Arshed et al., 2016), the continued strong grip of central government, the high cost of business support (Derbyshire and Haywood, 2010), and a growing rhetoric of city-regionalism, led to the demise of RDAs and prompted a rethinking of subnational governance.

A key aspect that influenced the effectiveness of policy interventions was, however, the configuration of multi-scalar governance. RDAs were criticised for their inability to balance fragmented interests and provide a voice for their regions and for their dependence on Whitehall. Moreover, lacking power, resources and local engagement, local authorities became little more than 'de facto agents of Whitehall' (Morgan, 2007). Despite multiple attempts to 'fix' regionalism (Ayres et al., 2018), this ultimately uncovered its centrally orchestrated nature (Ayres and Stafford, 2014).

### Enterprise policy under LEPs: a move toward the new localism

The new Coalition government's election in May 2010 marked the transition to a 'new localism'. RDAs were replaced with LEPs which became the new governance vehicles for subnational economic development policy. LEPs were intended to reflect more functional economic areas, and thus to better represent local realities and set more relevant economic priorities (Bentley et al., 2010). As voluntary arrangements, the formation of LEPs resulted in different types of geographical configurations governing economic growth and enterprise. However, notwithstanding the lack of boundary prescription from central government, LEPs, predominantly in the North, were formed by unifying local authorities around the economic footprint of major cities—Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle upon Tyne, Nottingham and Sheffield. Thus, many materialised within a city-region geography, the preferred scale by central government (Ayres et al., 2018).

Tasked with realising every place's potential (HMG, 2010), LEPs are expected to bridge the national agenda with local realities by operating as multi-scalar constellations of actors acting together to drive local growth. While RDAs operated as 'creatures of central government', the narrative surrounding LEPs emphasised 'freeing' places from centralist control by shifting power to local communities (Bentley et al., 2017). In relation to enterprise policy, devolution marked a shift in rhetoric towards the greater promotion of place-based policies sensitive to local contexts.

The new strategy privileges economic rebalancing through public-sector cuts and private-sector-led growth. With the need to offset job losses from the recession and expected public expenditure cuts, entrepreneurship has been identified as central to economic rebalancing (Williams and Vorley, 2014). Thus, LEPs were tasked with providing "clear vision and strategic leadership to drive sustainable private-sector-led growth and job creation in their area" (HMG, 2010, p.13). Their main functions include enterprise and business support, investment in local economic infrastructure, employment and worklessness, skills, planning, housing and transport (Bentley et al., 2010; Bailey and Wood, 2017). The private-sector features prominently in the new strategy (Bailey and Wood, 2017) as LEPs are private-sector-led bodies.

However, under austerity, the new localism prompted yet another a shift in the enterprise policy approach. LEPs aim to simplify business support through enhanced growth targeting by focusing on businesses with growth potential (HMG, 2010). The main policy initiative is the Growth Hubs, public-private partnerships for business support delivery which are intended to act as growth catalysts by bringing together high-growth potential (HGP) businesses and the support network necessary to enable their growth (HMG, 2010). This approach involves business incubators and growth accelerator programmes designed to stimulate the growth of HGP businesses (Arshed et al., 2016), alongside Enterprise Zones (EZs) offering high-growth

businesses preferential treatment such as business rates and tax exemptions and access to multiple funding streams (Ward, 2016).

Nevertheless, enterprise policy literature levels several stands of criticism at the current approach. While the imperative to do more with less has meant that high growth firms (HGFs) have become central to LEPs' strategies, Coad et al. (2017, p.538) emphasise that "it is notoriously difficult to pick out, *ex ante*, which firms will ultimately become HGFs". This strategy also neglects that other types of firms are important and may merit public support. Morris et al. (2015) distinguish between survival, lifestyle, managed growth and aggressive/high-growth businesses and argue that, while high-growth firms can generate a disproportionate impact, each category plays a fundamentally different role, generating specific benefits for local economies. However, the different types of businesses also face different challenges and have different needs. Thus, it is critical that enterprise policy is sensitive to the nature of different business types and their unique challenges and needs, as well as to their operating context.

A key issue hitherto has been that enterprise policy initiatives are often largely based on policy-makers' perceptions of what would be in the best interests of the business community rather than on the bottom-up involvement of stakeholders in the policy-making process. This issue is critical in the current governance context where LEPs are "required to address the needs of their local entrepreneurs and SMEs rather than delivering enterprise policy initiatives chosen randomly from White Papers" (Arshed et al., 2016, p.1602). However, such a place-based approach requires effective coordination of the constellation of actors both vertically and horizontally between spatial levels to enable the embedded local knowledge to filter into policy initiatives designed at higher scales (Barca et al., 2012). Bentley et al. (2017) highlights that this takes place within multi-scalar governance arrangements which are vertical, namely they extend across local, regional and national government, and horizontal, integrating the myriad

of subnational actors. Critically, the nature of such arrangements shapes the capacity and scope of local actors to influence and shape policy (Pike et al., 2015). Thus, it is essential that multi-scalar arrangements foster cooperation and coordination to galvanise actors both vertically and horizontally (Arshed et al., 2016; Catney and Henneberry, 2016). Therefore, there is an argument to be made that the extent to which enterprise policy-making is localised and place-based is contingent on the nature of multi-scalar governance arrangements.

## The multi-scalar challenge of enterprise policy-making

Hildreth (2011) put forward three models that could unfold under the new localism. These were conditional localism, whereby the devolution of power and resources is conditional upon the delivery of outcomes to meet centrally prescribed priorities. Secondly, representative localism emphasises independence from central control and representativeness by placing local authorities at the heart of local governance. Thirdly, a model of community localism, whereby the devolution of responsibility from the centre to local communities emphasises direct community engagement. With the previous Labour government criticised for promoting a form of conditional localism, the rhetoric of new localism indicated a move towards a mixture of representative and community localism alongside a potential revitalisation of the role of local authorities in economic development (Walburn, 2011).

However, a closer examination of the institutional fabric of LEPs reveals some of the same issues for which RDAs have been criticised and disbanded. First, LEPs were established as private-sector-led unelected bodies, raising questions of local representation and democratic accountability (Bailey and Wood, 2017). Second, while the LEPs approach is predicated on autonomy and flexibility in setting priorities, they are constrained by the rigours of austerity (Lowndes and Gardner, 2016), leading some to fear that LEPs would be limited in their capacity to go beyond 'steering and cheering' and generate any real impact in their areas (Ayres

and Stafford, 2014). Lowndes and Gardner (2016) describe this as a devolution/austerity paradox as localities are expected to foster economic development with a fraction of the money previously invested in support through RDAs.

Another key issue is that of the discursive framing of political goals as the devolution narrative is dominated by arguments of improved economic performance and effectiveness of public service delivery which, despite the localist rhetoric, are closely aligned with central objectives (Bailey and Wood, 2017). Moreover, with LEPs required to compete in bidding for resources (Pike et al., 2015), the 'value for money' judgement continues to reside with central government (Walburn, 2011). This form of 'fiscal conditioning' is 'centralisation by stealth' (Bailey and Wood, 2017), reflecting the meta-governance of English devolution and continued central control (Bentley et al., 2017). Therefore, while LEPs are expected to foster multi-actor collaboration between and within governance scales, they operate under "a centrally prescribed and orchestrated framework" (Pike et al., 2015, p.201).

These issues cast doubt on whether the new localism has empowered localised enterprise policy-making and raise questions about the ability of local actors to reconcile objectives of local policy innovation with the realities of persistent central control. For example, examining the skills and employment policy in the SCR context, Etherington and Jones (2016) show that local actors face constraints in implementing nationally determined targets and programmes, highlighting that the general challenge facing LEPs is the adaptation of national imperatives to local conditions. Examining the translation of industrial policy at the regional and local level in the D2N2 LEP, Rossiter (2016) also highlights the challenges facing LEPs in developing economic strategies that reflect the needs of heterogeneous economic areas. Given a narrower focus on economic private-sector employment growth and a significant homogenising influence of national policy and funding streams, Rossiter (2016) questions the extent to which the rescaling of governance has actually enabled localised, place-based policy.

Previous studies focused on enterprise policy-making have highlighted the challenges in the context of RDAs. Arshed et al. (2014) draw on insights from central government level, to demonstrate the power of central actors in dictating the focus and delivery of a top-down enterprise policy. Arshed et al. (2016) further highlight the complexity and confusion of enterprise policy implementation under RDAs characterised by fragmented relationships between actors, the lack of clear objectives, and little input from local actors tasked with meeting targets. Arshed et al. (2016) question how much these dynamics have changed in the current context given the LEPs limited powers to deliver enterprise policy initiatives and meaningfully engage with businesses.

Hence, there is a need to understand whether and how the enterprise policy process has changed under the promises of the new localism and LEPs. The overarching research question informing this study is 'to what extent has the new localism empowered LEPs and local communities to deliver localised, place-based enterprise policy-making at the subnational level?'.

# **Empirical focus and methodology**

This study focuses on the SCR LEP in the North of England. The LEP comprises nine local authorities and contains the major urban areas of Sheffield, Doncaster, Rotherham, Chesterfield and Barnsley. With Sheffield as the core-city, the SCR is part of the city-region-LEP nexus. The area was a major centre for coal, steel and manufacturing in the 1970s and following the decline in traditional industries it experienced a prolonged period of economic stagnation (Williams and Vorley, 2014).

Like in many northern regions, the SCR's economic revival was largely premised on public-sector employment growth. In the 1998-2008 growth cycle, the SCR was the only city-

region with a net decrease in private-sector employment (SCR, 2014) (see table B1 in Appendix B). As of 2016, public-sector jobs still accounted for 32.9% of all jobs in the SCR (Centre for Cities, 2018). This is problematic as the SCR is expected to experience disproportionate job losses resulting from public-sector cuts. This highlights the importance of stimulating private-sector entrepreneurship, expected to reduce the impact of job losses, while emphasising the need for effective design and implementation of enterprise policy across the localities.

The SCR LEP aims to transform the city-regional economy through major regeneration and growth projects (SCR, 2014). Its ambitious targets, set out in its 2015-2025 Strategic Economic Plan (SEP), include the creation of 70,000 new private-sector jobs and 6,000 new businesses (SCR, 2014). Business growth features among SCR LEP's six key thematic priorities, along with Skills, Employment and Education, Housing and Infrastructure, Transport, Trade and Investment, and Promoting the City Region (SCR, 2018). However, there are significant challenges. One is the significant heterogeneity in business start-ups, with Sheffield as a corecity outperforming the other localities, as well as in the survival of newly born enterprises across the area (see Table D1 in Appendix D and Table E1 in Appendix E). Moreover, SCR LEP ranks among the five least competitive LEPs (Huggins and Thompson, 2016), and is one the least economically resilient LEPs (The LEP Network, 2014). The challenging economic development context of the SCR highlights the need for localised, place-based policy and the relevance of the case study for LEPs in most need of economic development. In places like the SCR which have undergone industrial transformation and rely heavily on public sector employment, the issues facing LEPs are more trenchant than in other more developed areas of England. Thus, the SCR provides an appropriate focus for research into the impact of the new localism on enterprise policy-making at the subnational level.

To explore this, we employed a two-stage qualitative methodology. First, we reviewed regional policy documents and reports relating to economic development to identify themes relating to the enterprise policy approach and focus. This also captured secondary data, providing a more comprehensive portrait of the challenges. Second, 67 in-depth interviews were conducted with five different groups of individuals: 7 with SCR LEP representatives, 10 with local council officers, 6 chamber of commerce officers, 4 with business development managers, and 40 with micro-business entrepreneurs from across the SCR. The focus on the subnational level and the wide range of stakeholders interviewed adds depth and complements similar previous studies (e.g. Arshed et al., 2016).

In city-regional stakeholders' case, a combination of purposive and snowball sampling was used, with a core group of respondents involved in economic strategy and policy delivery invited to take part, who then recommended other potential respondents. Purposive sampling is widely used in qualitative research to ensure that specific categories of individuals possessing knowledge relevant to answering the research questions are interviewed (Rowley, 2012). The approach ensured that the interviews represented the key stakeholders involved in city-regional policy. The aim was to develop a rich understanding of the enterprise policy process at the subnational level rather than just results that support the generalisability of the findings (Onwuegbuzie and Leech, 2007).

Interviews were recorded with the respondent's consent and transcribed before thematically analysing and coding the data to explore emergent themes. The interviews were coded following an open-coding strategy to ensure that potentially relevant insights are not overlooked (Gale et al., 2013). To 'make sense' of the interview data we used a constant comparative method involving coding the data while continually comparing new data with previous codes to identify recurring themes (Thomas, 2011). Initial codes were grouped based on similarity and revised and refined through constant comparison with the data and the key

literature, which yielded second-order concepts (Thomas, 2011). These were subsequently revised and labelled as the final themes. This approach ensured that the knowledge generated from content analysis "is based on participants' unique perspectives and grounded in the actual data" (Hsieh and Shannon, 2005, p.1280). This coding scheme was applied by the authors, and the results compared to ensure inter-coder reliability. In many cases, there was consensus on key areas of exploration and these responses can therefore be considered representative of the views of the majority of the respondents. Given the political sensitivity of the research and the position of many interviewees in public office, participating individuals remained anonymous. Thus, LEP, local council and chamber of commerce officials are abbreviated to LEP, LC and CC, and business development managers and entrepreneurs are referred to as BDM and ENT respectively.

# Findings and analysis

Three overarching themes emerged from the interviews: first, austerity and cutbacks have forced the LEP to focus on a specific type of entrepreneur; secondly, contrary to government rhetoric this strategy is not well-suited to local enterprise realities; third, the current multi-scalar context constrains local agency, limiting the degree to which the SCR can pursue locally attuned growth. Each of these sections identifies externally-imposed constraints on local abilities to deliver place-sensitive enterprise policy and challenges the potential for localism, as currently configured, to yield expected policy benefits.

#### Austerity shifts focus to 'hunting' ambitious entrepreneurs

The SCR LEP economic strategy is built around entrepreneurship as an engine of economic growth and job creation. As local authorities lose their funding for local business support provision, the LEP has stepped up to 'plug the gap', designing new enterprise policy initiatives

to be delivered across the nine localities. However, as greater economic efficiency of public spending emerged as a key priority for public-sector intervention, austerity radically reshaped the approach to enterprise policy-making. A LEP official highlighted: 'We won't be able to support everything but support the things that are going to give us the biggest impact' (LEP), as central government has made it clear that "greater prioritisation of Government support is required" (HMG, 2010, p.41). With enterprise policy expected to deliver more than ""lifestyle" businesses that have no aspiration to grow" (HMG, 2010, p.41), the LEP's approach is 'very much more about hunting the entrepreneur' (BDM). Therefore, the LEP is taking a radically different strategic approach to stimulating private-sector growth than that of its institutional predecessors, moving away from the 'any business will do' approach (Williams and Vorley, 2014) and instead focusing on stimulating 'ambitious entrepreneurship':

'Ambition is a fine line between somebody that wants to grow a business and be successful or somebody that want to be successful and have enough money to have a nice lifestyle, and what we need to do is identify those that are looking to be successful and grow a successful business and not the lifestyle businesses.' (LEP)

Departing from decades of small business policy, the new approach focuses on HGP businesses and places entrepreneurial ambition at the core of support provision. This strategic shift has direct implications for the focus and extent of business support available through the LEP, with support being directly proportional to the businesses' level of ambition:

'Every entrepreneur gets the support they need to start their business but the more ambition they have the more support they get ... It's fine if they want to start a business ... but if they've got no ambition to grow beyond that then there's not much more we can do for them.' (LEP)

Long-term planning in enterprise policy implementation has also been impacted by the pressure to 'do more with less' (Lowndes and Gardner, 2016). The reform of subnational governance has seen not only responsibility for strategy formulation shifting to city-regional actors but also the actual delivery of enterprise support, with support provision gradually concentrating within the LEP's remit. Thus, the LEP has developed a number of programmes to support businesses with the view that 'over the next five years the support through [the councils] will be ramped down gradually to the point where all of the support delivered will be delivered by the Growth Hub.' (LEP). Nevertheless, while the localist rhetoric was premised on place-based development and the empowerment of local actors to shape policy, the interviews revealed that enterprise policy-making did not embed such attributes, highlighting a rhetoric-reality gap (Ayres et al., 2018).

## The rhetoric-reality gap: national priorities clash with local realities

Etherington and Jones (2016) emphasise that, given the tension between the devolution of responsibilities for policy formulation and the requirement for local actors to implement nationally determined targets and programmes, the key challenge is the adaptation of national priorities to local conditions. However, the interviews revealed that the centrally-established LEPs' enterprise policy approach contrasts with the business realities in many of the constituting localities – particularly with respect to business sizes and target sectors.

Many interviewees highlighted the overemphasis on targeting HGP businesses, which creates a few winners in the form of larger businesses with the largest economic potential and many losers, namely the smaller, particularly micro-businesses. A local stakeholder emphasised: 'I think there's almost this sort of demonization of this type of businesses when actually it's our real economy' (CC). This is indeed reinforced by statistical data on the size distribution of businesses in the SCR (see Table C1 in Appendix C). The rhetoric at the LEP

level, however, is not explicit in terms of targeting larger businesses, with initiatives available to all businesses regardless of size. The SEP states 'every business matters' (SCR, 2014), and officials note: 'Our approach going forward is meeting the needs of businesses. It shouldn't matter what size they are for state aid purposes' (LEP).

Nevertheless, economic growth and job creation are key objectives, and since larger businesses possess a larger potential in this regard, the new initiatives inadvertently, if not wittingly, filter out smaller businesses. In fact, a LEP official explained that 'for us, for the City Regions, our policy is aimed at small, 10-employee and bigger businesses' (LEP). The implication is that, for support purposes, some businesses do matter more than others. Such targeting is also expected to impact the distribution of support across the city-region, with Sheffield being home to highest number of businesses with at least 10 employees when compared to the other constituent localities (see table C1 in Appendix C). Moreover, the initiatives are geared towards promoting growth in particular sectors, thereby also 'cherry-picking' the type of growth closer aligned with the city-regional economic strategy. For example, Accelerator programmes target businesses in the technology and creative and digital industries 'with the idea to identify specific, very high-growth businesses' (LEP).

Therefore, despite issues with 'picking winners' (Coad et al., 2017), this approach reflects a continued focus on 'cherry picking' sectors and the benefits of more productive businesses (Morris et al., 2015). This is problematic for many of the localities in the SCR, especially those peripheral to the core-city of Sheffield, where high-growth businesses are generally scarcer (Mason, 2016). One interviewee noted that small and micro-businesses are 'the backbone of [the local economy]' (S2). This demonstrates a divergence between local and city-regional priorities:

'Not to criticise the LEP but they're obviously focusing around growth and growth businesses, and probably larger [businesses] and SMEs, which is great, but again, you're talking very small numbers there and actually the micro firms make up the bigger landscape, so I think maybe there needs to be a bit more of a priority shift.' (BDM)

There is also a perception among local small and micro-business entrepreneurs that it is the voice of larger businesses that is represented at the policy level, as micro-businesses tend to get forgotten despite being a large part of the economy:

'They definitely tend to focus on the more medium, 50 to 200 [employee businesses]. It's all about people that have got employees ... but I don't think they realise that there's quite a growing economy of people that just want to work with themselves or employ 1 or 2 others.' (ENT)

As Gherhes et al. (2016) highlight, micro-businesses are owner-manager-entrepreneur-centric, thus facing different challenges and having specific support needs not generally served by programmes aimed at HGP businesses. However, LEP initiatives are limited and include the Y Accelerator program specifically targeting HGP businesses and the Launchpad aimed at pre-start, new businesses and SMEs trading for less than 2 years (SCR Growth Hub, 2017). A key issue here is also the lack of post-start-up support, especially given the heterogeneity and lower levels of long-term survival rates of newly born enterprises in the city-region (see table E1 in Appendix E). Importantly, the effects of such initiatives have filtered down into the local business communities, with many small and micro-businesses feeling left out by the new initiatives. One entrepreneur highlighted that 'as a small business you're a bit of an afterthought' (ENT), while another stated 'you feel isolated, perhaps a bit like the underdog' (ENT). The lack of voice and representation is a key issue, with one entrepreneur stating: 'the voice of the small business owners doesn't get across regionally or to central government'

(ENT). Others mentioned that they were sometimes unable to access support due to not employing a certain number of people.

With city-regional strategic priorities more centrally prescribed and less locally inflected, the new enterprise policy approach has created a gap in the nature of support in that the LEP level initiatives are too narrowly focused on high-growth for smaller and micro-businesses to benefit from them. A supply-side mentality dominates the approach and contrasts with the realities in many constituent localities:

'Although we absolutely understand and know that growth has to be a priority, because of the makeup of our economy we can't just ignore the small to medium enterprises from a point of view of "If they don't wish to tick a growth box we just ignore them; let them get on with it", because all that will happen is there'll be more dropping out the bottom than we'll be putting back in the top.' (CC)

The clash between national priorities and local realities casts doubt on the capacity of LEP to perform locally inflected roles as local business communities are underrepresented in the decision-making and approaches undertaken by LEPs. This can be attributed, at least in part, to the failure to enable local knowledge to transcend policy boundaries and filter into enterprise policy-making at the higher LEP-level, a key requirement of localised, place-based policy. As a local official emphasised:

I get the concept of regionally managed, because it saves money and that's what we all need to do, but not necessarily then just press a button and everything falls down the same no matter where you are. Having that local knowledge is the bit that makes the difference.' (S2)

Indeed, localism is premised on multi-actor collaboration and building on embedded local knowledge (Barca et al., 2012). As local actors possess critical knowledge and understanding of the local economy (Jackson et al., 2013), it is critical that that filters into policy initiatives

at higher scales. However, there is little evidence of this in the current enterprise policy-making context.

## Constrained local agency: localism and the illusion of power

This section demonstrates why it is difficult for LEPs to deviate from a growth-centric enterprise policy narrative and highlights that, with economic growth given primacy over more democratically accountable strategies, "governance becomes a new site for conflicts" (Etherington and Jones, 2016, p.383).

As Pugalis and Townsend (2013, p.17) highlight, "the rules of the LEP game were set by central government", questioning their operation as a bottom-up exercise and their effectiveness as instruments of multi-scalar policy feedback. The national policy framework's influence through the vertical governance system over the focus and scope of the enterprise policy initiatives at the LEP level is reflected in the SEP which emphasises that "[t]he SCR will prioritise the most intensive support based on economic impact, focusing on the companies with the greatest growth potential" (SCR, 2014, p.35). Moreover, the strategy is wrapped around 'What do we need to do to immediately start economic growth both with start-ups and existing businesses?' (LEP), reflecting that what matters is 'getting things done' (Deas, 2014). This highlights the top-down pressure of national imperatives of job creation and economic growth.

Critically, the current arrangements provide little scope for enterprise policy to deviate from national priorities. Consistent with Tomaney (2016, p.5), the interviews highlight that entrepreneurship is "tolerated only within a highly restricted range of parameters", with local actors under a constant pressure to conform to national priorities. With funding funnelled through LEPs, local authorities need to align themselves with the LEP in order to access

resources. A local official emphasised that 'we've got to work very closely with [the LEP] and demonstrate that, if you invest in us, we're able to turn that into jobs and economic growth' (LC). This highlights the downward pressure on local actors to support the 'LEP kind of growth'. Therefore, while central government is less involved in scripting the narrative, and while there is less direct influence on how growth is to be achieved, there is little scope in influencing what needs to be achieved. To reap the rewards, the local narrative must fit centrally prescribed priorities.

Nevertheless, the actors in a multi-scalar governance model pursue various, often competing interests and responsibilities and operate under different temporal horizons (Catney and Henneberry, 2016). Indeed, the interviews highlighted that some SCR localities have their own strategic partnerships looking to shape local strategy and policy. Doncaster, for example, has the 'Team Doncaster' Local Strategic Partnership formed by key local stakeholders "to set the strategic direction to effectively meet local needs and priorities for the further improvement of Doncaster" (Team Doncaster, 2015, no pagination). Its Borough Strategy report also emphasises that "no-one knows what Doncaster needs better than Doncaster itself" (DMBC, 2014, p.10). Thus, local officials highlighted the duty of local authorities to ensure that economic priorities do not come at the expense of 'good growth' that is socially-inclusive, and 'the key challenge is ensuring that residents can benefit from all those areas of work and interventions' (LC). Local authorities are therefore trying to deliver 'the right kind of growth' (Jackson et al., 2013), which requires a balance between growth-oriented and socially-inclusive objectives.

Many local stakeholders emphasised that smaller businesses, be they growth-oriented or lifestyle, are critical in creating local job opportunities and alleviating deprivation: 'There's a lot of demand for lifestyle [businesses] and there's nothing wrong with that because ... we don't want people on benefits ... It's something that we couldn't ignore or play down because

it does have a positive impact on our economy' (BDM). Inclusive business support provision can thus make an important socio-economic difference, but as a local official emphasised: 'Enterprise support ... [needs to] hit all the people rather than just pre-filtered, pre-diagnosed, pre-grouped one or two' (CC). Therefore, many local actors are struggling to maintain some form of local provision, thereby trying to articulate and establish their presence in a way that is not necessarily aligned with the strategic priorities determined at the LEP level for the entire SCR.

However, the heterogeneity of local priorities and needs and dwindling resources coupled with the inability of LEPs to adapt enterprise policy initiatives to local contexts creates tensions at the local level. As a local stakeholder explained, there is a constant struggle between doing what is right for the local business communities and what needs to be done to achieve city-regional economic targets:

'Because of the devolution and the funding going through to the LEPs, we've got a situation where the LEPs have got targets and they've got priorities in terms of where they feel the agendas moving, but then we also have a responsibility locally to the business community and the politicians that we serve.' (LS)

The constrained ability of local actors to influence the focus of enterprise policy at the LEP level means that the new localism is falling short of enabling localised, place-based enterprise policy-making. The difficulty in balancing social and economic priorities actually contrast with the characteristics of representative localism (Hildreth, 2011). This highlights the new localism as a continued form of conditional localism in which the scope for local agency and accountability is reduced, which creates tensions between city-regional and local actors.

However, the new multi-scalar arrangements also see LEPs 'bound up in a multi-scalar game of relationship jockeying' (Jones, 2013, p.88) and increasingly stretched and as they are caught in-between local demands and the national agenda. A key issue contributing to this dynamic is central government's lack of clarity regarding its normative expectations of the LEPs' role (Pike et al., 2015). Highlighting continued central control, a LEP official explained: 'There is a constant shift in government requirements from Growth Hubs, which get pulled in every direction and are constantly asked to get involved in new initiatives'. This, coupled with little evidence of knowledge transfer amongst the actors involved in enterprise policy design and implementation and limited resources, reflects long-standing governance issues that previously also confronted RDAs (Arshed et al., 2016).

The current arrangements therefore foster the development of intrascalar tensions as LEPs face bottom-up pressures from local actors. Critically, with the power to develop localised, place-based enterprise policy existing only in rhetoric, the new localism is but an illusion (of power). The current multi-scalar arrangements have failed to galvanise local actors and provide a constructive framework for localised policy-making and place-based development (Barca et al., 2012; Arshed et al., 2016; Catney and Henneberry, 2016), thereby reducing the effectiveness of enterprise policy-making at the local level.

#### **Conclusions**

This paper explored the extent to which the new localism has effectively empowered LEPs and local communities to deliver localised, place-based enterprise policy-making through a focus on enterprise policy design and implementation at the subnational level. The experience of the SCR calls into question claims that contemporary enterprise policy enacted through LEPs has resulted in local empowerment and meaningfully place-sensitive policy.

Research on the design and implementation of enterprise policy in the SCR LEP demonstrates constant tensions between national and local policy priorities that have skewed incentives away from locally suited solutions to generic growth-enhancing goals. While this study focuses on the SCR, there is reason to believe that other LEPs are also subject to similar tensions. First, while localities have been granted greater autonomy to shape their own economic narratives by forming LEPs, the significant reduction in public-sector expenditure has fundamentally constrained LEPs' capacity for intervention and consequently their strategic approach. Devolved policies in the UK context are not judged on the needs of small and microbusinesses in the region, but instead are measured for their effectiveness based on supporting HGP firms and achieving short-term economic goals aligned to central government priorities. As shown in the case of the SCR, this gives little consideration to local conditions and capabilities to support high-growth across heterogeneous constituent localities, confirming previous fears that LEPs will be unable to foster place-based development (Bentley et al., 2010; Arshed et al., 2016; Rossiter, 2016). A relevant issue here is the economic development context of LEPs. Given the variety of LEP types and the heterogeneity of economic conditions in each of them, some will be faced with greater economic development challenges than others. Those most in need of economic development, in particular, require place-sensitive economic strategies and enterprise policies tailored to the challenges facing their constituent localities. As such, focusing on HGP businesses is likely to be less of a priority, and thus less appropriate an objective, in places where lifestyle and smaller businesses prevail and start-ups survival rates are low, as is the case in the SCR.

However, this research identifies a pronounced rhetoric-reality gap. In the SCR, a focus on HGP firms in specific high-growth sectors squeezed local support for smaller and microbusinesses that are much more prevalent in the local economy and are often more vulnerable and in need of support. The mismatches between rhetoric and reality, local and national, and

between the needs of high-growth businesses vis-à-vis the long tail of smaller and microbusinesses, create lines of fissure that will have broader implications for economic and social resilience, debates around inclusive growth (Lee, 2019), and the devolution agenda in northern cities (Ayres et al., 2018). Critically, the challenges identified in the paper highlight that the new localism is illusory as the new arrangements have failed to empower local actors and the power to develop localised, place-based enterprise policy exists only in rhetoric. Instead, governance was transformed into a game of negotiating power and resources between and within governance scales, all within the confines of centrally prescribed priorities. Therefore, what the current arrangements have enabled is the delivery of local solutions to national problems, as opposed to local problems. As such, the paper demonstrates that the effectiveness of the enterprise policy-making process is also contingent on the way in which governance in structured. This is particularly relevant in the case of LEPs most in need of economic development like the SCR LEP. In light of the challenges highlighted in this paper, specifically the mismatch between local realities and national priorities as well as heterogeneous economic conditions requiring place-sensitive approaches to economic development, these are most likely to be let down by the new governance structures.

Characterising the English multi-scalar governance model as "both complex and deeply problematic", Fenwick (2015, p.12) observes the absence of an institutional architecture of governance at the national level, the lack of a formal dimension of governance at the regional scale, and fragmented local governance. In this context, it is worth revisiting the debate on the 'missing middle' (Shaw and Greenhalgh, 2010), specifically whether the city-region is indeed a more appropriate scale for policy integration and delivery than the region. Current debates playing out around a 'One Yorkshire' devolution deal confirm that the issue of scale is far from resolved. Two of the constituent local authorities have withdrawn from the SCR devolution deal, and two have withdrawn their support for it, which has further delayed the agreed deal.

Despite proclamations from all sides of the political debate and the formation of regionally focused political parties (Giovannini, 2016), the uncertainty over the current configuration of regional economic governance structures highlights the precarity of existing arrangements and the potential fault lines which may emerge. Such political wrangling further serves to destabilise the support of entrepreneurs in the region.

In this context, it is noteworthy to emphasise again that LEPs are specifically an English construct. Their formation is loosely situated within the wider UK devolution context, the origins of which is the late 1990s devolution of powers to Northern Ireland, Scotland and Wales, and to RDAs in England. However, LEPs are a further development in England specifically, replacing the RDAs and often being much smaller in scale when compared to similar arrangements in the other nations of the UK. Therefore, the insights drawn from this case study of the SCR provide important policy lessons for enterprise policy-making and the future of UK devolution, not least in terms of the devolution of relevant powers, finances and the scale required for effectiveness. In particular, given that the fragmentation and rescaling of governance to the sub-regional scale in England has failed to deliver the promises of localism, it is questionable whether a similar approach to devolution is desirable or appropriate across the UK.

More importantly, given that the rescaling from regionalism to localism has failed to enable localised, place-based policy-making, an key question that arises is whether localism is about scale at all. Ultimately, what matters is the empowerment of local actors and communities to shape policy and adapt initiatives to local contexts, which means that localism can be seen as a socio-spatial construct that is nested within a complex mosaic of governance structures and politics. Therefore, an obsession with scale hampers a more meaningful reorganisation of economic development governance at the subnational level, one that places the values and objectives of localism, rather than scale, at its core. This is especially relevant in the context of

a shifting political landscape, married to sparse resources and competing demands, which has put significant stress on the ability of existing subregional governance structures to address wider regional inequalities. The public subsidisation of entrepreneurship alone has been insufficient to delivering the returns sought by both national and subregional level policies. Saddled with diminishing budgets and constrained resource, defining the place-specific policies needed to address the economic and social issues of the city-region will remain a significant challenge for LEPs if economic growth is narrowly conceived geographically and measured solely on making the peaks of HGFs higher. As this paper has indicated, it is important to identify how the rhetoric of localism is sensitive to the complexities and spiky geographies within city-regions alongside negotiating the widening gap between the economic power of London and the rest of the country. It is a challenge that has yet to be effectively met by regional-level policies in the UK.

While geographically localised given its focus on the SCR LEP, which limits the generalisability of the findings, this in-depth study of a city-region LEP provides rich insights into the governance dimension of enterprise policy-making and the importance of getting multi-scalar governance right, thus providing lessons relevant beyond the SCR context. Given the diverse geographies of LEPs, future research could explore the enterprise policy-making process in other contexts, such as non-city-region LEPs. It would be worthy to investigate whether the absence of a core-city makes any difference in coordinating competing local demands. In addition, the rescaling from RDAs to LEPs has resulted in new geographies of economic development governance. However, more needs to be understood about the dynamics between the actors involved in the enterprise policy-making process and why some LEPs are more successful in fostering multi-actor collaborations than other. Future studies could focus, for example, on whether LEPs' identity, or lack thereof, plays a role in facilitating multi-actor relationships or exacerbating tensions between local actors. Finally, the findings in

this paper provide lessons for other LEP-type arrangements in other parts of the UK in particular within former manufacturing regions which have experienced economic restructuring such as in South Wales and central Scotland. As such, future studies could further explore the challenges facing LEPs most in need of economic development in other UK contexts.

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