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*EVALUATING A BEST PRACTICE MODEL FOR AN
ECONOMIC DEVELOPMENT AGENCY*

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THESIS SUBMITTED FOR DEGREE OF
DOCTOR OF PHILOSOPHY

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October 1998

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ABSTRACT

This thesis is concerned with evaluating effectiveness and performance in economic development agencies. Development agencies are typically quasi- public bodies that operate at metropolitan, sub - regional and local scales with the purpose of promoting and realising economic development in their areas. The aim of this thesis is to develop a best practice model for such agencies. The institutions that were studied as part of this project included a wide range of different economic development organisations located in Belfast, Berlin, Glasgow and London. Initially, the thesis discusses the history of economic development activity at sub - national scales in the UK and internationally, and explores the role that such agencies play. Aspects of organisational performance and effectiveness in the context of economic development agencies are further discussed. The research proceeds according to a framework of organisational analysis, describing and analysing the environment that agencies operate in, the most influential characteristics and factors for agency performance, and features of operational design and implementation. The basis for the original research in this thesis is data from a substantial number of qualitative interviews with individuals from development agencies and other interest groups. The thesis argues that there are a wide range of characteristics and factors that contribute to agency effectiveness and performance, and that these have been insufficiently explored in past research. Economic development agencies are also significantly influenced by the environment which they operate in. Overall, it is argued that in order to be successful at their task, economic development agencies need to be truly excellent organisations. This includes developing effective mechanisms for corporate management, staff development, and a market - led rationale for organisational philosophy and action. The concluding chapter of this thesis develops a framework for creating and sustaining excellence in economic development organisations.

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CHAPTER 1. INTRODUCTION

CHAPTER 1. INTRODUCTION

1.1 The Research

This research project, in the original format for submission to the ESRC, is entitled “Evaluating a Best Practice Model for An Economic Development Agency”. The research topic was defined by both of the supervisors, one of whom came from a co-sponsoring economic development agency, Glasgow Development Agency. The research award was a CASE studentship for a collaborative applied piece of PhD research. This set an agenda for making the research practical and useful as well as academically sound. It was found that this was not an easy subject area to research, as there was no precedent for this research subject in the context of past academic studies in economic development and regeneration. Thus, there was substantial scope for clarifying the research question and process during the course of the three- year PhD study. To cut a long process of review, analysis and dissemination short, the key question for this research was arrived at in this form:

What organisational forms, operational characteristics and processes are associated with the effectiveness of delivering economic development services and activities?

The notion of ‘models’ (as in the original research question) was problematic to deal with in practice. There was a temptation to investigate models as defined by their commonly used categorisations. For example, development agencies can be labelled as LECs, TECs, UDCs, and Business Links. However, it was found that taking this approach as a starting point for the research obscured some of the more fundamental factors in agency performance. In the evaluation of the performance of economic development agencies, analyses of the mechanisms and tools for intervention and action have been common. There has, however, been little attempt to relate performance to organisational characteristics such as legal status, modes of leadership, divisional structures and staff skills for example. There are a number of studies (for example, Halkier and Danson, 1997; Bennett *et al.*, 1994; Amin and Thrift, 1995c) which claim to make causal connections between structures, legal status and effectiveness in economic development. These were found to be somewhat unconvincing. In retrospect, the foundations on which to start such a study in terms of the guidance provided by the

dominant sources of dissemination in local, regional and urban studies were thin. It was found that in comparison to organisational, management and business literature, these sources were weak at causal explanations linking agency and performance.

The search for a more meaningful analytical framework meant that a wider net had to be cast. In re-examining the question posed in the original research brief, it was concluded that this research was primarily concerned with agency performance. This then led to the idea that the role of the research should be an attempt to gauge the most salient elements, features and factors found within the agency experience that are causally related to performance. Some attempt at this was made in an early pilot study in this research. From the influence of past studies, and in part from the starting brief for this research, the main questions were initially ones of structure - especially strategies, powers, resources, governance, internal organisational structures and leadership. However, experience from the pilot research rendered this focus too narrow. These results pointed to a more fundamental basis for the research - one that matched the basic elements of organisational analysis. The causal relations between agency characteristics and performance found a more detailed and relevant exposition in organisational and applied management research. This realisation refocused the question and analytical framework onto a template specifically addressed the fundamentals of organisational composition, dynamics, processes and performance. So in effect the research was to start on a renewed footing by asking just what were the most significant factors for an agency, both internal and external, in terms of its performance. This was done with a feeling that past research had never adequately nor convincingly addressed this question in respect to economic development agencies. Instead, associations have been made in reference to the performance of these agencies that seem questionable in their validity.

So the challenge was to elicit the most significant factors for performance in an economic development agency - minimising preconceptions about structure, status and functions in particular. The mode of research was mostly investigative, involving face-to-face interviews with a wide range of practitioners as well as members of other relevant and informed interest groups. The preferred focus of research would have been to perform in-depth interviews with a wide range of staff within a small number of development agencies. In this way, there would have been a basis for a deep understanding of how each agency worked. However, the practicalities of applied

research intervened to make this preferred method impossible in all but one agency. The sponsoring agency, Glasgow Development Agency gave largely unrestricted access to personnel and information sources. In the case of other organisations, however, access was usually restricted to one or a small number of staff. This was due both to their own restrictions on devoting staff time and resources to the research project, and perhaps some elements of resistance to having their organisation investigated by a doctoral researcher. There were cases of refusal of access. So, the practicalities of the research largely dictated that the access to other agencies would involve meeting only one or two of their members. However, this turned out to be a positive aspect. This whole research project has been in the most part exploratory, and therefore analysing the commonalities, coherence and consistency between expressions of what is good and bad in economic development agencies has been a major strength to the final analysis. The fieldwork analysis in chapters five to eight has been directed by the strengths of reporting in qualitative interviews.

Another challenge for this project was to identify and research organisations which were regarded as demonstrating good or best practice in economic development. This proved difficult in practice. There has been little research on comparative performance in economic development organisations. Even attempts to determine the best performers on the basis of reputation amongst economic development professionals proved to be fruitless. However, in performing the research by interviewing individuals from a wide number of development organisations, this was not found to be a shortcoming in terms of the end results of this project. In fact, the findings of the research were strengthened by both the complementarities and contrasts between interviewees' responses. These findings themselves construct a useful and relevant analytical framework that can be used to further research the factors leading to good practice and organisational effectiveness in economic development.

Much of the past few paragraphs refer to the difficulties and shortcomings of this research. What must be emphasised is the success of this research in furthering the understanding of excellence and effectiveness in economic development agencies, and constructing a more relevant and useful framework for analysis than has been attempted before. This dissemination may be accused of being broad perhaps to the lack of depth, but one of the main findings of the research is that there are a very broad range of

factors influencing agency effectiveness, and to ignore some of these is detrimental to the cause of furthering development prospects in areas and communities of concern.

1.2 Local Economic Development - Definition and Context

Local economic development, and economic development at the sub-national level has emerged as a key subject for discussion in recent years. The context for this has been the rapid growth of economic development activity at local and regional levels in both Europe and North America in particular. In addition there has been the increasing awareness and recognition of the growing pressures of economic change which impact directly at the local level, and it has become impossible for local governments, and government at other levels, to ignore the economic development problem (Bennett, 1990). Indeed, there is much argument and convincing evidence to support the decentralisation of policy and implementation in economic development.

What is economic development? The definition of economic development and what constitutes development is a source of great debate. When it is further asked 'what is an economic development agency?', there is a diffusion of definitions and diversity of functions. Commonality can be found by defining the role of an agency as developing indigenous potential of a geographic area. Commonality can also be found in many of the tools and methods used for development, and also in policy or approaches.

Another salient question is 'what is a local economy?'. Defining this has been problematic and insubstantial in the past. For the purposes of research, public administration and policy formulation, labour market models have been used to define a local economy. For example, travel- to- work- areas are often used, which represent a certain density of commuting patterns. Bennett (op.cit.) addresses the question of 'what is local economic development' with a comprehensive summation of the level of action, what the activity entails, and who is involved:

Local economic development is defined here as sub-national action, usually sub-state and sub-regional, taking place within the context of a local labour market, and often covering an area greater than one local-government area, but with activity focused on specific sites and needs for development or regeneration. Economic development is defined as concerned with both wealth creation and questions of employment and distribution. The actors often include local government, but also included is an

extensive network of private sector bodies, training agencies, enterprise boards , and central/federal or state government stimuli.

(Bennett, 1990)

This piece of research is specifically concerned with the mechanisms and particularly the institutions involved in delivering economic development. A useful starting point for defining a development agency is the EURADA definition of a regional development agency:

Any organisation which carries out a mission of collective or overall interest for an area. In this regard, the development agency must have a significant association with a local or regional authority, as regards its management, financing or assignments. Furthermore, it must have a sufficiently large operating area, being less than a country however.

(EURADA, 1995)

This definition is useful, but restricted however, especially as the 'development' element receives little clarification. An examination of economic development agencies in the UK doesn't convincingly validate this definition. In addition the caveat that there must be a 'sufficiently large operating area' less than the size of a country leaves much opportunity for a varying scale of operations. It is clear that a further exploration of the context and history of development activity is warranted. In addition, there will be a clarification of what a development agency is and does, in Chapters Two to Five. This definition includes an exploration of the role and nature of development agencies.

Wolman and Spitzey (1996) comment that with rare exceptions, the literature does not bother to define the term 'economic development', and often encompasses a wide range of activities and policies that can sometimes appear to have little relation to each other. However, this is a reflection on the nature of the subject. Economic development embraces a wide range of contributing factors and debate, and is difficult to distil into distinct definitions. Nevertheless, a brief, attempt at this here is warranted.

As Blair (1995) and Wolman and Spitzey (op cit.) point out, economists distinguish between economic growth and development. Growth is a part of the economic development process. It is more helpful to examine growth in the light of the type of growth that it represents - to ask what the overall effects of growth are in specific areas. A useful distinction is made here by Kindleberger and Herrick (1977) - that economic

growth means more output, and that economic development is really concerned with the changes in the structure and context by which output is produced and distributed.

Economic development tends to imply that there is an improvement in the economic welfare of residents. However, residential economic welfare is represented and measured by many indicators such as income, access to amenities, and health concerns. Quality of life improvements such as education, and cultural facilities are also important. Another crucial concept is the distribution of levels of welfare, for example the gap between rich and poor, or equity concerns. The fact that economic performance is part of, and interrelated in both cause and effect with social, community and political issues should not be ignored.

It is difficult to find a catch-all definition of what economic development is, and what purpose the economic development process serves, as definitions are diverse, numerous and occasionally conflict. However, there are some important goals of economic development as a process and activity. These include creating a sustainable economic and social system - one that can at least maintain if not improve residential economic welfare and quality of life. Another goal is to improve the circumstances of those residents with a lower than average quality of life and level of welfare. This argument brings in concerns of equity and redistribution which are both an important part of the economic development debate. There are other interesting definitions of local economic development from non-academic perspectives, such as for TECs:

"Helping to achieve sustainable economic growth, which ensures increases in employment prosperity and the quality of life for the local community."

...This is a common definition of LED. Just as the term implies local development differs from area to area according to local circumstances and priorities...

(Meridien Projects Ltd., 1997)

Many factors are influential in economic development. It is significant that collective and governmental action are important (see for example Porter, 1990; Killick, 1995). What is perhaps more pressing is asking what forms of action and intervention work, and what potential forms will be successful in the future. Another area of concern to highlight is that the distributional and equity concerns in economic development, although understated in this section, are very important in influencing, mobilising and shaping the development of local and regional action. The next section will briefly

outline the historical basis for local and regional economic development action. Amongst other things, this historical development shows that the poorer relative economic status of certain areas has been a significant factor in the rise of sub-national economic development policy and action. There are also other motivations for the increase in concerns over economic development, such as changing interpretations of the economy and performance, as well as theories of public administration and intervention.

Economic development initiatives, policies and interventions have been mobilised due to a number of concerns. Amongst the most fundamental past and present concerns include the changing nature of economic structure and processes, and especially the distributional and spatial implications of these. There are a number of complementary reasons why the concern and subsequent action for economic development has reached increased salience in the past 25 years. The globalisation of the economy, the changing interpretations of economic development and the mechanisms of the market economy are significant features worth investigation. The rest of this section discusses the most significant changes from the perspective of localities, and further explores contemporary interpretations of economic development and market processes.

It is significant that the increases in scale and scope of economic processes, transactions and activity have made many traditionally smaller economies more open. This is often referred to as 'globalisation'. This can be seen in the opening up of national economies to international competition, for example. It is also evident in the increase in scope and scale of the operation of capital and production, clearly illustrated through the spread and increase in activity of multinational corporations. This has had far-reaching spatial effects in that traditionally captive markets for domestic producers have become open to increased competition from producers in other markets. So the issues for competitiveness have increased in scope and scale, rendering some domestic, regional or local activities inferior in the face of external competition. The opening up of domestic economies has led to a subsequent restructuring and re-alignment of comparative advantages and activities in markets. While it is a simplification to break down the changes in economic activity and processes over the past 25 years into separate features, the increase in mobility of capital and international economic restructuring are significant. However, the characteristics of these changes are rooted in many factors. The cyclical nature of the economy has also been a major part and influence of structural

changes in the economy. Cyclic phases of recession or depression have been partly responsible for many of the adverse economic and social conditions in certain areas.

One of the main impacts of cyclic events and economic restructuring has been in the traditional industrial sectors, historically a mainstay for economic output and employment in many urban areas. Judd and Parkinson summarise the consequences of the international economic restructuring process in an urban context:

To understand the pressures on individual cities to revitalise their local economies, it is essential to appreciate the scale and pace of the restructuring of the international economy... From 1973 to 1981... industrial employment went into a nose-dive. Statistically, it was compensated for by gains in service jobs, but those jobs were not necessarily, or even generally, located in the same regions or metropolitan areas that suffered sharp declines in manufacturing.

(Judd and Parkinson, 1990)

So there is the changing nature of economic production and location and the spatial implications of this. In addition to the processes of restructuring, it is often argued that slow economic growth or even decline in economies (at many spatial levels) has been a problem, especially for urban economies. In the new economic order, many traditional modes and locations of production simply became less competitive. However, it would be wrong to suggest that these changes were akin to some kind of natural disaster without any human control. The social elements of production and government are also very important in influencing the changes witnessed. Governmental and political positions and approaches have changed significantly both in a pre-emptive and post-reactionary way. For example, protective policies for jobs, firms and markets have progressively disappeared world-wide (OECD, 1993a).

From the 1970s to the present, unemployment has become an increasing concern in the modern industrialised world. It has been the motivation for many policies and activities in economic development nationally and locally. Unemployment is linked with poverty, poor health, crime and homelessness. The qualitative nature of unemployment is also very significant, especially in duration, the nature and attributes of the unemployed, concentration and distribution. In order to understand how unemployment becomes a prominent problem, it is important to examine the causal factors behind this. Therefore in finding solutions to this problem, a wider view of social and economic processes at a local or wider scale is needed. Another important

feature is the social and political interpretations of the unemployment problem, and the proposed solutions to it. Linked with the increase in unemployment, and the processes of economic restructuring are the adverse effects that these have had on certain groups of the population. There are many cases where these effects are more concentrated and intense in certain localities and social groups. Associated with this is the lack of labour and residential mobility of these people in the face of declining employment opportunities, standards of living, housing and environmental conditions.

As well as social effects, restructuring and changes in economic processes have also significantly affected the economic base. The economic base here constitutes many features which are causally interrelated, and may be cumulatively reinforcing. A classic example of this is the closure or reduction of certain sectors of economic activity which are significant parts of the local economy, such as the demise in traditional engineering, shipbuilding, and coal mining in some areas of the UK. Other parts of the economic base such as consumptive capacity, human capital, savings and the environment are also likely to be eroded at the same time. Often, direct and indirect cyclical influences on economies, or industrial sectors, are associated with this. The erosion of the economic base and the lack of growth opportunities can endanger the future sustainability of the local economy in its ability to support prevailing social and economic conditions.

The environment is important in economic development, manifested in concerns about environmental health, transport, infrastructure, property and amenity. Environmental factors are very important in the attraction and retention of businesses. Many urban areas have experienced environmental degradation due to past industrial activities and declining investment. In addition, environmental degradation can affect the market for property and land in an area. The costs of making a site good for development are often prohibitive, especially to private sector concerns.

Even though this discussion has been very brief, it is clear that there are many arguments in favour of reactive policies to economic change and restructuring. Further details of the nature and effects of change are comprehensively discussed in other sources (Massey and Allen, 1988; Best, 1990; Ohmae, 1995; Kanter, 1995; Drucker, 1989). In addition to post-hoc analysis and reaction, there is much scope for a more proactive or interactive viewpoint. That is one which conceptualises these changes and prescribes modes of activity to engender economic development within them. In addition, a

viewpoint is useful which explores the dynamics of an area's economic performance rather than describes the more visible symptoms and reactions.

There has been much dissemination of modern economies and their performance. What is especially relevant is the increasing depth of investigation into issues such as performance and competitiveness. Studies such as Porter's (1990) transcended prevailing views of economic performance and the obsession with macro-economic tools, and led to a deeper understanding of how companies succeed and fail, and how the system of regulation, factor endowments, competition and demand conditions interacted. What is significant from Porter's work is that there are substantial areas of company and economic performance that are suitable for development activity at the subnational scale. In particular, Porter proposed a diamond system of four attributes which shape the national context in helping to promote or impede the creation of competitive advantage (Egan, 1995). The diamond represents a mutually reinforcing system of individual components, which include factor conditions; firm strategy, structure and rivalry; demand conditions and related and supporting industries.

The salience for local and regional development issues are as follows. Factor conditions include human, physical, knowledge and capital resources plus the delivery structure of transportation, communications, mail, financial services, health care and education. In addition, these factor conditions are not static. Obviously, improving factor conditions, or enhancing existing factor advantages is a legitimate function for a local or regional institution and community, as there can exist the need or potential to develop factor conditions that are differentiated across geographic locations. No nation has uniform factor conditions across the board. Demand conditions are also relevant to the local and regional level. As Porter points out, it is the quality of home demand that determines competitive advantage. Quality demands set a precedent for competitive dynamism in home markets. There is therefore a motivation to upgrade demand expectations and to upgrade the quality of output amongst domestic enterprises. There is scope for this at the local level, especially in terms of business support, development and consultancy work, which needs a close and tailor made approach that is arguably not available nor possible at the national level. The nature of supporting and related industries is also important, as they will often locate geographically close to both each other, and their main customers. Various theories have developed in this field including those concerned with clusters (Harrison, 1992; Waits and Howard, 1996) and Industrial Districts (Pyke

and Sengenberger, 1992; Schmitz, 1992). Many local agencies engage in attempting to create conditions for increased growth through the 'duality' of increased competitiveness where internationally successful suppliers and related industries congregate. There are also possible demonstration effects for other local enterprises. In terms of firm strategy, structure and rivalry, there is scope for local action in terms of business support and related activities that can contribute to the development of company performance and effectiveness.

There are many sources which introduce the local and regional dimension of development dynamics including the concepts of clustering and industrial districts, as mentioned previously. Moss Kanter (1995) also discusses in depth the necessity for local action and networks in promoting world class and competitive regions and cities. Overall, there has been a growing recognition of the importance of the many conditions for competitiveness and economic dynamism at the micro-level. This questions whether action at the national level can effectively develop these particular factors and conditions. It is argued here that local and regional level organisation and activity is well placed to address many of these micro-level concerns.

It is a useful exercise to briefly chart the history of local and regional development activities. Initially, regional development policy was used immediately post world-war II up to the 1960s. In this period, financial and promotional incentives were used to steer investment to deprived regions. This system was at first centrally administered, but was superseded by regional control and action. The types of activities were largely related to the attraction, retention and location of multinationals and branch plants. A second phase began in the 1960s with the emergence of poverty issues and concern over the interconnections between social and economic problems - termed 'welfare policies' by Eisenschitz and Gough (1995). Another concern in this period was for organisational co-ordination, which was reflected in the popularity of corporate and strategic planning systems. The next, perhaps parallel phase was the rise of land-use planning. This enabled control of land use and displacement activities, and was seen as a tool to sustain communities. However, this planning view was challenged in the late 1970s by arguments for less regulation and less distortion of the market, which continued through to the 1990s. A fourth stage represents the rise of interest in enterprise and small firms, which was also associated with the need for local delivery.

The growth of local or sub-regional institutions and activity in economic development has been significant. Local government has a long history of involvement in municipal enterprises, regulatory functions and town centre development. Business organisations have also been established at a local level, especially in Europe, with the development of chambers of commerce and trade associations. The real growth in local economic development policy and action occurred in the 1970s, where there was increased decentralisation in the implementation of some central government programmes, particularly in small firm support, training and labour market policies. In addition, there was the development of regional development agencies with substantial powers in Scotland and Wales, and the establishment of the Department of Economic Development in Northern Ireland. The economic shocks of the 1970s subsequently led many local authorities to adopt a more accommodating approach towards business in land use planning and assembly. In addition, central government legitimised the local government role in economic development through both the 1972 Local Government, Planning and Land Act, and the 1989 Local Government and Housing Act.

The ascendance of the Conservative party to Government in 1979 introduced a fundamental shift in economic development policies. The 1979-81 recession caused widespread decline in manufacturing with localised impacts. The 1981 riots also increased support for spatially and socially targeted schemes. New policies for training, small firms and enterprise were also derived. An important approach developed by the Conservative administration one that produced policies and programmes with strong spatial selectivity, such as Enterprise Zones and Urban Development Corporations. A major motivation was to concentrate resources on a small area to enable a visible impact.

To some extent, the development of many grassroots local development activities and approaches occurred in reaction to Conservative policies by Labour controlled local authorities. Local Government programmes such as Local Enterprise Boards and training initiatives were widespread in urban authorities. However, the subsequent dominance of the Conservative Party in government led to the abolition of metropolitan county councils, and also the emergence of new institutional arrangements for policy implementation. The latter half of the 1980s saw the introduction of arms length local agencies along Urban Development Corporation lines, exemplified by the creation of Training and Enterprise Councils (TECs) to meet the apparent problems of skills and training which were being voiced by many private sector interests. Similarly

in Scotland, Wales and Northern Ireland, there was a further push towards executive agencies for implementing local and regional economic policy.

In sum, there is a rich history of contexts, cases and rationales for local economic development action and intervention. What this thesis is primarily concerned with is the implementation and delivery of strategies and policies, and in particular the institutions or vehicles that are involved at this stage. Any investigation of agency performance does need sufficient understanding of the history and contexts for economic development and regeneration activities.

It was found, after lengthy consideration and background research, that the best way to approach this research was to engage in an organisational analysis. Using concepts and methods from the disciplines of organisational studies, applied management studies and policy evaluation, the research took the form of an investigation into development agencies as organisations. This is not a dilution of the progress made in regeneration and economic development studies, however. In fact the combination of these various fields has increased understanding and contributed to a valuable piece of research. The next section details the structure of the thesis. It comprises of nine chapters.

1.3 The Structure of the Thesis

The theme of the definition and role of economic development agencies continues in Chapter Two. An examination of theories of market failure and other rationales for public sector activity is performed in relation to economic development. Further, the need for local or subnational implementation is examined theoretically. These give some additional rationales for development action and organisation at a local scale. Some documentary analysis of how development agencies portray their role is also included. This then leads to a description of what roles agencies have taken in the past. There then follows some investigation of past attempts at the categorisation of development agencies. The chapter concludes with some initial exploration of the range of likely agency characteristics that could be used both for the categorisation and analysis of development agencies.

Chapter Three essentially deals with a dissemination on agency performance and effectiveness. Some theoretical grounding for this issue is discussed using sources from management, organisational and public policy disciplines. There are some conclusions

as to the definition of agency performance, and that agencies face the judgements of a number of constituent interests in relation to their effectiveness. This chapter then further explores some of the relevant academic and official discussions on effectiveness in economic development agencies. It is then hypothesised that a wide range of factors beyond the ones commonly discussed in urban, regional and local studies literature will be important in agency performance. It is also concluded that the best approach to take in determining the factors for effectiveness is an organisational analysis, incorporating the themes and methodologies of past studies in organisational and applied management disciplines.

Chapter Four details the area contexts of the agencies that participated with the original research in this project. It is necessary to understand the contexts and institutional histories of the agencies under study in order to understand the perspectives drawn from the original research data. A brief outline is made for each area in terms of the economic history, institutional apparatus for economic development, strengths and weaknesses, and the key perspectives for the research project that the area brings. Some mention is made of the methodology of the study, although this is explained in depth in Appendix I.

The structure of the analysis chapters five to eight reflects the organisational approach taken as outlined above. First of all, the role of an economic development agency is re-examined in Chapter Five. This chapter is brief, and seeks to highlight where interviewee interpretations complement or diverge from academic and official ones. Chapter Six then investigates and describes the environment that the agency operates in. In particular this chapter highlights the factors that the agency has little control over, and attempts to describe how they influence agency performance. This chapter sets out the environmental parameters for agency operations, and is also important in explaining why certain approaches, problems or successes occur.

Chapter Seven is concerned with the organisational characteristics that influence agency performance. This chapter is large, and the breadth of areas covered reflects the range of organisational factors considered to be important in agency effectiveness. This chapter, as with all the analysis chapters, is shaped around the levels and nature of interviewee reporting. There is much written about this theme because respondents commonly cited many of these factors as important in relation to performance and effectiveness.

Chapter Eight investigates the operational issues for a development agency. These comprise the design and application of strategies, tools and mechanisms for economic development. The underlying rationales and modes of design and application are examined rather than specific mechanisms and tools. This chapter also suggests some conceptual frameworks around which greater understanding of these issues can be made. There is also an indication of the trends and developments in operational and service matters.

Overall, the analysis chapters (Chapters Five to Eight) proceed in a logical sequence. The underlying element to all of them is the nature of organisation and its consequences for effectiveness in the context of economic development. The list of factors which are important in agency performance is long, and there are complex causal relationships at work. Some attempt to synthesise these into a framework or model for best practice is made in Chapter Nine. This does not suggest one single approach. It is more a guide to what factors need to be considered to design and run a successful economic development agency, and makes the provision of some benchmarks for agencies to compare their operations. The final section of Chapter Nine comprises the final comments and summary of this research project.

**CHAPTER 2. EXAMINING THE ROLE AND
NATURE OF ECONOMIC DEVELOPMENT
AGENCIES**

CHAPTER 2. EXAMINING THE ROLE AND NATURE OF ECONOMIC DEVELOPMENT AGENCIES

2.1 Introduction

This chapter seeks to investigate the role and nature of development agencies. In terms of the role, it is important to explore this with some theoretical grounding, and this is performed with reference to theories of public policy which include the issues of market failure, societal values and government failure. The question of scale of delivery is further explained using theories from the field of Fiscal Federalism. A further purpose of the chapter is to explore in more depth the exact role of development agencies, and the nature of their constitution as exists in practice. An analysis of the economic development role, in terms of functions and aims, is made. This also draws briefly on both the agencies' own descriptions of what they do and some academic sources of description and categorisation of development activity. The last section is concerned with the nature of economic development organisations. This details how they are composed, and how this has been analysed in the past. There is further discussion on the factors and features that make development agencies distinct from other organisations, and which of these features may be the most important in this research. Some investigation on past academic research into the categorisation of development organisations is also made. The next section takes a theoretical perspective on rationales and reasons for the existence of development agencies.

2.2 Economic Development Agencies: rationales and reasons for their form and existence

This section involves an exploration of the rationales and reasons for the existence of economic development agencies, and the forms that they take. There has been some exploration of the reasons for economic development concerns and action in Chapter One. This section draws significantly on theories of the public sector and modes and types of public sector intervention. It particularly draws on rationales for public policy (Weimer and Vining, 1989), Bennett's analysis of decentralisation and economic development (1990) and the area of fiscal federalism (Oates, 1972; Smith, 1996).

Rationales for public policy

There are several commonly occurring situations, or market failures that occur in contradiction to the idealised competitive economy and interfere with efficiency in production or consumption. Traditional market failures in public goods, externalities, natural monopolies and information asymmetries provide widely accepted rationales for such public policies as the regulation of markets and the provision of goods by government agencies (Weimer and Vining, 1989). However, public policies also reflect other concerns apart from efficiency. The expression of societal values can compromise economic efficiency. The protection of human life, making the distribution of goods more equitable or promoting fairness in the system of distribution are all examples of such a case.

This discussion assumes that the reader has some knowledge in theories of market failure, as a lengthy dissemination here is unwarranted. Market failure can be explored in two camps. One camp is the traditional exposition of market failure, which describes events where outcomes in perfectly competitive market models are socially inefficient. The other camp is where market failure occurs because there are limitations of the competitive framework in which decisions are made. Both are concerned with inefficient outcomes from a social point of view. Table 2.1 lists these modes of market failure.

There is the question of how concepts and definitions of market failure apply to economic development issues. According to Bennett (op.cit.), many economic development needs have strong public good attributes at national, regional and local levels. Some illustrative examples help to clarify this idea. Infrastructural needs provide a basis for such an example. If a number of companies clustered in one location expressed the need for a road linking them to suppliers or sources of labour, it would be unlikely for one single firm to bear the cost burden. Similarly, one firm would not normally bear the cost of expensive labour training in a highly mobile employment sector subject to high levels of risk of poaching. Despite economic disincentives for one single firm to bear the costs of these, there would be benefits for all the firms and the community as a whole. A way must be found to realise the benefits of providing these goods and encouraging all the firms to contribute to their provision. As Bennett further commented, the necessary agency to overcome this problem may not be voluntary

collective action, but rather a government acting on behalf of a wider community. A wide range of examples exist, such as those applying to the quality of the local labour market, education facilities, transport infrastructure and crime levels for example. A case for governmental action in economic development arises from these collective-good characteristics. There are also other modes of market failure that are relevant.

Table 2.1 A summary of market failures and their implications for efficiency

<p>I. Traditional Market Failures</p> <p>A. Public Goods</p> <ol style="list-style-type: none"> 1. Nonrivalrous, excludable: marketable public goods (undersupply) 2. Nonrivalrous, nonexcludable: pure public goods (undersupply) 3. Rivalrous, nonexcludable: common property resources (overconsumption, underinvestment) <p>B. Externalities</p> <ol style="list-style-type: none"> 1. Positive externalities (undersupply, underconsumption) 2. Negative externalities (oversupply, overconsumption) <p>C. Natural monopoly (undersupply, X-inefficiency)</p> <p>D. Information asymmetry: over- or underestimation of quality (overconsumption or underconsumption)</p> <p>II. Other limitations of the competitive framework</p> <p>A. Markets with few sellers or few buyers (undersupply)</p> <p>B. Endogenous or unacceptable preferences</p> <ol style="list-style-type: none"> 1. Endogenous preferences (typically overconsumption) 2. Utility interdependence (distributional inefficiency) 3. Unacceptable preferences (overconsumption) <p>C. Problems of uncertainty</p> <ol style="list-style-type: none"> 1. Incomplete insurance markets: adverse selection, moral hazard and unique assets (under- or over- consumption, undersupply) 2. Misperception of risk (either overconsumption or underconsumption) <p>D. Intertemporal problems: nontraded assets and bankruptcy (incomplete capital markets, underinvestment)</p> <p>E. Adjustment costs (underemployed resources)</p> <p style="text-align: right;">(Source: Weimer and Vining, op.cit.)</p>
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The nature and relevance of externalities is illustrated by the negative externality effects of poor area environments. Environmental damage incurred either by industry, dereliction or neglected maintenance may incur costs to existing or potential businesses located in such an area. Natural monopolies can also have development implications. This is evident in X-inefficiency resulting from limited competition, where firms in a

monopoly situation do not have to operate at minimum costs. The effects can obviously influence the consumers of these goods and also if competition is introduced suddenly. X-inefficiency results in companies not operating at competitive levels, and is especially problematic if there is the introduction of foreign competition by the opening of markets. Monopoly situations can also occur in the labour market, where groups of workers can exclude other members of the population from participation in their trade by union membership, trades accreditation or professional association for example. Information asymmetry has classically been used in the exploration of unemployment and labour market imperfections (Adnett, 1989; Hughes and Pearlman, 1984) where both workers and employers have imperfect information about each other. It could also be applied to information about export markets for local companies, for example, or even in the case of misperceptions about certain localities as business locations. There is sometimes scope for establishing secondary markets, where producers and consumers can turn to third parties to help remedy information asymmetry problems. These secondary markets may be underdeveloped and require public intervention. For example, many agencies are established for the purpose of marketing locations based on the provision of relevant information to prospective mobile businesses and other investors. Job centres advertising vacancies in the UK are a form of secondary market provision in the labour market.

In terms of limitations of the competitive market framework, there are many areas applicable to economic development issues. Underdeveloped markets is an obvious one, where there are insufficient buyers and sellers in certain crucial markets. Examples of these could be capital markets, high level management consultancies, or research and development services. There are also cases where underdeveloped markets have led to the widespread importation of goods as suppliers cannot meet changes in demand when they occur. Uncertainty certainly affects the environment for economic development. Risk perception is very important in business decisions and investment criteria for example. Private sector risk assessments may be erroneous, or prohibitively high so as to restrict the flow of capital. There is scope for intervention to provide public coverage or compensation in cases where perceived risk is so high as to be restrictive to economic activity. Examples include the lack of finance for certain types of business which induce uncertainty in private sector providers due to lack of experience in risk assessment. This may particularly be the case in new technology ventures. Intertemporal issues are

obviously relevant to the economy. The negative consequences of business cycles and the short-termism of private sector decision-making frameworks have been made evident elsewhere (Hamberg, 1978; Townsend, 1982; Hutton, 1995). They have special relevance to the functioning of capital markets, as many of these markets are imperfect. Finally, adjustment costs are significant for local areas. Economies do not move costlessly from one equilibrium to another over time, and economies are never static. There is also the problem of whether markets ever reach equilibrium at all. The business cycle, again, is relevant here. With recession and expansion come pressures on the economic and social fabric to accommodate these changes.

The scope for an investigation of the exact relationship of market failure to economic development concepts is complex and sizeable. It is the purpose of these sections to illustrate the relevance of these concepts rather than investigate them thoroughly. Many concerns that derive from market failure are interrelated and cumulatively causal. In addition, they are not static. The picture is further complicated if the elements of scale and locality are considered in the light of market failure. Significantly, values other than economic efficiency are relevant to assessing whether any particular combination of private and public activity achieves desired social outcomes and structures. Such values are integral to government intervention, and include equity and equality. In addition, certain types of market failure prompt the expression of social values. For example, high unemployment in certain disadvantaged areas may be caused by one or a combination of market failures such as adjustment costs after economic restructuring, information asymmetry in the labour market, market failure in the provision of education and training or transport, or even underdeveloped markets. This situation of high unemployment and associated social disadvantage may prompt a policy response in terms of the need to uphold values of equity and equality of access to economic opportunities and in the attainment of minimum defined standards of living. From this range of rationales for public policy and intervention many methods and mechanisms have emerged for correcting market failures and realising societal values. There is also another reason for prompting public policy, namely *government failure*. If there is a failure in this way, then often policies, mechanisms and agencies are created or altered in order to address it. This is very relevant to the discussion of economic development provision, and in particular at the local level.

Basically, problems occur in almost every aspect of government operation - the democratic process, representative government, bureaucratic supply and in centralisation/ decentralisation. Governments, like markets can sometimes fail to promote social good (Weimer and Vining, op.cit.). The changes that have taken place in the past in response to government failure find much relevance to economic development and regeneration issues. The creation of executive agencies and private companies to deliver development policies and mechanisms has partly been to circumvent the problems of provision in established political and administrative frameworks. The promotion of partnerships and consultative networks in urban regeneration has been partly in response to the lack of true representation in local government, the need to match action to needs and preferences, and the need to have an inclusive forum where important groups can shape the mode of intervention. Many examples of such changes and associated institutional developments have occurred in economic development and regeneration policy, and a few of many examples include Enterprise Trusts (Hayton, 1992), LECs (Hood, 1990, 1991; Taggart, 1992), Urban Development Corporations (Imrie and Thomas, 1993a; Parkinson and Evans, 1990), TECs (Peck, 1993; Bennett *et al.*, 1994), Business Links (Hutchinson, Foley and Oztel, 1996), Private Industry Councils (OECD 1989a), and English Regional Development Agencies (Regional Policy Commission, 1996). Much of Chapter Six is concerned with how government failure occurs in economic development.

Why subnational agency and action in economic development?

One important question is why economic development and regeneration activity has and should be determined and delivered at a subnational level. This section will examine some of the theoretical rationales behind scales of activity within the field of public policy. These concepts are very relevant to economic development, as will be discovered.

The field of 'fiscal federalism' (for example, see Oates, 1972) deals with the 'assignment question' - which entails determining the economic criteria for the division of functions between different layers and tiers of government. The basic concept of decentralisation of government action is explored in terms of two functions that it performs - the *decentralisation of choice* and the *decentralisation of administration*. A useful summary of these issues is found in the discussion of decentralisation and government functions in

the case of Northern Ireland in Smith (1996). Decentralisation of choice is where government decentralisation allows communities to make choices about the provision of public services and the consequent levels of taxation. The concept is summarised by Smith (op.cit.) as:

Assigning a particular area of policy to the regional level of government would enable regional differences in preferences to be reflected in decisions about the level and pattern of service provision.

(ibid.)

It is apparent that there is a useful application to local and regional economic development activities here. Decentralisation of administration, on the other hand makes provision for lower tiers of government to provide a way of decentralising the implementation of central government decisions. Again, the relevance for economic development is illustrated by Smith:

Administrative decentralisation to regional or local government units may mean that policy is implemented by a better informed, and therefore more efficient organisation than the central government itself.

(ibid.)

So there are two functions of decentralisation - one where there is an expression for and provision of services according to locally and regionally determined differences, priorities and decisions (*choice*) and one where regional and local bodies are a vehicle for the administration of centrally determined policies (*administration*). The principal focus for decentralisation of choice has been on the provision of local public goods, where goods have the characteristics of non-rivalry and non-excludability in consumption, but which have benefits confined to only a limited geographical area. In the case of administrative decentralisation, the principal rationale is to exploit advantages of smaller scale units in the implementation of centrally determined policies. These advantages may include the need for targeting and delivering services with a high information content (which is more cost effective in a smaller organisational unit), where local bureaucrats will have better information about local needs than central bureaucrats, and where there is feedback and control on performance and administration of local services in the form of local voters and local public opinion. In both cases, there is the issue of unit costs in delivery of services and goods by government. The argument for scale economies gained through central or higher-tier provision is undermined by the higher unit costs of information and communication dense activities in larger governmental

units (Helm and Smith, 1987), the higher unit costs of means-testing, targeting or selectivity of assistance at centralised levels, and the provision of goods or services through non-governmental contractors (i.e. the economies of scale and unit costs issues are pushed onto the contractor).

The literature on fiscal federalism provides some further issues relating to the allocation of responsibilities for policies and services between different tiers or units of government or administration. These main issues are summarised below:

- *Interjurisdictional externality*: Where the policy adopted by one jurisdiction has positive or negative implications for the residents of other jurisdictions - or where spillover effects occur.
- '*Equivalence*' (Olson, 1969): Where appropriate functions are applied at the appropriate scales, i.e. the spillover effects determine the level of provision. In this way, policies with small interjurisdictional spillover effects would be applied at the local level, and those with substantial spillover effects at the national level. Logically, a situation where the spillover effects were excessive for local provision, but do not warrant central provision, may justify a new tier of provision.
- *Economies of scale*: As mentioned earlier, there is a calculation of the unit costs of provision according to the tier of government.

There is, therefore, some framework here for understanding the role and rationale of economic development action at the sub-national level. It also develops a theoretical base for determining the proper geographical scope for a local economic development organisation. From this section, there has been an examination of some areas of theoretical grounding for economic development action as a whole in terms of market failure, societal values and government failure, and also the scale and scope of activity at the local level. The following sections describe in more detail the rationales, functions and arrangements that currently exist for economic development at the local level, and the relevance of these preceding theoretical groundings will be re-examined in the chapter conclusions.

2.3 Economic Development Action

This section explores what economic development action involves in practice. It examines the roles that development agencies commonly take, including some discussion of the main operational functions. It is then followed by a section that investigates the institutional forms that undertake economic development at sub-national and local scales, which introduces some themes and concepts for the main research question.

Agency rationale and role

Chapter one discussed some of the rationale for, and historical development of, economic development action. These issues were very illustrative in justifying the existence of development agencies at some sub-national scale. Earlier in this chapter, theories of market failure, societal values and government failure further reinforced and complemented some of the arguments for action proposed in chapter one. They added more justification for some kind of intervention, as well as constructing a more rational framework for analysing where and at what scale. This section seeks to examine what exists in practice, in terms of what agencies do, and how they are composed.

A useful starting point is to examine how the agencies perceive and describe their task themselves. A number of statements from a diverse range of agency publications have been reproduced on the following pages. These statements are mostly from the opening introductions of annual reports and strategic plans. They basically state the role and purpose of the agency as would like to be projected to an external audience. They are, in effect, mission statements. From a brief analysis of these extracts, most agencies would appear to see themselves as concerned with assisting and promoting economic development and providing benefits to businesses and communities. Some agencies specifically state goals, beneficiary groups and the functional focus of their activities where relevant. Another role mentioned by some is the promotion and encouragement of certain values amongst recipients, from 'persuading to invest in the culture of best practice' (Business Link London East, undated) to 'remove barriers to opportunity' (West London TEC, 1997). Development agencies' own definitions range between specific goals and functions to general aims and objectives. A brief examination of academic dissemination on the categorisation of economic development activity is warranted.

Agency statements on objectives, tasks and missions

The Glasgow Development Agency (GDA) is the principal agent of economic development within an alliance of organisations committed to making Glasgow one of the great cities of Europe. We are seeking to achieve this for the benefit of the people of Glasgow and in that process to become generally recognised as one of the best development organisations.

...Scottish Enterprise (SE) has three main functions:

1. the promotion of economic development,
2. the effective management of Government training programmes,
3. the development, redevelopment and improvement of the environment.

GDA's remit, under contract to SE, is to develop and deliver projects and programmes within Glasgow which will contribute to each of these.

The company has four strategic objectives:

- improving business performance,
- maximising the contribution of the city's distinctive assets,
- extending opportunity to those in the regeneration areas,
- preparing brownfield sites for housing.

(Glasgow Development Agency, 1996-97)

West London Training and Enterprise Council (TEC) is one of 79 TECs in England and Wales, and covers the London Boroughs of Ealing, Hounslow, Hillingdon and Richmond-upon-Thames. Working in partnership with all local groups, including the public, private and voluntary sectors, West London TEC acts as a catalyst for local economic development.

West London TEC aims to promote economic growth in the area by stimulating the competitiveness of local companies; providing local people with the required skills to access jobs; and fostering a fully trained workforce. West London has the potential to be renowned for its highly skilled and knowledgeable workforce, valued for its socially diverse community and recognised for its high quality, sustainable environment.

West London TEC's Mission:

"With our partners, to stimulate business growth, investment in skills and to remove barriers to opportunity for the benefit of West London's businesses and people."

The TEC has five strategic objectives in fulfilling its mission:

Investing in skills

Stimulating enterprise

Breaking down barriers to employment, training and enterprise

Ensuring that effective delivery mechanisms exist

Ensuring that the TEC is an efficient and effective business

(West London TEC, 1997)

Business Link London East is a champion of change bringing radical improvement in the delivery of business support services, focusing the needs of businesses to improve their market position and actively encouraging the use of those services to take advantage of market opportunities locally, nationally and internationally.

Our role is to be the first point of contact for any business or new venture in eastern London that recognises the need to embrace a culture of best practice and continuous improvement and needs the help of business support services to undergo change for growth and development.

We aim to persuade all businesses in eastern London to invest in the culture of best practice and continuous improvement to maximise their competitiveness and realise their full potential.

Business Link London East is a business in its own right, commercially oriented and supported by a powerful partnership with long experience in Eastern London

It is a business run by business people for business people, offering a full range of business support services that are locally accessible, customer focused and responsive to need. The Business Link London East brand stands for services delivered to a consistently high standard and guaranteed quality.'

(Business Link London East, undated)

WHAT WE ARE:

LEDU, the Small Business Agency, is a company limited by guarantee, set up in May 1971, which operates under the sponsorship of the Department of Economic Development (DED) to promote the establishment and expansion of small local enterprises that generally do not employ more than 50 people.

WHAT WE DO:

Encourages people to view self-employment as a feasible and attractive option.

Assists small businesses in Northern Ireland to become more competitive, by providing information, guidance and financial support directly through our client executives or through third parties working on our behalf.

Encourages small firms to adopt a planned approach to the development of their businesses.

Researches, plans, and develops the most appropriate forms of assistance for our clients.

Promotes the importance of exporting outside NI as the key to growth in the small business sector.

OUR VISION FOR THE FUTURE

To be sought out and respected as the lead authority in local economic development, as a result of our contribution to a small firms' economy which has become vibrant, confident and outward looking.

(LEDU, 1994)

'Scottish Enterprise is the economic development agency for 93 percent of Scotland's population. Its purpose is to create jobs and prosperity for the people of Scotland. It works to ensure that Scotland enters the next century as a wealthy, strong, internationally competitive nation.

It operates with many partner organisations in the public and private sectors. Their mutual goal is to build more and better businesses in Scotland, to develop the skills and knowledge of Scottish people, and to create the right physical environment for the Scottish economy to prosper.

Scottish Enterprise invests in industry and commerce, infrastructure and people, the vital elements of a healthy economy. Its own investment stimulates many times more again from its partners in the private sector. Value for taxpayers' money is always a priority.

The Network Strategy defines seven key objectives. Four of these relate to the competitiveness of Scotland's businesses:

To develop and grow competitive existing businesses.

To promote more and better new ventures.

To continue to attract inward investment.

To improve export performance.

The remaining three objectives relate to certain critical factors that directly influence business performance:

To promote the skills and knowledge base.

To improve the physical business infrastructure.

To promote access to opportunity

(Scottish Enterprise, 1998)

AIMS

- To secure the regeneration of the Lagside area within an agreed strategy for the regeneration of Belfast
- To take account of the Government's policies on Policy Appraisal, Fair Treatment and Targeting Social Need
- To provide significant long-term economic, social and recreational benefits for the citizens of Northern Ireland
- To engage and secure the participation of local communities in the regeneration of the Lagside area
- To contribute to the development of a positive international image of Belfast, leading to increased investment, visitors and tourists

MAIN OBJECTIVES

- Community Benefits - To address the social, economic and recreational needs of our society with particular emphasis on the disadvantaged
- Planning - To prepare Development Plans which maximise the benefits of regeneration and integrate Lagside into the city.
- Site Marketing - To prepare Site Marketing Plans and secure the target levels of private investment, land use and additional benefits.
- Management - To resource, manage and control the work of the Corporation and to comply with the requirements of public accountability including meeting the requirements of corporate governance.
- Succession - To plan for the future management of the Corporation's assets and liabilities

(Lagside Corporation Corporate Plan 1996-2000)

Agency Aim, Mission and Objectives

AIM

To assist economic development and help people to find work, through training and employment services delivered on the basis of equality of opportunity.

MISSION

To develop a world class workforce in Northern Ireland.

OBJECTIVES

1. To assist companies in Northern Ireland increase their international competitiveness by promoting management development and encouraging employers to develop the skills and versatility of those in employment.
2. To support the attraction of inward investment.
3. To enable people seeking employment to receive the necessary careers guidance and competences.
4. To help people to find suitable jobs and employers to find suitable employees.
5. To provide customers with a cost effective and quality service.
6. To ensure that Agency policies and programmes promote our commitment to equality of opportunity and fair treatment.

(Training & Employment Agency, 1994)

Tyne and Wear Development Corporation aims to meet the highest standards for urban renewal in the United Kingdom.

The task we were given when we were set up in 1987 was to secure the regeneration of 2,400 hectares (6,000 acres) of land alongside the Tyne and Wear rivers, lying in the areas of four local authorities...

We aim to fulfil our task firstly by clearing blighted lands, then bring in new developments which meet the real needs of the community.

Working in partnership with others in both the private and public sector, we are bringing about the physical, economic and social regeneration of the area.

This report spells out the next steps we plan to take towards implementing our strategy over the next two years.

(Tyne and Wear Development Corporation, 1993)

There have been many academic studies that have attempted to categorise activities in economic development using one or a combination of theoretical, rational and empirical approaches (for an in-depth review see Wolman and Spitzey, 1996). There are many methods of categorisation. One categorisation commonly used has been to divide economic development tools and approaches between the 'supply' and 'demand' side. However, it is debatable where certain tools and approaches fit between this division. In strict neo-classical terms the majority of tools are supply side. There is also an equal argument that in some cases, this distinction may be ambiguous. Another method of categorisation is one based on purpose or strategic intention. Mataluf (1987) and Feiock (1987) offer examples of this in tables 2.2 and 2.3

Table 2.2 Mataluf's Categorisations

<p>economic revitalisation capacity building project co-ordination financial assistance support services for economic revitalisation</p>

Table 2.3 Feiock's Categorisations

<p>promotion service co-ordination business non-financial assistance incentives</p>
--

Differentiation between activities according to purpose or strategic intention finds further coverage by Goetz (1990), who divides activities by their intended outcomes. Another mode of categorisation relates to the development of provision over time and sophistication. Certain approaches can be associated with either innovation or tradition in practice. For example, innovation is linked to the increased sophistication and specialisation of provision, such as business support that is differentiated sectorally and according to firm size. Traditional forms of support would involve simple grants, property provision and job subsidisation. This mode of categorisation has been discussed in various guises, including the distinction between 'convention' and 'entrepreneurialism' made by Clarke and Gaile (1989, 1992). In this case, the authors proposed that a shift away from conventional economic development orientations towards market-based or entrepreneurial approaches was occurring in practice.

Significant reference to the emergent forms of provision is made in Chapter Eight in reference to the original research in this project.

Overall, past academic coverage of the categorisation of economic development activity has covered several methods and modes that are perhaps complementary. There appears to be three main modes of categorisation that basically refer to the process of development action from inception to application. Firstly, agencies have strategic intent and objectives such as those proposed by Matulef and Feiock, or intended outcomes as describe by Goetz. Then there is the design of tools and mechanisms for realising these objectives. Following this there is the actual implementation of economic development. So past academic categorisations fall into one of the following stages of development action, including i) defining roles, setting objectives, targets and goals; ii) designing mechanisms and organisational arrangements to fulfil the objectives; and iii) application of the mechanisms, activities and tools.

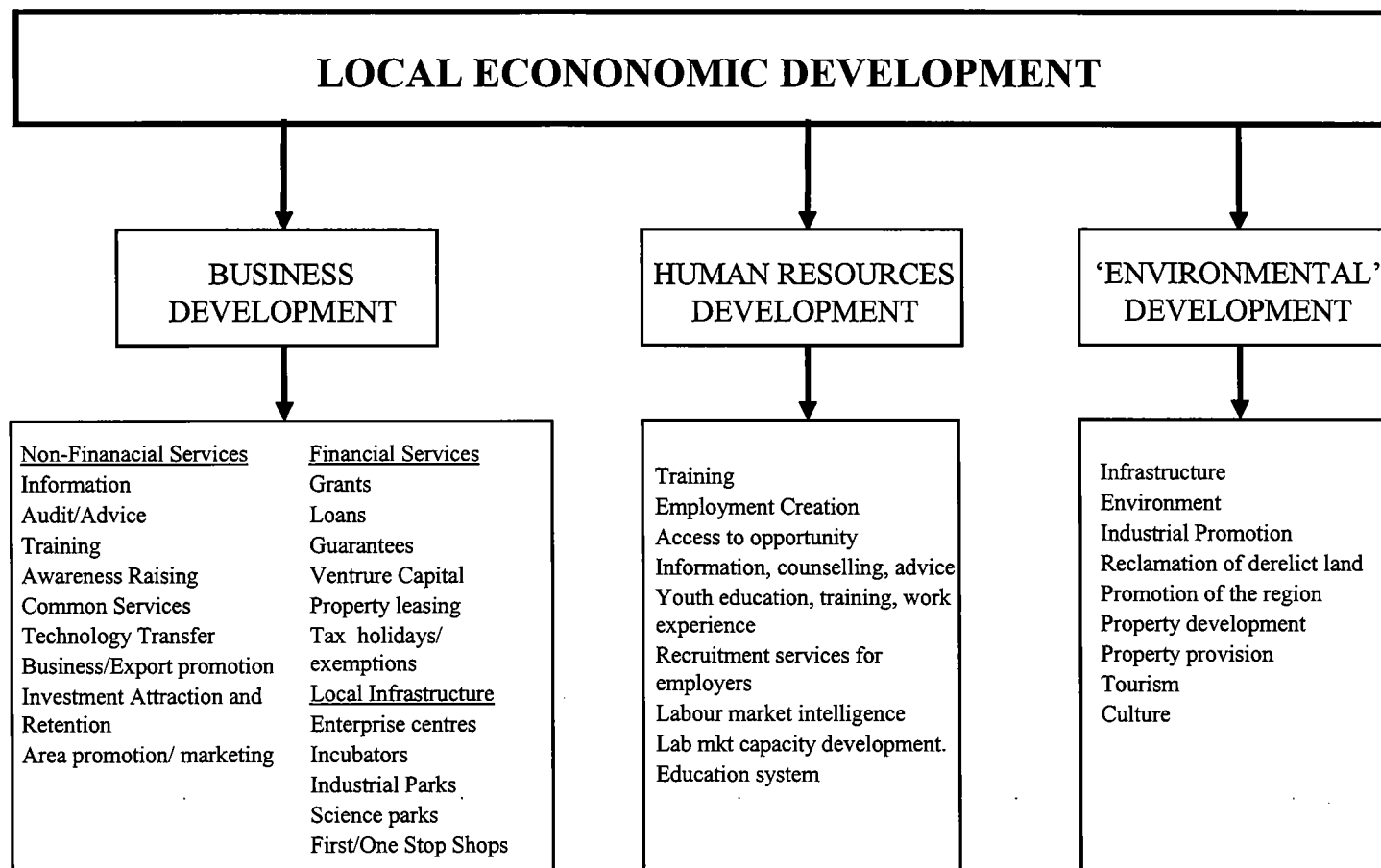
Throughout the process of economic development as mentioned here, a development agency is fulfilling many roles. In terms of objectives, these may be multiple to realise economic development. Examples of such objectives may include the diversification of the economic base, identifying and realising growth opportunities, or strengthening factor conditions for competitiveness. As part of its role, a development agency may also have to engage in other functions such as marketing activity. The role of marketing for an agency fulfils functions such as publicising the activities of the agency to increase awareness and take-up, aligning other providers into the agency's objectives and approach, informing local actors of results, opportunities or problems, and raising awareness of the added value that the agency has brought (EURADA, op.cit.). Being an institution located within an area and concerned for its economic welfare, an agency also fulfils a role of representation. Many agencies play a significant role as a broker or catalyst for a wider network of relations between local agents and central and local government (Bennett and Krebs, 1994). There is also a legitimate role as a source of economic development intelligence, expertise and understanding which can contribute to the facilitation of change and demonstration effects onto other organisations. This was recognised as an important role in the development of Training and Enterprise Councils in England and Wales by Stratton, that they should 'be broadly perceived as an

intermediary organisation... a convenor, facilitator, broker and builder of coalitions and networks' (Cited by Huggins, 1997).

The control over the definition of its role, objectives and approaches is another defining characteristic of the agency. In practice, there are modes of activity that an agency must perform, but which are designed at the level of central government. This is the case in many areas of education and training provision in the UK. The role of the agency here is to administer centrally determined and funded programmes. Another feature relevant to this one is that agencies themselves may determine programmes and modes of activity according to their own objectives and role, whilst contracting other organisations to deliver them. There are a number of cases where many agencies are not involved in implementing all or part of their activities.

It is apparent that within their roles, development agencies must embark on a wide range of activities in addition to implementing tools and mechanisms. One categorisation that has not been made so far is a technical one, based upon the functions and tools of development. It is illustrative to examine what constitutes economic development activity within the functional streams as represented in Figure 2.1, an adaptation of EURADA's functional classification of economic development activities. A full evaluation of the tools and mechanisms as mentioned here with an analysis of the relative merits and weaknesses of each approach is perhaps beyond the means of this thesis, although substantial background research into this was made. It is also important to note that contrary to what Figure 2.1 would seem to indicate, none of these approaches are necessarily mutually exclusive. They may be delivered jointly, simultaneously or consecutively. This raises questions over the complementarity of various development functions or mechanisms, and leads to concerns about the level of integration of operations needed for effective action. The remainder of this section is involves an exploration of the rationales, roles and mechanisms that a development agency may be concerned with. It is divided along the lines of the 'functional streams' of activities as included in Figure 2.1, although the discussion relates to more than simply technical delivery issues.

Figure 2.1 An Adaptation of Eurada's Functional Classification of Economic Development Activities.



Business development

The range of services on offer to businesses in many development agencies are potentially large. In addition, the differentiation between businesses in terms of type, size and age is also significant in many development approaches. In the main, there is a distinction between inward investment recruitment and indigenous business development. However, services are often rendered to companies with a presence in the locality who have external origins. These companies may have been clients of an inward investment service before. In this way, the distinction may be blurred between incoming and indigenous companies. There is also often differentiation between businesses in terms of size. The basic goal is to increase the presence and resilience of businesses within the locality, and in addition make them more successful and sustainable in the long term. This leads to the usually overarching policy goal of this activity, namely the creation, retention and stability of employment within the locality. An attempt will be made to examine each area of business development in its common classifications of inward investment recruitment, business support, and technological innovation.

Inward investment is a substantial sub-category of business development. Business and investment attraction is a historically significant economic development function for a locality. Today, there is an incredible amount of effort and number of development organisations that are involved in this activity. It is estimated that there are currently over 8,000 development organisations offering inward investment programs in the USA alone (CUED and PHH Fantus Consulting, 1996).

Several definitions of inward investment exist, including definitions of foreign direct investment. However, inward investment is not necessarily of foreign origin. Increasingly, this differentiation between foreign and domestic has been made redundant, especially for development agencies attempting to attract investment from any suitable sources, and the fact that many company operations and mechanisms for locating activities are operating globally. Nevertheless, these definitions for FDI are illustrative:

FDI is investment that adds to, or acquires, a lasting interest in an enterprise operating in an economy other than that of the investor, the investor's purpose being to have an effective voice in the management of that enterprise.

(IMF, 1977)

FDI thus involves the ownership and control of productive assets by foreign residents or firms. Even with these definitions there are substantial problems in delineation and measurement... multiplied by the growth in cross-border technical agreements, licensing agreements... where linkages between control and ownership become blurred.

(Hill and Munday, 1992)

Inward investment is sought for the obvious beneficial effects for the local economy in terms of capital formation, employment creation and labour market development, trade/ balance of payment effects and linkage/multiplier effects. It is also often argued that it can augment comparative advantage through direct and demonstration effects, and can also enable allocative efficiency of resources (Barrow and Hall, 1995; OECD, 1995b). Technology transfer to indigenous companies through supplier relationships is an example of how demonstration effects may operate. Furthermore, the attraction of investing companies is often thought to have clustering impacts, for example through the attraction of further mobile investment in either affiliate suppliers, independent supplier firms or firms within same sector or in complementary goods production.

Essentially, the pre-investment stage represents a marketing exercise, and even the active and post- investment stages involve marketing aspects of the locality for use by the company once it is there. CUED, for example includes all functions of local audit, sectoral/company targeting, understanding company decision making processes, communication and follow up and aftercare procedures under "Business Attraction Monitoring" (CUED and PHH Fantus Consulting, 1996). The inward investment function can include any of a number of tools and mechanisms. A list of these is provided in table 2.4.

Table 2.4 Tools and mechanisms used by development agencies in inward investment recruitment

<p>PRE-CLIENT INVESTMENT/ INTEREST</p>	<p><i>Policy formulation</i></p> <p><i>Marketing</i></p> <p><i>Local audit and strategic sector targeting</i></p>	<p>Formulation of inward investment strategy and policy</p> <p>Integration with wider economic development efforts</p> <p>Integration with national and regional industrial policies</p> <p>Information and intelligence</p> <p>Planning and operating marketing function</p> <p>Research into area comparative advantage, company and market trends and developments.</p> <p>Proactive marketing and development of services tailored to key target sectors.</p> <p>Understanding of prospective companies' decision making process.</p>
<p>ACTIVE CLIENT INTEREST</p>	<p><i>Screening</i></p> <p><i>Negotiations</i></p> <p><i>Counselling/Assistance</i></p>	<p>Evaluation of potential project</p> <p>Negotiating & approving financial incentive offers.</p> <p>Financial assistance, applications, permits</p> <p>Identification of suppliers</p> <p>Identification of potential sites/properties</p> <p>Identification of factor inputs, etc</p>
<p>ACTIVE INVESTMENT</p>	<p><i>Service provision</i></p>	<p>Financial assistance</p> <p>Training assistance</p> <p>Assistance with public utilities</p> <p>Land or property</p> <p>Links with Universities and research institutes.</p> <p>Supplier information/contacts</p> <p>Personnel relocation assistance</p>
<p>POST INVESTMENT</p>	<p><i>Monitoring & Aftercare</i></p>	<p>Continuation of assistance post-launch</p> <p>Liason regarding possible expansion plans</p> <p>Developing local supply linkages</p>

Business support is another sub-category of business development, defined here as involving the creation, retention, growth and development of companies, usually indigenous to the locality. Much of the focus in the past has been on start-up companies and SMEs. The aims and rationale of business support are multiple and not necessarily congruent. Some economists (Rowley and Peacock, 1975) cite market failure as a rationale for support because of their comparative weakness in the market place and their relatively high costs of compliance with government regulations (Bannock and Peacock, 1989). A further justification is that additions to the stock of firms contributes to competition in the market place. Probably the most frequently voiced argument for small firm support is that such firms have been shown to be a major source of job creation (Storey, 1994). The main objectives of SME policy, as reviewed by de Konig, Snijders and Vianen (1992) are suggested as competition, strengthening the production chain, diversification and creation of employment. However, it is useful to also add the dimension of 'competitiveness' to elements of business development policy in local areas. This has recently been commonly used as justification for intervention to strengthen local and regional economies (see for example, Scottish Enterprise 1996b). The emphasis has shifted to include issues of stability, resilience and growth within areas. Like any area of public activity in development, the rationales for intervention vary from political reasons to practical ones. In sum, the objectives of business support policies include:

- i. Increasing employment
- ii. Increasing the volume of new businesses
- iii. Increasing competition
- iv. Increasing company performance
- v. Promoting market efficiency

The overarching element is promoting local economic performance via the mechanism of supporting indigenous business development. There is scope for much debate over the need or rationale for business support policy and action. However, this debate is better considered in detail using other sources other than this thesis (see for example Storey, *op.cit.*; Bannock and Peacock, *op.cit.*). The interests of this project are more

concerned with the objectives and methods used in business support, and what organisational forms are involved.

The 'market' for development services is usually segmented by business size and age. The most common distinctions are made between 'start ups' (new start businesses), established small businesses, medium-sized enterprises, and larger enterprises. Segmentation on a sectoral basis is also common. Whatever the mode of segmentation, the basic principle is that different types of businesses at differing levels of size and age require differentiated services. Services have even been differentiated according to stages of the product life cycle. The mechanisms used in business support are summarised in table 2.5 below, using an OECD classification of the four main policy areas (OECD, 1997).

Table 2.5 Mechanisms used in business support

AREA OF DEVELOPMENT SUPPORT	TOOLS AND MECHANISMS USED
Finance	Investment capital Venture Capital Sponsoring and facilitating joint ventures
Business environment	Reduction of administrative and regulatory burdens on SMEs
Management capabilities	Quality tools to improve SME competitiveness Mentoring Management training Subsidised consultancy services
Access to markets	Business networks Promotion of new markets

The development of technology and its transfer into practical use through commercialisation or distribution amongst users is another component of business development efforts. A strong technology base is an indicator of local and regional competitiveness and future growth prospects. There are primarily two broad purposes of technology transfer: i) the commercialisation of technology, which involves the process of taking a technology from the research and development stage, through refinement by applied research and to eventual commercial use in production or the marketplace, and ii) the diffusion and deployment of technology, which is usually an

established technology, to individuals or companies for their utilisation. Essentially, commercialisation means introducing new technologies and promoting technological development in the locality, whilst diffusion and deployment means making technologies accessible. Technology diffusion and deployment is actively linked to business support, helping to make companies more efficient, productive and competitive or enabling diversification into new markets and products.

Human resource development

Development agencies play a substantial role in human resource development. Activity in the past has largely involved education, training, work experience and recruitment. It is useful to initially outline the problems in the labour market that intervention and action are meant to address. This issue can be summarised with two basic points. On one hand there is unemployment, and the social and economic problems that this causes - so there is an objective of furthering the needs of residents who want to work but cannot. Secondly there is developing the labour market to further the needs of the employers - i.e. to provide potential employees to fill shortages and opportunities with employers. However, the modes of intervention and the rationale behind these are not as clear cut. Often, it is not as simple as giving people the right skills to do the job - as they may not have the personal capacity or knowledge to be familiar with working life at all for example. In addition, the educational needs of employers and employees alike must be considered and developed over the long term to facilitate effects such as labour market capacity building, job flexibility, skills upgrading, and economic diversification. Modes of action in economic development in the area of human resources are varied, ranging from very basic aims and methods to more sophisticated ones, tailored to narrower needs and goals. A basic outline is provided in table 2.6.

There is a certain division between programmes and approaches which are derived and implemented from central government; and those which are derived locally. For example, in the UK, there are many centrally derived and administered training schemes for the unemployed, which are often delivered locally. However, other significant action has originated and been delivered locally, such as the application of the intermediate labour market model (See for example McGregor *et al.*, 1997; Finn, 1996).

Table 2.6 Common methods of labour market activity used in development organisations

FOCUS OF INTERVENTION	NATURE OF INTERVENTION
THE UNEMPLOYED	Direct job creation (usually public sector) Temporary work programmes (usually public or voluntary sector) Information, counselling, advice and guidance Training and accreditation of prior learning Job preparation and seeking skills Workfare The intermediate labour market Removal or reduction in benefits Self employment
YOUNG PEOPLE/YOUTH UNEMPLOYED	Post compulsory educational training Post compulsory educational work experience/placement Further education and training In- school work experience and placement
EMPLOYERS	Employment subsidies Training subsidies Recruitment service
LABOUR MARKET CAPACITY	Labour market intelligence Promoting capacity development to fulfil future areas of demand and weakness Education: promoting educational attainment to meet future labour market needs and opportunities

Environmental development

Property development has long been part of the economic development function. This especially came to the fore in the 1980s and early 1990s, with a number of UK Government policies specifically aimed at property development within urban areas. The principal purposes of using property as a development tool include changing the image of an area, boosting confidence and activity of the local or regional property market, provision of premises for retention of activities within the area, provision of accommodation for relocation or expansion within the area, facilitating the 'agglomeration' of activities, attracting certain sectors or economic activities, and creating custom facilities for specific types of activities. The traditional role of property provision was as a supply - side measure usually involving the provision of vacant properties or sites. There has been some transition to customising properties to certain desired end-users in recent times. A summary of the effects of property development activity is found in table 2.7 below.

Table 2.7 The economic development effects of property development services and activities

ECONOMIC DEVELOPMENT EFFECTS OF PROPERTY FUNCTION	
DIRECT.	INDIRECT.
Employment: direct construction, associated construction; end use.	Image of an area.
Linkages with supply and other sectors - material and service inputs into property.	"Confidence" - for local businesses, individuals and organisations; and for potential investors.
Asset.	Signal or symbol - of change in an area.
Income.	Creating a new image for an area
Space for economic activity.	Attraction of subsequent or additional developments.

The actual methods of support used by agencies can include one or a combination of financial inducements, marketing/promotion, role as developer (managing the construction, development and occupation of sites), supporting roles to occupier, and environmental measures to improve the quality of the site and its surrounds including both amenity and infrastructure. Financial inducements are common in property development schemes for the attraction of developers and end-users to sites. The promotional or marketing role usually involves the direct marketing of sites and locations, or establishing a location-finding and property-matching service for potential occupants. The direct developer role has proved necessary in certain areas and projects. In this role, a development agency will be involved in land assembly, reclamation, environmental improvement and infrastructural provision.

There are certain problems in the development of urban sites that have led to significant public intervention in the past. One of the most salient of these is the environmental degradation of sites, where reclamation costs are prohibitive for private sector owners to establish a potential development. This public intervention in the assembly of these brownfield sites in urban areas has been widespread internationally. Another problem is the ownership patterns that exist in urban areas. Parcels of land often have numerous owners, and it is difficult to assemble a single site for development opportunities. Compulsory purchase powers have therefore been used on a widespread basis to overcome this problem.

Much of the 1980s and 1990s strategy for property development as part of UK urban regeneration policy was concerned with unblocking supply-side constraints to the

development of inner city sites. In essence, an aim was to make brownfield sites as attractive as greenfield ones for both development and occupation in terms of cost and location. Another function was rebuilding confidence in older ex-industrial sites. Prevailing opinion deemed these 'blockages' in supply and confidence as market imperfections. However, a prime problem for these sites, especially in peripheral urban areas was changing the perceptions of market opportunity in the private sector.

A major part of traditional economic development strategy was the planning and development of the necessary infrastructure. In terms of the suitability of a location for economic activity transport, communications and utilities are all very significant. These factors will always be crucial. A development agency must take into account infrastructural provision. However, this function in practice is largely performed by local and central government. Nevertheless, awareness of these issues and input into the planning and development process is part of development agency practice.

There are obviously many development activities, and many tools and approaches used to realise development goals. It has been mentioned earlier that a full analysis and dissemination of these is beyond the means of this thesis. However, the functional role is a crucial one when considering the performance and effectiveness of the agency. An interest for this project is how the functions are best divided, or integrated between and within agencies. Another issue is how the agency develops its functional approaches and tools. In summary, the rationales and methods of economic development are many and interrelated. A key question now is how development agencies are constructed to deal with the economic development task. The following section will analyse how agencies are composed, and propose some characteristics that have been regarded as important in describing agencies and their performance in the past. There will also be the introduction of some relevant characteristics that have received little attention in past studies, but which are hypothesised as important to this research.

2.4 The Nature of Development Agencies: Organisation, Structure and Delivery

There are a multitude of different institutional arrangements for the establishment, planning and execution of economic development action. An attempt will be made to

explore the different types of organisations, how they are defined and categorised, and what their main features are.

A fundamental question would appear to be how to meaningfully categorise economic development agencies. Upon reflection, the question must also be posed of whether it is possible or desirable to categorise development agencies. The relevance of the criteria often used for the purposes of categorisation and classification are under question. An important issue is whether they convey any indication of the likely nature or effectiveness of the development agency's activities. To address this involves a discussion of past attempts at categorisation. A valid criticism is that the criteria often used for categorisation become important and are seen as influential in an agency's operation. In this way they become self-fulfilling as indicators of 'model' arrangements. These criteria are often only a few of a number of important features of a development agency that contribute towards effectiveness. Therefore their salience is under question.

Halkier and Danson (1997) distinguish a number of parameters for making distinctions between regional development agencies in Europe. These include bureaucratic autonomy (position vis-à-vis political sponsor), growth strategies and policy areas, degree of specialisation of policy profile, number of policy instruments and geographic area coverage. They further claim that a 'model' regional development agency is one that has an integrated implementation of 'new model' policies and is an arm's length institution. However, the authors do not claim that this is a 'model' in terms of effectiveness of practice, but instead in terms of trends in characteristics of RDAs. This framework for categorising EDAs is illustrative of trends and the diversity of arrangements, if limited in its practical application for the purposes of this research. The main criticism of this approach is that little attempt is made to link these structural characteristics with the actual effectiveness of operations - i.e. it is *purely descriptive*. Halkier and Danson (op.cit.) make the assumption that policy profiles and organisational resources are causally related to the potential effectiveness of the agency. This is a critical error. Based on initial experience and pilot interviews in this research project, it was made clear that the examination of policy documents, formal structural and functional descriptions gives an incomplete indication of what the agency actually does and the methods it uses. Many of these documents are tailor made for certain audiences, not least the sponsors of development activity. It is argued here that they give an insubstantial impression of what any particular agency does, how it is organised, in what

areas or functions it is effective, and why certain patterns exist. Perhaps more significantly, they do not provide a credible indication of how effective the agency is at its task. Another shortcoming, duly recognised by the authors is the influence of the political environment, historical factors and structural economic characteristics. They also further recognise that these factors are downplayed in studies of regional policy - thus illustrating the uncertainty over the weight they give towards these and therefore subsequently all contextual factors when investigating the nature of development agencies. In sum, this research, like too many other attempts, has all too often concentrated on 'descriptives' to the detriment of causal investigation.

There follows a discussion of the key characteristics which are useful for distinguishing economic development agencies. There will be some attempt to judge the relative influence these characteristics have on the effectiveness of the agency as part of this research. However, the importance of these factors is under question, and will be dealt with in depth in the analysis of the original research done as part of this project in chapters Four to Eight.

Key characteristics used to distinguish development agencies

From initial impressions, a number of key characteristics that are important in distinguishing and differentiating development agencies can be proposed. These characteristics include:

- Mobilising factors and origins
- Policy approach
- Relationship with mainstream governmental apparatus
- Strategic orientation
- Functional diversity/specialisation
- Governance/ lines of accountability
- Legal status/ organisational type
- Geographic coverage
- Size
- Programmatic/service approach

There are potentially many influences on the composition and structure of development agencies. What is often under-represented in the literature is any attempt to relate these characteristics of agency composition to the actual process of development agency activity and effectiveness. For example, there is the question of how the size of an agency influences the implementation and effectiveness of economic development programs. Crucially, however, there are other important characteristics which define how the development agency operates. These are likely to be found by less formal means and statements, and include characteristics such as the nature of leadership, management capacity, and organisational culture for example. In addition, as mentioned earlier, contextual and historical factors are also important. A major part of this thesis includes an investigation into the salience of these characteristics.

It is important to illustrate the diversity of organisational arrangements for economic development. To do this, there is a brief description of some important features of a number of UK and overseas agencies in table 2.8. Whilst investigating these examples, it must be recognised that considerable variation exists between the same organisations in different localities. For example TECs and LECs in the UK have considerable freedom in determining their own organisational structures and staffing. The main distinctions of organisational types commonly used in the literature relate to the mobilising factors behind the agency - origins, the legal constitution of the agency, and governance in terms of accountability structures. However, it is likely that other characteristics and distinctions will be influential in agency effectiveness and the nature of its operation. There now follows an exploration of some of the characteristics of agencies, including those referred to in table 2.8.

There can be a number of sources for the agency's creation. Both the legal constitution of the agency and its governance may be influenced by the origins of the agency. There are apparently some common bodies, institutional or societal forms that instigate the creation of a development agency, including:

- Local government - at a variety of scales and tiers.
- Central government - at a variety of departmental or geographical levels
- Community concerns - charities, private sector, residents, educational institutions

Table 2.8 A sample of development agencies and their characteristics

Development organisation	Remit	Legal status	Distinguishing characteristics
Local Enterprise Companies (Scotland)	Broad range of development functions	Limited company by guarantee. Contracted by Scottish Enterprise.	Multifunctional; flexibility in delivery arrangements and budget allocation
Enterprise Agencies	Business support and development	Limited company by guarantee	Predominantly private sector led.
Training and Enterprise Councils	Training and enterprise support	Limited company by guarantee	Mostly government funded; contracts most service delivery out
New Town Development Corporations	Property, infrastructure and planning.	Varied	Government funded
English inward investment agencies	Inward investment	Varied	Government funded; additional functions added through involvement and investment of local government and private sector
'Celtic Fringe' inward investment agencies	Inward investment	Government executive agency	Corporate identity, close to government decision making, substantial resources and product identity.
Local development companies	Multi- functional	Usually limited company by guarantee, or charity.	Wide range of funding sources. Involved in autonomous activities as well as contracted activities.
English Urban Partnerships	Urban regeneration	Varied	Area focused regeneration; project orientated; encompasses many partners and interest groups.
Enterprise Trusts	Business support	Limited company by guarantee	Predominantly private sector led.
Local authority economic development units/departments	Multi functional	Local authority department	Multi-functional, led by officers and councillors.
Business Links	Business support	Limited company by guarantee	Varied organisational arrangements - some mergers with TECs and chambers of commerce.
Economic Development Promotion Companies (Wirtschaftsförderung) (Germany)	Inward investment promotion; business consultancy	Private limited company by guarantee	Predominantly State government funded; predominately controlled by state government.
Industrie- und-Handelskammer (German Chambers of Commerce)	Business support, advice, training, networking, private sector representative body	Similar legal status to local government	Private sector led, and all inclusive (membership legally enforced).

Of course, an agency may be created by one or a combination of these bodies. Another influence is the causal factors behind mobilisation into establishing an agency. These may come from economic and social conditions, policy changes, opportunism, or reorganisation of functional arrangements in a locality for example. The policy approach describes the operational philosophy and framework of the agency. This may be determined at a number of levels, for example - at the political level of government, at the agency level of board of directors, or at the community level - by citizens and businesses. The relationship with mainstream governmental apparatus is often expressed as a function of funding regimes, contracts with government to deliver certain services, programmes or initiatives, origins and legal status. However, the extent to which the agency is a governmentally designed or imposed as a delivery vehicle is a significant feature for the operation and fabric of the organisation.

A key characteristic of an agency is its remit and functional role. Distinction may occur at three levels: functions, area of coverage and activity bias in either continuous service or discrete programmatic roles. For example, some agencies are purely concerned with property development, whereas others perform this within a portfolio of other functions and responsibilities. A property development agency may be responsible for a large local area, or for a specific site development. In terms of activity, the property agency could be a semi-permanent organisation, or its operational lifetime could be limited by the time-scale of the development project or programme.

The nature and influence of governance and accountability structures has been a well documented feature of studies in regeneration and economic development (for example, see Amin and Thrift, 1995a, 1995b, 1995c; Healey *et al.*, 1995). Many agencies now have boards of directors with both executive and non-executive members, often in combination with private limited company or charity status. The exact role of such boards is interesting, especially at the non-executive level. In some agencies there has been much focus to ensure that certain priorities and values are integrated into the agency's operations through establishing frameworks and requirements for the mix of board membership. For example there have been past attempts to increase the role and influence of the private sector in economic development issues through encouraging or enforcing board membership structures. However, this issue is very complex when account is taken of the mobilising factors for agency establishment, the proponents of

this, and the nature of funding and resource accountability. For example, legally the agency may have a requirement for board members to be accountable for expenditure and activity, but the agency may also be legally obliged to meet certain requirements to other institutions (for example, Central Government fundholding department, UK Treasury, or the EU) in return for funding. Thus there may be many lines of accountability and decisional influence operating at once, as well as other less formal lines such as local public opinion.

The legal status and organisational type is a further source of categorisation for development agencies. The main institutional forms found in the economic development field that agencies enjoy include:

- Governmental department - in local or central government.
- Limited company by guarantee - with the functions and conditions for operation set up in the company statutes.
- Non-profit charitable trust or company.
- Wholly owned company.
- Subsidiary company.
- Strategic Alliance.
- Project administrator/agency.
- Association.
- Network.

Referring back to the origins of the agency, it can be seen that the legal status is linked to the ownership of the development agency. The ownership can basically be distinguished between single and multi- constituency ownership. A common legal status for many development organisations is in company form as a private limited company by guarantee, or a private company with another status such as charity, non-profit, partnership or association.

Geographical coverage is an obscure and diffuse source of categorisation. There is a diversity of development agencies that operate over a wide range of geographical areas. There is rarely a logical and watertight rationale put behind the delimitation of these

geographical areas of coverage in many cases. Many influences have shaped operational boundaries to date, including travel to work areas, political boundaries, urbanisation, tradition, cultural identity, industrial clustering and physical geography. However, the dearth of explanation and dissemination on this issue reflects the difficulties it poses in research and analysis. This issue is therefore worthy of investigation in the light of this research in later chapters. Another crucial aspect is the size of the agency, especially in terms of its staffing and resources. Agencies diverge in sizes from under ten to over one hundred staff. Another issue is the size of resources, especially in relation to function and role. These are crucial characteristics in defining what an agency is capable of, its potential influence and potential contribution to the area's development. Some theoretical references were made to the issues of size and scale earlier in this chapter.

From the discussion on organisational characteristics, it is obvious that they are numerous. They are even more profligate if some attempt is made to investigate the characteristics which are not so apparent, such as internal organisational relationships, processes and structures, and inter-organisational relations. To a large extent, this section has reflected the current state of research into development agencies. As before, the criticism will be repeated that all too often, research concentrates on a small number of agency characteristics. This is a major issue if, as in most studies so far, the significance or relative influence of the commonly addressed characteristics has not been analysed or measured in any way. This project will seek to make exploratory in-roads to addressing this shortcoming in research.

2.5 Summary

This chapter has sought to provide some guidance and background into the nature of the task for development agencies, and the form that agencies can take. One of the key issues running through this chapter is the diversity of roles, approaches, techniques and agencies in existence. From both the historical and contextual material in Chapter One, and the discussion in this chapter, several features of this research stand out. One feature is that economic development encompasses many related concepts, rationales and disciplines. Another feature is that the rationales and values behind development activities are not static nor mutually inclusive. Any institution undertaking economic development activity is pulled between opportunity, need, compensation, equity, equality, and political will but to name a few influences. There are obvious tensions

between the more economically orientated justifications for action and the social ones. It can therefore be reasonably argued that economic development by its nature is complex, all-inclusive, self-conflicting and mutually reinforcing. A systemic view is needed, taking all the factors into consideration.

There has also been an exploration of some of the arguments for spatial policies in Chapter One and in this chapter. The traditional arguments for spatial policies and action have always included elements of geographical inequalities, and the rationale that policy implementation at some geographically defined level is more convenient and attractive (Haughton and Lawless, 1992). These issues are still relevant today. In addition, there is the need to make optimal use of national resources in order to avoid economically and socially debilitating consequences. A brief examination of the changing interpretations of how the economy is conceptualised, and how this may influence local activities was made in Chapter One. This made the point that many areas have potential for productive growth which calls for a tailored approach to realising this. Finally, an analysis of the 'scale' and devolution issues behind policy and implementation was made, reaching some conceptualisation that there are certain policies or areas of public goods are better delivered or enabled at a local level. In addition, it was mentioned that the institutional and market framework can fail localities, sometimes prompting autonomous action within communities.

The discussion concerning how to categorise economic development activity illustrated the huge range of functions or roles that a development agency can potentially engage in. It was found that past attempts at categorisation fitted into one of three stages in the economic development process. These stages included i) defining roles, setting objectives, targets and goals; ii) designing mechanisms and organisational arrangements to fulfil the objectives; and iii) application of the mechanisms, activities and tools for development. An important caveat is that defining roles and objectives can include those reflecting societal values as well as market values.

In categorising agencies, there is a large range of descriptive features that are potentially influential in the agency's form and performance. However, the point was also made that few, if any, studies in the past have attempted to make causal connections between certain features and performance. In particular, it was argued that there are a few common characteristics which have taken on their own self-fulfilling importance and

relevance. In addition to the number of more descriptive-type characteristics it is argued that other less apparent features may be relatively important such as agency culture, management capacity, leadership and staffing, but to name a few. This leads to the next chapter, which addresses the issue of performance and good practice in development agencies. This chapter raises new arenas of discussion which are important for development agencies as performing organisations, and takes the analysis of causal factors for success beyond previous attempts.

Chapter Three discusses what performance and effectiveness means, both generically for any organisation, and development agencies in particular. There is an examination of effectiveness and performance from management and organisational literature. Some conclusions are made about the implications this has for conceptualising agency performance. Later in the chapter, some review of past literature and research into development agency performance is made. Using this, and the theoretical material, some speculation is made as to the most likely factors influencing agency effectiveness. This speculation, of course, is open to debate in the light of the original research in the analysis chapters four to eight.

**CHAPTER 3. GOOD PRACTICE AND ECONOMIC
DEVELOPMENT AGENCIES**

CHAPTER 3. GOOD PRACTICE AND ECONOMIC DEVELOPMENT

AGENCIES

3.1 Introduction and outline

This chapter will explore the concept of 'good practice' in economic development agencies. The sources of research, literature and publication used in this discussion are diverse. They include material from academic, official and practitioner-oriented literature on urban economies, economic development, regeneration, management and organisations. What will become apparent is that defining good practice for the purposes of this research is not straightforward, and that applying causal links between practice and organisational form is complex. A problem with this research, as with any organisational study is the complexity of factors and lines of causality. In Charles Handy's classic text *Understanding Organisations* one of the first points made by the author is that:

The multiplicity of variables impinging on any one organisational situation is so great that data on all of them sufficient to predict the precise outcome of that multiple interrelationship would never in practice be forthcoming.

(Handy, 1982)

This complexity is illustrated by a diagrammatic representation of some factors influencing organisation effectiveness in Figure 3.1. In any complicated picture, any one researcher, manager, or consultant will usually concentrate on one group of variables, in an attempt to get hold of something. This selectivity of the familiar, as Handy points out, if done by habit unfocuses a lot of other variables. For example, a consultancy who deals with organisational structures as an area of expertise "runs the risk of doing a superlative job on an irrelevant issue." (ibid.). One may argue that this is sometimes the case in current analyses of economic development and the organisations participating in this field. However, the aim of this chapter is to illustrate the main features of development organisation and action which are crucial for success and effectiveness. The subsequent original research in this project partly seeks to evaluate the salience and relative importance of these features, as well as investigate new ones, perhaps widening the debate beyond the 'familiar' in economic development.

As mentioned in the introduction, and what becomes increasingly apparent throughout this thesis, many practical issues facing economic development organisations and personnel are weakly represented in the academic debate on economic development, public sector management, urban regeneration and related topics. It was found that a ready source of research and ideas of relevance were available in official sources, and more interestingly, the existing field of management and organisational studies, where a more useful discussion of the issues of agency performance, purpose and characteristics was available.

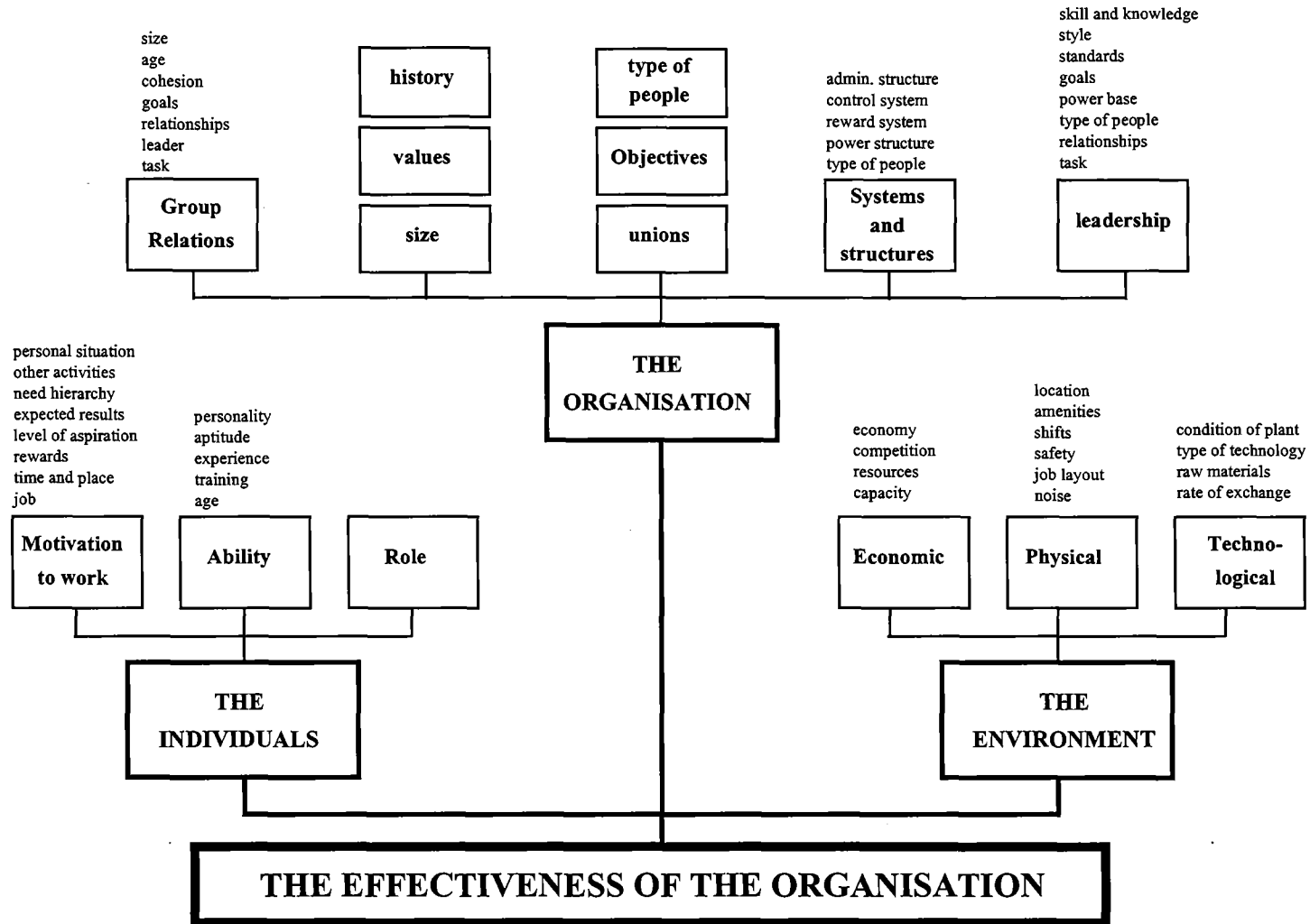
3.2 Formulating an Approach

Defining the issue

The successful implementation of economic development can be due to a large number of strands. These strands are best illustrated if we conceptualise economic development practice as a process in an organisation, where the various stages of the process are interrelated. In addition, the organisation has an operating environment - such as the economic conditions of the locality or nation, the policy framework, or the nature of working relations with other institutions. Additionally, there is a distinction between defining best practice generically in development organisations as a whole, and specifically in terms of different functions or aspects of implementing economic development. On first impressions, the economic development process can be conceptualised as consisting of several interconnecting elements:

- *Analysis* - of the state of the local economy, problems, opportunities, and other extra-local factors.
- *Planning and Strategy* - Setting down priorities and targets according to needs, opportunities, policy frameworks and what is practically feasible.
- *Designing Intervention* - designing mechanisms, programmes and projects for intervention in the economy suitable for the objectives set out in the strategy.
- *Implementation* - operation of the mechanisms, programmes and projects.
- *Impacts* - The effects of the economic development intervention
- *Monitoring and evaluation* - the monitoring and evaluation of performance, operation and impacts of intervention

Figure 3.1 An adaptation of Handy's diagram of factors affecting organization effectiveness



(Source: Adapted from Handy, 1982)

An overarching concept is *organisational design* - the design of all elements of the agency - including structures, processes, and staff, for example - and how these all relate to each other. This is crucial to the agency's operation and success, and is used here as defined by Senge to mean more than 'boxes and lines' (Senge, 1996). This concept is central to the output of this research project, i.e. to set out parameters and guidelines for successful organisational design in economic development. These elements are not necessarily static in this order, nor are they as simply laid down or represented in reality as they have been here. They are inter-related and mutually inclusive.

Another issue of crucial importance is the environment that the development organisation operates in. Aspects of this environment include: the economic and market conditions and trends, the policy and legal framework which the organisation operates in, and the institutional and community structure that the organisation is within or operates in an overlapping nature with. Given the nature of the economic development task, these environmental factors are a crucial influence on outcomes. In terms of the institutional and community structure, it is very relevant that development organisations do not operate in isolation. They are often part of a system of services, and the impacts of what they do are often influenced by the institutions and communities (be it residents or businesses, etc.) that they are involved with. Another important characteristic is that the time frame of analysis or appraisal of any economic development function, service or agency is not static. Purpose, policy, performance and environment may fluctuate and change in time due to many criteria.

In investigating past literature in the field of economic development and regeneration, it becomes apparent that this view of economic development implementation as a process within a wider environment has rarely been explored in a comprehensive manner. Bovaird (1994) made a very insightful exploration into the issues of good practice in the operation of local economic development and the agencies concerned with development. Bovaird's framework greatly clarified the elements and concepts involved in this research project. One could be critical of past studies in development and regeneration literature for being too narrowly focused. The poor performance of a development organisation may be due to a large number of factors. For example, many studies tend to be exclusive in coverage of such issues as policy evaluation, governance, structure, programmes or initiatives. Whilst these studies are important, they do sometimes fail to

take account of other important factors in the effectiveness or performance of an agency. This is one reason why simple transfers of models of organisations, initiatives, strategies or policies become problematic - because there is insufficient understanding of the interconnected lines of causality within and outwith the organisation.

3.3 Current Research in Economic Development: A Brief Overview

This section will very briefly discuss some popular aspects of research and dissemination on economic development practice. It is clear that there are a number of sources of material that have strengths in certain areas. It is also clear that certain sources are more relevant and accessible to the practitioner than others. Most sources are weak in the areas of organisation and management in economic development practice - precisely the area in which this project is specialised. The next section is concerned with the current state of academic research and analysis in relevance to this project.

Academic research

As one would perhaps expect, academic output is stronger on theoretical, policy and political aspects of the debate, but weak in processual aspects. It is a valid criticism that academic sources of research, information and dissemination lack a practical basis, and in many cases perhaps demonstrate a lack of coverage of crucial practical issues. One could argue that there is some gulf between academics and practitioners, echoed by one development agency director involved in this research who commented that 'I haven't read an academic paper that gives a true picture of what we do here.' Specifically, there are several areas of academic research relevant to the question of 'good practice' which will be explored. Their relevance will be discussed in the following sections.

Are different solutions appropriate in different places? A significant body of academic research would appear to give support to this notion. A number of approaches or institutional models are often held sacrosanct by academics, policy makers and other advocates of change alike - and can quite inappropriately at times be used as models for policy development. Certain models from certain localities and regions have received much attention in terms of success. The institutions involved in development have often been credited with the responsibility for success of certain areas. However, the institutional input into these processes is often narrowly interpreted as synonymous with success. Examples of such models include the most well known, such as industrial

districts, public-private partnerships in the US, German chambers of commerce, and Japanese technopoles, but to name a few. In a significant number of examples, there is limited transferability to other localities due to unique historical, contextual and local conditions. Baltimore has, in the past, been frequently perceived to be a model of successful regeneration. However, later research suggested that Baltimore's regeneration was unique to its own situation and that the city's partnerships were an outgrowth of its particular historical and cultural development (de Jong, 1991).

Much of the academic literature is preoccupied with institutional relations in urban and local areas, and their role in regeneration and development. This debate expands into the roles of governance, 'growth coalitions', 'partnerships', 'networks', and 'institutional thickness' (see for example Amin and Thrift, 1995a; 1995b; 1995c). What they basically have in common is the thesis that institutional networks are influential in engendering growth and development, and that the density and frequency of contacts are important. However, as some commentators acknowledge (Amin and Thrift, 1995c), there is no straightforward causal link between the nature of institutional relations and successful economic development and growth, and that institutional development may even be detrimental to sections of local communities (see for example Brownhill, 1990; 1993; Colenutt, 1993). There have also been attempts at empirically researching the nature of institutional frameworks or interactions. One of the constraints of empirical approaches to institutional analysis is that the qualitative aspects of the institutional framework in localities are obscured. The exact nature and interaction of communities and institutions is perhaps more influential in shaping types and outcomes of development, rather than their existence and description *per se*.

In close relation to the institutional and governance approaches, there is the popular debate on *partnerships*. The whole area of literature on the role of partnerships in economic development and regeneration represents a very diverse and ambiguous account of a theme that is often regarded as a focal or founding ideal or idea for many commentators. There are many levels of discussion about partnerships, and endless debates over the exact nature of a partnership. Relations between institutions are a crucial factor in shaping the type and effectiveness of intervention, and are a concern for this research project.

Some commentators have viewed partnerships as an all-pervading phenomena in urban economic development and regeneration. For example, Bailey (1995) views nearly every institutional mode of operation in urban development as a partnership. Bailey includes as 'partnerships' such disparate bedfellows as local housing or development trusts, city challenge joint companies, promotional initiatives, UDCs, TECs, LECs, New Life Partnerships and Strategic Regional bodies. The uniform distinction here is that they all have non-executive directors, or some kind of involvement from a number of sources as a common characteristic. However, this seems to be the only common characteristic and many are functionally differentiated. Some intervention is needed here to say that it is simplistic to label all institutional arrangements for urban economic development as 'partnerships'. What is perhaps more significant that partnership means many different things and also applies in different ways. Partnership is perhaps the wrong word to use in many instances of organisational interface. One could argue that it has been used in the absence of a convincing exploration of the relevance of management and organisational disciplines within the development and regeneration literature. Such attention to management and organisational disciplines gives a revealing insight into phenomena as strategic alliances synergy, co-operation and collaboration (see for example Alter and Hage, 1993). The use of partnership as a catch-all phrase or panacea for conceptualising development and regeneration seems misplaced.

The main point of this discussion is that defining partnership is not the central issue for the purposes of this research. The key is that many different institutions will work together in different areas, at different levels, and at different intensities in any urban arena, and it is the exact nature of, and reasons for, their collaboration that is important. There has been some contribution by some academic commentators into the nature of organisation and management in economic development under the partnership 'banner' (e.g. Mackintosh, 1992) including some illustrations of 'good practice' or criteria for success (e.g. Stratton, 1989). However, generally the analysis has often been thick at the descriptive level of structural analyses (see for example Halkier and Danson, 1997; Bennett and Krebs, 1994) but thin at levels investigating the causal relationships between structure and effectiveness.

Overall, for the purposes of this research it is clear that the academic strength lies in examining the policy, institutional and structural aspects of economic development. There is some scope for further linking these aspects to their influence on practice or

results. There is also a distinct lack of use of relevant organisational and management concepts, case studies and analyses in the local economic development field. This raises an important question for the original part of this research - just how significant are current academic sources for realising effective economic development action? It is clear that they are important, but comprise only part of the picture in terms of this research.

Non-academic sources

There is a significant output of non-academic sources concerning economic development policy and practice, including official governmental and non-governmental publications, consultancy reports and internal development agency documents. Some official sources (for example The Scottish Enterprise Network, 1995; The Department of the Environment, 1996a; 1996b; 1990; 1988; 1987; Bennett, 1991; Greffe, 1995, undated; Coombes and le Galès, 1991; Humphries, 1991; Martinos, 1989) identify numerous aspects of good practice indicators, benchmarks, or characteristics for implementing economic development. An issue is how divergent these generic characteristics are from features of organisational good practice found in other sources - for example in public sector management, multinational corporation management, organisational studies and project management literature. Many of these guidelines specific to economic development appear to represent some basic principles of management science and practice, and could be criticised as insufficiently developed for the economic development task.

It must be noted that this section is a small sample of the documentation available, and is meant to provide an illustration of the type of guidance that this gives, rather than a final prescriptive list of definitive good practice (that will be attempted later). A problem of such an illustration is that many of the indicative and prescriptive good practice pointers range from very broad specifications to the very specialised. An example would be in business support, where a broad aim could be 'avoiding duplication of service provision', to the narrow specialism of 'export marketing in the textiles sector', for example. Indeed, the level of description occurs at both the broad and detailed scales.

There have been several significant OECD studies into local economic initiatives. They offer particular approaches and guidelines which are very general, and often offer very little in terms of the mechanics of implementation. For example, *Local Initiatives for*

Employment Creation, Implementing Change - Entrepreneurship and Local Initiative (OECD, 1990) offers several key factors for success and failure relevant to delivery agencies, as illustrated in table 3.1.

Table 3.1 OECD key factors for developing entrepreneurship

COMMON FEATURES OF THE MOST ORIGINAL INITIATIVES	COMMON FAILURE FACTORS
<p>Strongly indigenous in character.</p> <p>Entrepreneurial approach.</p> <p>Partnership approach.</p> <p>Integrated or global approach.</p> <p>Very flexible management methods.</p>	<p>Lack of drive by local actors</p> <p>Reliance on external solutions.</p> <p>Highly administrative or bureaucratic approach.</p> <p>Low local consensus and co-operation.</p> <p>Highly self-sufficient view of the local economy.</p> <p>Action taken without full information, analysis and consultation.</p> <p>Lack of coherence and strategy.</p> <p>Lack of monitoring and information systems.</p> <p>Inadequate funds, resources and powers.</p>

(source: OECD, 1990)

Like many other documents in this field, there is insufficient material covering the mechanisms and processes involved in sufficient depth to be useful to the practitioner, and many of the values for good practice illustrated in such texts are open to considerable interpretation. However, much of the documentation on delivery mechanisms, initiatives and organisations do give useful generalisations that are in the most part valuable, if not occasionally too vague. From the good practice literature found in economic development, there can be some exploration of the common 'principles' of good practice. However, the reality of organisational life dictates that these principles are neither attainable nor desirable in all situations.

A significant proportion of the literature tends to focus on a narrow range of themes, and a narrow range of general do's and don'ts are apparent. An interesting example is a table summarising the development and future face of business support organisations that appeared in 'Making Business Links World Class' (Grayson, 1996). This neatly

summarises the issues connected with development provision and what is perceived as past and future practice, and is included as table 3.2 here.

Table 3.2 Summarising the past and future of business support in Business Links

ALL OUR YESTERDAYS'/TOMORROW'S WORLD IN BUSINESS SUPPORT	
Yesterday's was initiated and controlled by government.	Tomorrow's is business-led and directed
Yesterday's had set programmes and eligibility criteria.	Tomorrow's tailors services to meet individual business needs
Yesterday's provided services free.	Tomorrow's generates an increasing proportion of own revenue
Yesterday's was responsive, waiting for businesses to find it.	Tomorrow's is pro-active, actively seeking out its primary target audience.
Yesterday's served all-comers.	Tomorrow's segments the small business market place and focuses on defined target audiences.
Yesterday's was low tech.	Tomorrow's makes full use of available information and communications technology.
Yesterday's was the poor relation of banks and other commercial intermediaries.	Tomorrow's is an equal partner.
Yesterday's was of variable quality.	Tomorrow's is quality assured.
Yesterday's had limited connections with other agencies.	Tomorrow's is networked into a range of help.
Yesterday's was focused locally.	Tomorrow's will have international connections.
Yesterday's was different to customers - an 'agency'.	Tomorrow's is a growing company that trades with other successful firms for mutual profit.

(source: Grayson, 1996)

While this is acknowledged as a simplification by Grayson, it is still illustrative of the polemic ideals of 'good practice' which are disseminated amongst development organisations. What is perhaps more useful is distilling these contrasts down into key criteria, as follows:

- i. Mobilisation and control
- ii. Flexibility and customisation of functions and services
- iii. Market position of services
- iv. Marketing of services and organisation
- v. Selectivity of client base
- vi. Use of emergent technology in service provision
- vii. Credibility and standing in commercial institutional environment
- viii. Quality of activities
- ix. Networking within development provision system
- x. Scale of outlook and networking

xi. Differentiation between organisation and customers

While there are certain held positions and opinions on how these key criteria should be characterised in business support, as espoused in Grayson (op.cit.), one can also ask how these criteria should be interpreted for other development functions.

Although the academic and official literature can offer indications of different important criteria for success in economic development, there is no systematic examination of performance as a whole. There are also weaknesses in these approaches that perhaps could be strengthened. This project is deeply concerned with performance and the factors that influence this. Some discussion, analysis and conclusions are needed to define performance in the case of development agencies. There follows in the next section an attempt at some systematic and structured discussion of the nature of performance in economic development, with particular reference to the role of the development agency. A starting point is to analyse the concepts of performance and good practice for organisations generically.

3.4 Performance, Good Practice and Organisational Effectiveness

Before discussing economic development practice, it is useful to explore the concepts involved in defining performance and effectiveness, especially from the viewpoint of managerial and organisational literature. Bovaird (1994), who is one of the few authors that deals with this issue in the urban literature, claims that in gauging success in managing local economic policy, it is necessary to investigate what constitutes success or high performance. Bovaird specifies 3 stages:

- i. defining organisational performance;
- ii. eliciting who the target population or client base the performance is for ('success for whom'); and
- iii. situating the analysis of the performance within an understanding of the overall service systems' performance, and within the local and wider social environment.

This is a clear, simple and useful framework. It is sourced in generic organisational and management concepts (for example, see Johnson and Scholes, 1993). However, defining organisational performance and evaluating performance within wider systems and

environments is not straightforward, especially if attempting to identify the causal factors in success or failure.

Defining organisational performance

There are many definitions of organisational performance, from organisational works, economic and social theories, and other areas of specialism. Amongst those mentioned by Bovaird (1994) include goal attainment, maximisation of returns to the organisation, added value, satisfaction of key stakeholders and survival. Organisational literature largely concentrates on 'critical success factors' (ibid.) for organisations, mainly relating to the internal processes of the organisation. An exploration of such issues from an examination of relevant organisation and management literature reveals a large, multi faceted range of theoretical and practical issues that are themselves subject to wide ranging debate. It is clear that organisational and managerial issues do have a distinct relevance to economic development agencies, and a marrying of the two disciplinary streams of economic development and management or organisational studies has been significantly limited to date. However, as mentioned previously in this thesis, Schein (1996) does just this. This source was inspirational for the purposes of this research. There now follows some discussion on the elementary concepts of organisational effectiveness, mainly drawing from organisational studies literature.

One starting point for defining effectiveness is to measure goal accomplishment. There is a long tradition in organisational research of defining effectiveness in terms of outputs and goal accomplishment. However, there is an equally long tradition of criticism of this approach. The grounds for criticism include the claim that because organisations are complex phenomena, the specification of goals is in itself problematic. Organisations may have numerous goals which can be inconsistent, contradictory, incoherent, or defined post-hoc by the organisation to justify its actions. It may also be unclear what units of attainment, or at which level goals should be measured. The multiplicity of goals is also a problem dealt with by the advocates of goal accomplishment as a performance measure. Kirchoff (1977) defines effectiveness as the 'balanced attainment of many goals', which are then catalogued and given weight. Campbell (1977) specifies in the behavioural objectives model that effectiveness is measured by getting experts to specify (i) a catalogue of concrete observable

organisational objectives; (ii) the conditions under which the organisation should be able to achieve them; and (iii) the degree to which each objective should be satisfied.

Complexity is also problematic for goal setting and monitoring. Organisations differ in their complexity as well as the degree of coherence amongst subunits (Kanter and Summers, 1995). Multiproduct organisations may serve many purposes, so effectiveness with respect to one set of objectives might not generalise to others. 'Thus goals exist at a variety of levels and may be differentially pursued by various parts of the organisation' (ibid.). These levels and units include i) individual performance, behaviours and satisfaction (Argyris 1962; Lawler *et al.*, 1974), ii) contribution of and co-ordination amongst subunits (Pennings and Goodman 1977), and iii) subunit goal attainment (for example profit centres in Manns and March 1978). Also, one method of costing and performance measurement may cut across functional, geographic, or client defined definitions. This occurs at the programme and project level. So, here we have added another thread into this complex tapestry - that performance may be measured at the programme level (of which there may be many) as well as the organisational subunit level, however defined.

There are also complexities in the measurement of outcomes. There is the question of whether to measure outcomes in terms of holistic-categorical or aggregated-individual data. An example is the problem of whether to measure the effectiveness of higher education by its impact of individual consumers (the latter measurement), or by more holistic methods such as overall graduate demand by employers (the former measurement). Effectiveness criteria may themselves become substitutes for goals, especially if these goals are vague or ill-defined. There must be caution over letting a measurement system define the organisation's purpose, otherwise goals can become the minimally acceptable standards with performance dropping to that level. Setting immediate effectiveness measures as standards for the organisation can lead to a tendency to favour short term over long term concerns and activities. This raises another issue of differentiating performance criteria for time scales. Very different criteria may be appropriate to the short, intermediate and long runs (Gibson *et al.*, 1973). For example, short term concerns may prioritise the criteria of production, efficiency, satisfaction; intermediate term concerns prioritise adaptiveness and development; and long term

concerns may promote survival as the prime objective. It is also apparent that short term and long term measures can conflict.

The characteristics of the subjects on which the organisation performs are also a major influence on outcomes. An example is client characteristics and hospitals. Hospitals that attract patients possessing features associated with greater health, such as high income or higher occupational status, may appear to be more effective in patient recovery or post-treatment health (Scott *et al.*, 1978). Another example is an explanation of why elite universities turn out better students - they select better students in the first place. These influences on the usefulness of comparative effectiveness are thus very applicable to economic development, and it can be said that comparative studies on development organisations and action will make it difficult to draw concrete conclusions unless a variety of other factors can be controlled.

Who is success for?

There is an important question of who success is for when evaluating performance. This involves identifying the potential and existing beneficiaries of organisational activity. It is relevant when analysing all stages of economic development practice, and influences the parameters for defining if action has been successful or not. Hudson sees it as an a priori necessity before action takes place, commenting that,

It is necessary to specify whose interests are to be prioritised in seeking to formulate and implement locational solutions and create appropriate institutional structures.

(Hudson, 1994)

Classic thinking and theorisation on organisations falls into distinct camps. Reduced to essentials (Meyer and Zucker, 1989), the two main conventional views lie in sociological or economic explanations of organisations. Both of these disciplines contain two assertions:

1. *Organisations strive to elicit maximally efficient conduct from their members.*

For sociologists this is the control problem, and for economists the agency problem. However, they both ask 'how does one plan, supervise, and reward the work of nonowners so that they act in the interests of owners?'

2. *Organisations performing maximally efficient conduct survive whereas others do not.*

Organisational performance is a function of attainment of objectives or goals, which raises the question of whose objectives, and whose goals are the benchmarks against which performance is assessed (*ibid.*). One may claim that assumed goals are official objectives such as profit or public service. However, unofficial objectives have also been reasonably argued to influence organisational characteristics and behaviour. We can examine briefly two broad classes of theorising about the relationship between the nature of the organisation and performance: one that assumes efficiency a paramount objective in organisations, and another that includes efficiency as one of several possible outcomes of interactions between environments and organisations.

The idea that organisations seek efficiency is pervasive in sociological and economic camps. By efficiency, we mean efficiency of attaining official objectives, or maximising utility for the organisational 'owners'. Explaining the efficiency advantages of organisations over non-organisational modes of co-ordination can be done with a variety of theories. Three main theories exist. The first is that organisations are devices to control shirking or the deliberate withholding of effort. This justifies the need for the supervision, management, and monitoring of work (Alchian and Demsetz, 1972). Organisational hierarchies therefore arise. The second theory is one where organisations are transactionally efficient (Williamson, 1975; 1981; 1985). This argues that organisations are the least-cost forms of exchange of goods and services. For example, market imperfections may produce exchanges within organisations, and some organisational forms may offer greater transactional efficiencies than others. The proposal is that organisational forms which are transactionally inefficient may be displaced by markets or new organisational forms. Lastly, there is the theory of organisations as agents of ownership interests (Fama, 1980; Fama and Jensen, 1983). These agency theories attempt to explain the separation of ownership from control, a characteristic of many businesses. The basic hypothesis is that when the 'residual claimants', or owners are not involved in day-to-day decision making, the decision making has a tendency to be separated from ultimate control of the organisation. Separate decision making from ultimate decision control occurs under conditions of

complexity for many conventional reasons, such as specialisation of knowledge as well as minimisation of risk.

These three theories differ substantially in what they seek to explain (respectively - supervision, organisational hierarchy, and separation of ownership from control), as well as the causes giving rise to these organisational features (respectively - shirking, transaction cost, risk reduction). However, they share the assumption that efficient outcomes are preferred to inefficient ones. It is hypothesised, then that organisations seek efficiency, and that in turn efficient organisations survive. This can be linked to the sociologists 'ecology' view that efficient organisations survive the inefficient ones. Failure to survive may be caused by either external or internal events, both those that do not disrupt the ordinary operations of the organisation, and those that do.

There are models that relax the assumption that organisations only seek efficiency outcomes (nonefficiency models). One main strand of nonefficiency thinking includes the relationships between organisations and their environments. It is argued that as well as efficiency concerns, organisations will have a variation of objectives in response to diverse external influences. The hypothesis is that organisations managing environmental constraints most successfully are also best able to attain their objectives. In most cases, effective management of external constraints is enabled through the organisation changing to accommodate the environment, although some models give organisations the ability to construct and control their own environments. It is this dichotomy between environments shaping or being shaped by organisations, that we will briefly expand upon. Two main perspectives will be described.

The first is the isomorphism perspective, involving the organisational accommodation of environments. This notion posits that organisations must fit or correspond in critical respects to their environments in order to maintain resource flows (or organisational isomorphism with environments). Three arguments or theories assert this view:

- i. *Performance* as contingent upon the ability of the organisation to adapt and change to the environment. Efficiency outcomes are dependent on certain specific correspondences between organisational and environmental elements generally overlooked in economic models. A causal chain from environment to organisation to efficiency outcomes is thus hypothesised.

ii. *Survival* as contingent upon organisation-environment accommodation. Organisations seek isomorphism with environments to maximise survival chances. Performance and efficiency outcomes are not entirely dismissed, but are subordinate to survival. This subordination occurs on two grounds - one, that logically the existence of organisations precedes their performance characteristics, and the other that given variation or uncertainty in environments, organisations may engage in inefficient conduct in order to ride out these intervals in uncertainty.

iii. *Organisational legitimisation* is contingent upon organisation - environment isomorphism. Implicitly, the possibility of truly rational conduct is denied, because rationality is socially constructed. i.e. Organisations strive to maintain legitimacy by conforming to institutionalised beliefs about how they ought rationally to be constructed. This theory has also been adjusted in order to propose that organisations seek isomorphism with other organisations rather than with institutionalised beliefs as to how they ought rationally to be constructed. Mimetic processes (DiMaggio and Powell, 1983) are said to render organisations legitimate to the extent that they resemble others in the same sphere of activity.

The second perspective involves theories that relax and even reverse the assumption that environments determine organisations. It is proposed that an organisation may control its environment, or that environments are poorly organised or irrelevant. Control of the environment may be enabled by control of organisational boundaries, for example, through subcontracting to reduce vulnerability to external forces, or the use of co-optation by government agencies. The notion that the environment may be poorly organised or irrelevant is substantiated by arguing that: control of the environment by the organisation is more legitimate than the reverse situation; organisational systems have few dependencies on the environment; organisations define structure and characteristics in response to a perceived problem and not environmental imperatives; and that organisations can be extremely powerful actors, controlling and even dominating the environment.

Defining the parameters for effectiveness

The relevance of examining the preceding discourse on organisational effectiveness is that there are many different methods, criteria and theories for examining organisational performance, structure and motivation. In addition, organisations and outcomes are

influenced by a multiplicity of variables and influences as Handy mentions. The conceptualisation of a number of these variables and influences helps the understanding of what occurs in real life. There is every reason to consider these ideas mentioned above, and many more are applicable to the operation of economic development organisations. The purest measure of effectiveness could arguably be that the development agency must be assessed in terms of its impacts upon the local economy. However, the environment that the agency operates in dictates that there are many other criteria that it must meet and be judged by, and that there are many organisational features and outputs that contribute to meeting the eventual aim. Performance measurement can notionally serve numerous functions reflecting different aspects of an organisation (Kanter and Summers, 1994). Examples of how performance measures vary across different parts and functional elements within an organisation are mentioned below.

Institutional functions tend to favour measures providing evidence that the organisation is meeting standards or engaging in activities that confer legitimacy upon it, providing indicators of progress or improvement to facilitate feelings of pride in the organisation's key constituencies, and affirming key constituency decisions to support the organisation and encourage others to join them. The primary functions of measuring performance revolve around renewing legitimacy and attracting resources. The key constituencies served are those linking the organisation to its environment. In economic development these may be boards, funders, partners or political masters. Managerial functions tend to use measures providing information to enable the adjustment of activities to meet standards better, provide knowledge of progress towards desired ends, to identify problems so that action can be taken, and to allocate resources and rewards among organisational participants and units. The primary managerial functions involve structure and process corrections and internal allocations. The key constituencies served are of managers and professionals. Technical functions use measures to provide information on the efficiency or quality with which the organisation delivers its basic products or services. Key constituencies served are the customers or clients.

So within an organisation, there are a number of effectiveness measures with numerous groups using them and serving different constituencies. Bovaird (1994) takes a wider perspective than the organisation by suggesting that the evaluation of 'effectiveness' or performance can occur at several domains. These domains include the organisational

domain, the service system domain, and the community domain. The *organisational domain* is where agencies deliver specific services to different client groups in different geographic areas. This is the realm where 'good practice organisational performance' is dealt with. The *service system domain* is where the agency operates within a system of services in a geographic area. The *community (or client group) domain* is where the level and nature of existing community, or client group organisation influences the impacts of the service systems which are available in the area - and therefore should be influential on shaping the nature of interface and intervention of the development organisation.

The importance of looking at these domains of action, or 'multiple constituents' is to illustrate the fact that the notion of success does not lie in purely one dimension. The agency can contribute to or detract from the goals of each domain simultaneously. All the domains are important in the delivery of economic development. Various strands of urban, local and regional studies literature have touched on these themes, but rarely in an integrated way. For example, parts of the discourse on partnership can be placed within the Service System Domain, or elements of policy studies within the Organisational Domain. Another important problem is that the interests of one domain may not be concurrent with the interests of others. For example, the Organisational Domain's interest in reducing unemployment through 'benefit plus' training initiatives may satisfy the statistical reduction in the incidence of unemployment, but may actually little benefit the individuals or local companies involved (see Peck, 1993). Another example is the output debate in many initiatives. For example, in some instances the interests in maximising positive results per unit of public spending have led to the gearing of training provision to candidates most likely to gain employment subsequent to that training. In terms of the organisation, as Kanter and Summers (op.cit.) suggest, there are a number of differentiated groups with differing motives and methods for measuring effectiveness.

In sum, it must be acknowledged that multiple constituencies exist, with converging and conflicting values and interests, and therefore differing interpretations of agency success. Such a viewpoint of success must be included in this research. Significantly, the presence of multiple constituencies and interests also shapes the characteristics and processes of an agency. In terms of performance assessment, Kanter and Summers (op.cit.) summarise this issue by claiming,

The ideal performance assessment system in a non-profit organisation would acknowledge the existence of multiple constituencies and build measures around all of them. It would acknowledge the gap between grand mission and operative goals and develop objectives for both the short term and the long term. It would guard against falling into any of the traps [...] by developing an explicit but complex array of tests of performance that balance clients and donors, board and professionals, groups of managers, and any of the other constituencies with a stake in the organisation.

(Kanter and Summers, 1994: 233)

The simple question posed by professionals in development agencies to many researchers of "just tell us which works best", is, as Reese and Fasenfest (1996) comment, not straightforward, nor easily answered. As they further explain, 'best' lies in the "eye of the beholder" and is a function of values.

Conclusion: A working definition of good practice

From this brief discussion, there are a wide range of interpretations of what is meant by effectiveness or performance. A working definition could be *the endogenous factors and characteristics that are causal to success* - to confine the evaluation of effectiveness to accomplishments directly under the organisation's control (Campbell, 1977). Endogenous refers to the factors that one can exert control over, or can enable within the institutional fabric - in this case the development agency or development system within a local area. Additionally, both sets of factors are not mutually exclusive, as they both influence each other. The environment will influence the nature of intervention, and the nature of intervention may influence changes in the environment. The main endogenous factors of interest and relevance to economic development agencies would appear to be the following:

- *Organisational design* - including structure, resources, management culture and styles.
- *Intervention design* - mechanisms for intervening in the local economy or community.
- *Institutional interface* - the nature of an agency's interaction within the service system domain and institutional fabric of the local area.

Another approach would be to 'factor in' extra-organisational issues. However, this makes an already complex task even more so. A worthy addition to the discussion on performance is the consideration that good practice is also about managing a multiplicity of constituencies' interests and influences in such a way as to elicit the goal of realising development. There is no question that multiple and conflicting interests do occur in economic development. Loveridge (1996) recognised that the basic goals of economic development were often subordinate to other goals, such as political profile and publicity in inward investment recruitment. To understand performance further, it is proposed that a more detailed knowledge of economic development and the agencies involved is needed. This will be gained throughout the rest of this thesis. The Thesis conclusions will reassess the question of performance with reference to this Chapter and the following ones.

The next section provides a further investigation into what may be the most important factors and characteristics for effectiveness in economic development agencies. Its aim is to hypothesise over what these characteristics may be rather than provide the answers immediately. This section draws on established literature for economic development as well as some other relevant management and organisational literature.

3.5 Likely factors and characteristics for agency effectiveness

There has been a lengthy discussion of how performance can be conceptualised in organisations. Referring back to Handy's diagram at the start of the chapter, it appears that there are a wide range of factors and characteristics that can influence performance. This section involves making some progress in hypothesising what range of characteristics may be important for a development agency. Essentially, this section involves asking questions for the original fieldwork in this research to answer. The body of work represented here is a reflection of the current literature and sources of information that are relevant. It provides a the basis for contrasting reporting and analysis from the original research data. Using the framework provided at the conclusion of section 3.4, this section will proceed to discuss organisational design, implementation design and insititutional interface.

Mention must be made first of the *environment* that the agency operates in. From the theoretical discussion on organisational performance, it would seem that the

environment plays an important factor in both shaping the basis for measuring effectiveness and in influencing both the role and performance of the agency directly. The multiple constituencies that exist are also partly an environmental factor that the agency must accommodate. The environmental influence is an important issue for the research, and one which is necessary if using a framework that involves both organisational and strategic analysis. The most important environmental factors are most likely to be central government and local institutional relations, and the nature and state of the economy at all scales and levels. It will be interesting to discover if and how agencies can be successful in managing or accommodating their environments. It will also be important to highlight where environmental factors are intractable and unavoidable. This was an area for exploration in the original research, and in fact received substantial levels of reporting, meriting a dedicated chapter in this report (Chapter Six).

In terms of past research (in the local and urban economic development field) into environmental factors influencing development organisations, much coverage has been made of institutional relations, political relations, policy co-ordination and economic environments. Institutional relations would appear to be important, although the 'partnership' banner has been used in the past to discuss a wide and diverse range of organisational forms and institutional interaction. It is argued here that little progress has been made in the urban and local literature in terms of the dynamics and rationales for partnerships. One need only briefly review organisational literature on inter-organisational working to realise how unsophisticated the coverage is in these urban and local studies sources. However, the question for this project is mainly one of how institutional arrangements influence agency effectiveness, and how they can be best shaped from the agency's point of view. This discussion of inter-institutional issues is blurred between the categories of environmental interface and institutional relations here. Policy co-ordination and economic environments are further environmental influences that are important.

Chapter Six is dedicated to environmental influences, and is written to reflect the feedback and reporting gained from the interviews. At this stage of the report, there is much scope for speculation on what the main environmental influences could be. However, there is much detailed discussion and analysis further in this thesis, and to speculate at this stage would lead to duplication later on. The next section is concerned

with hypothesising on which internal organisational features are likely to be important in agency performance. However, like the environment there is much scope for speculation. The purpose is more to highlight the potential significance of these characteristics for further analysis later on.

Organisational design

Organisational design is concerned with the features that are internal to the agency. It includes resources, staff and the management of these. It is also concerned with the internal structuring of the agency and the nature of communication and interaction between and within functional groupings, staff, and management. It also includes the more traditional aspects of research in urban and local studies, namely organisational status, functional specialisation, leadership and governance. There are a wide range of factors here. The rest of this section introduces some of the facets of organisational design that would appear, or are hypothesised to be the most significant.

It is proposed that sufficient resources are needed to fulfil the role of an agency in economic development. Financial planning would appear to be important to enable a solid basis for bidding for funds to support planned activity. Resources being spread too thinly over services can be a consequence of insufficient resources, or over-ambitiousness on the agency's part. Small resources can only be used effectively if services are narrowly focused. There is evidence to suggest that for some economic development activities, considerable sums need to be invested in order to make them effective (Ernst and Young, 1996). There is a further issue of the control over resources that the agency has, in particular whether they enjoy dedicated revenue funding, or whether they must actively pursue a number of sources and modes of funding. So the funding mix is relevant when discussing resources. Some consequences of the funding mix are in the levels of security, risk and viability of the agency financially. These have obvious consequences for the role and nature of agencies and their activities. For example, a large mix of funding sources may promote the spreading of risk and innovative projects in order to attract such resources. Conversely, this may distract the agency from core objectives through funding conditionalities and the taking up of valuable management and administrative time in the pursuit, negotiation and management of contracts and resources.

Staff are a very important resource, especially in terms of their skills and abilities. A development agency, and in particular a multi-functional one, would appear to require a broad array of skills, both between and within staff. These skills include professional and technical ones as well as other skills such as management, public relations, information management and economic analysis, but to name a few. It would appear that staff need both individual technical skills as well as generic skills related to economic development and the agency's business. Some basic tenets for staff qualities can be proposed. These include commitment, where staff commitment to development objectives, the locality, the client base and the agency may be important. Technical staff also need to have relevant expertise and experience. Overall, the quality of staff would appear to be critical to the success of implementing economic development. Studies such as Schein (1996) have emphasised the need for the best staff possible for the job. One could argue that the human capital element of a development agency is the most significant factor for success, as the process of development is very human capital intensive and involves substantial interpersonal interaction. In addition, if staff are important then their working conditions and rewards need to be adequate for their retention and development. Similarly, staff training and development should be a priority, especially in such a complex and wide-ranging arena as economic development. Local government research has found intensive investment in management and staff development to be an indicator and prerequisite for enhancing skills, motivation and common values (Leach *et al.*, 1993). Staff appear important in performing effective economic development, yet more analysis is required to describe how, and in what ways.

Values and cultures within a development agency would also appear to be a relevant area of concern for performance. They have been described as an integral part of organisational performance both in development agencies and elsewhere (Schein, 1996, 1985; Mintzberg, 1979; Johnson and Scholes, 1993). An important question is just what values and cultures are conducive to effective economic development. Little analysis of this has been made evident for development organisations except for Schein's analysis of Singapore's Economic Development Board (1996), where values and culture were found to be very important. A valuable exercise would be to investigate this issue further.

The internal systems and structures of the agency are an area worth examination. An associated source of debate is whether the most effective organisational remits are

narrow or wide. Taken to polemic extremes, the delimitation of the role and responsibilities is important in terms of whether organisations are multi-functional or single-function (Martinos, 1989). Further, there is the agency's role and position in terms of the spectrum between policy formulation and development to execution and implementation. In terms of the functional specialisation of the agency, previous studies have proposed the relative advantages and disadvantages of single- and multi- purpose bodies. Davis and Hall (1996) illustrate these, and summarise the arguments for and against these organisational arrangements, reproduced here in table 3.3. Amongst the key variables identified by Davis and Hall, two have particular salience for development - co-ordinative capacity and effectiveness.

Table 3.3 Davis and Hall's arguments for and against both single- and multi- purpose bodies

FOR SINGLE PURPOSE, AGAINST MULTI-PURPOSE	AGAINST SINGLE PURPOSE, FOR MULTI-PURPOSE
<p>SPBs provide clear focus whereas MPBs not as clear.</p> <p>SPBs enable services to be organised on 'optimum size' arrangements for that service, whereas MPBs are more likely to lead to sub-optimal compromise arrangements.</p> <p>SPBs can override 'narrow' interests - MPBs are more likely to have to account for a wider range of interests.</p> <p>SPBs give greater clarity to the public over their roles.</p> <p>SPBs can attract membership of people with specialist knowledge and interest. MPBs less likely to achieve this.</p> <p>SPBs allow better control and monitoring of service performance because of clear individual service focus.</p>	<p>SPBs fragment administration and government. Reality does not consist of separate service 'islands'. MPBs are best placed to judge priorities and co-ordinate activities.</p> <p>SPBs lead to confusion as the number of bodies proliferate. MPBs avoid this confusion.</p> <p>SPBs lead to sub-optimal use of public resources due to duplication of effort.</p> <p>SPBs may lack flexibility of finance to cope with the unexpected. MPBs can veer between budget heads.</p> <p>SPBs can more easily lead to the dominance of 'narrow' service interests if generalists are not present. MPBs are more likely to provide that wider perspective.</p> <p>A comprehensive system of SPBs would lead to gaps in service provision and responsibilities because remits are tightly defined. MPBs can more easily deal with such issues.</p>

(source: adapted from Davis and Hall, 1996)

A lack of co-ordinative capacity can lead to several negative consequences. One is the duplication of effort. Another is 'passing the buck' - with individuals or organisational subunits avoiding responsibilities for decision making. Some important factors influencing development agencies' co-ordinative capacity would include the nature and effect of boundaries both between and within organisations. One aim of the original

research was to explore the advantages and disadvantages of contrasting organisational arrangements, especially in reference to the number of agencies, their functional specialism and co-ordinative capacities. It is also important to realise that while the creation of multi-purpose bodies provides the conditions for greater co-ordinative capacity, this does not ensure it (Riley, 1993). Some exploration of the facilitators and barriers to internal co-ordination and communication would therefore seem warranted. For Schein (1996), communication and teamwork were seen as essential for economic development efforts in Singapore.

Hierarchical relations and the role of management and leadership would also appear to be important features of the organisation. It would be interesting to explore what configurations of these enable the most effective operation of the agency, especially in relation to communication, co-ordinative capacity and integration in operations. Another issue is the demands on and role of management, and senior management in particular. On first impressions it would appear that the demands on management are high, especially in terms of requiring technical expertise, broad economic development knowledge, management skills and knowledge of the agency. It is hypothesised that the roles of the senior managers will be crucial for organisational performance.

Operational design

Operational design is defined here as encompassing the design of development strategies, approaches and tools for implementation. A key aspect of this is the analysis and understanding of the area's social and economic strengths, weaknesses, opportunities and threats. It also includes an appreciation of the local business base and wider business and market trends. The Audit Commission recommended that a regeneration audit was an essential part of the development process, founded on a 'wide ranging and objective assessment of the area and opportunities available' (Audit Commission, 1989). The Audit commission further suggested that agencies should engage in collation of information, SWOT analysis of the local economy, identification of constraints, and detailing the identities and roles of different players and continual monitoring of change by evaluation and feedback. This process involves the grasp of key issues for development, regular reviews of social and economic conditions and the market, and an understanding of the solutions and mechanisms to solve problems and realise opportunities. It is proposed that the agency should be able to understand the ranges

and types of intervention made in the past and present, the link between action and results, how mechanisms for intervention work and how intervention is mobilised. In addition, the continual improvement of tools and mechanisms for action is enabled by regular evaluation and monitoring exercises. An often understated element of designing modes of activity and intervention is consideration of the clients, recipients and beneficiaries. Contacts and interface with these groups are instrumental in forming reputations and knowledge about the agency's role. Similarly, market knowledge and an understanding of market and business processes would seem to be important for a development agency.

A common requisite prior to and during economic development activity is to have a strategic plan to guide development action. EURADA (1995) conceptualise the process into a number of stages. The conceptual stage involves investigating the base conditions in the locality, the conditions of the wider economy and environment, and understanding the existing institutional capacities and structures, reflecting the Audit Commission's framework as mentioned. The analytical stage involves linking base conditions to economic development, seeking to find causal links explaining the socio-economic and institutional structure in the area. It looks at the resource base in human, physical, natural, technological and institutional terms and assesses how they support economic development. The action stage will identify resource needs for implementing a strategic plan and develop an action plan establishing targets for specific steps. It will also recommend arrangements for assigning responsibilities and developing the institutional and organisational structure and capacity in the area. Processes will also be identified for monitoring and evaluating the results.

There are many differing purposes of strategic plans, and the breakdown in stages helps delineate some of these. There is certainly a diversity in the content, rationale and comprehensiveness of strategies for economic development agencies. There is also a difference in how and why strategic plans are expressed. Officially published strategic plans, for example may differ to unofficial informal plans existing in development agencies amongst staff. Different plans may exist for different audiences or functions. For example they may differ between intended audiences such as funders, local communities, the business community, and internally. They may also differ in relation

to the time - scale that they refer to - i.e. are they short term or long term plans? Conflicts may also occur in the process of composing strategic plans.

An investigation into economic development in theory and practice does not lead us to conclude that there is a definitive approach, nor are there concrete solutions to enabling economic development. This is not least because problems and opportunities differ across localities. There are a multitude of approaches and explanatory factors for them. In addition, approaches and solutions are not easily compartmentalised nor distinguished by locality or agency. They will overlap in practice.

Many sources have pointed to the evolutionary nature of development activity (EURADA, 1995; Blakely, 1994; Martinos, 1989). An exploration of this issue is useful in illustrating the different approaches to development, and also the changing nature of provision and activity. Blakely (1994) proposes that there are 4 distinct planning orientations in economic development activity, two of which are prevailing, and two of which are emergent. These are summarised in table 3.4 below. Blakely sees the two prevailing models of economic development planning as recruitment planning, that is preactive and changes in response to competitive conditions; and impact planning, which is reactive planning in recognition of the loss of the existing industrial base. He sees the two emerging models as strategic planning, that is proactive and builds a long-term responsive community system for the conditions the locality faces; and contingency planning which is interactive and recognises the need to be flexible to conditions as they emerge. However, Blakely's interpretations are open to question and investigation.

An interesting part of the 'evolutionary' perspective is to ask whether all the stages are part of an agency's natural evolution, or whether stages can be skipped or switched into: i.e. is the evolution a progressive stage by stage one, or can different stages be experienced discretely? This has implications for 'best practice', raising the issue of whether an agency can start-up in, or jump to, advanced modes of provision and organisation without engaging in a progressive evolutionary or learning process.

Table 3.4 Blakely's interpretation of strategy and intervention stages.

PERSPECTIVE	RESPONSE PERSPECTIVE		PLANNING PERSPECTIVE	
	<i>Pre-active (I)</i>	<i>Re-active (II)</i>	<i>Pro-active (III)</i>	<i>Interactive (IV)</i>
Planning: Model of practice	Recruitment planning	Impact Planning	Strategic planning	Contingency planning
Policy: Industry	Industrialisation	De-industrialisation	New indigenous firms	Building on existing firm base
Enterprise: Types	Corporate adjustment assistance	Government Sponsored	High tech/ new tech	Community based
Development: Intervention model	Industrial placements	Government program expenditures	Public-initiated development	Community-initiated development

(Source: Blakely, 1994)

Overall, in the design of strategies and approaches, there are several important elements that can be proposed for further testing. One is that the agency's activities are designed and performed with a full understanding of the local socio-economy, private sector and market climate. In terms of setting objectives, it is important that these have clarity, are targeted, differentiate for user needs, and are integrated into the overall strategy. In addition, the nature and purpose of the strategy must be clear. For example, there would be expected differences between a corporate-wide strategy, and a specific service or sub-functional strategy. There is also the case that strategic intent may be rendered implausible by changes in opportunities or problems over time, and that strategic review and the ability to react to situations as they present themselves are important. In sum, operational design is a crucial part of the economic development agency's role. The original research in this project will seek to analyse what factors are responsible for effective operational design and implementation.

Organisational interface

As mentioned both in Chapter Two and in this Chapter, there has been much academic dissemination in the local and urban fields in reference to organisational relations under the partnership debate. What is clear is that the economic development function is so wide that no one organisation could manage and deliver all of the many elements involved. It is also apparent that no organisation could act alone in the interests of the

economy. There are many other significant players. The partnership concept is somewhat fuzzy and indistinct. It is useful to unravel the concepts of partnership into the constituent elements. Much of the rationale for partnerships involves co-ordination. In a public policy sense, co-ordination has a number of elements and may also be distinguished further by the activities involved (Challis *et al.*, 1995). Co-ordination would appear to entail the maintenance of consistency and coherence across a number of elements. This includes co-ordinating between objectives and outputs of a single policy or project. More complex is the co-ordination needed for a set of interacting and complementary policies or projects where 'ownership' is with more than one organisation. However, internal co-ordination in an agency is important, yet often receives little attention. Co-ordination can further be distinguished as a strategic/analytical activity, as an interaction of organisations, and as the interaction of individuals. In addition, not all co-ordinative activity is formal, non-confrontational or centralised. So a further dichotomy can be hypothesised - that the nature of co-ordination may be centralised or decentralised, authoritative or collaborative, and formal or informal. Co-ordination and integration between service providers would appear to be an area of good practice, as this would minimise costs, duplication and confusion from the beneficiaries' point of view. However, there is a case for arguing that competition between organisations may be healthy in forcing standards of provision up and costs down. It will be interesting to discuss this in the light of the fieldwork in later chapters.

Inter-organisational communication would also appear to be an important part of interaction and interorganisational interface. One function it can serve is that of making clear what the agency's role is, and what values it represents. Communication is also significant in changing negative or mistaken perceptions by external interests including local government and the private sector. Credibility as an effective agency would seem to be important in furthering economic development and fostering good communication with external interests. A question for the field research is how credibility can influence the operations of an agency and its effectiveness. This is linked to trust and commitment. According to Schein (1996), levels of acquaintance are positively related to maintaining high levels of trust. Economic development, it would seem involves many relations with many groups. Customer care and inter-organisational relationships would therefore seem to be very important.

One argument for the benefits of partnership, or inter-organisational working is that the sum capacity and performance of the parts together is greater than adding up individual agency achievements. Mackintosh (1992) developed a framework to illustrate the framework from partnership arrangements, reproduced here in table 3.5. The main thrust of Mackintosh's theory was that the sum of parts is greater if organisations work together, and that efficiency and effectiveness of action are increased. These positive outcomes were deemed to be due to synergistic relationships. However, the main criticism of Mackintosh's approach is that there is little attempt to explore nor analyse the dynamics of inter-organisational relations. Such a simple causal relationship between partnership and efficiency and effectiveness appears too good to be true. There is scope for a huge variation in the nature and quality of interaction between agencies. A crucial question, then, is how modes of organisational interface influence outcomes. This implies that the benefits of partnership may range between those that are either negative, indifferent or positive. Of particular interest to this project is what forms of interaction are best for development agencies to realise their economic and social development objectives. An example of less than ideal outcome was the case of Sheffield Central Area public-private partnership, where Lawless commented that,

This is a partnership reflecting the reluctant embrace of partners who, at most, retain a lukewarm attitude towards each other. Their coalition is not rooted in an optimistic vision emerging out of marketing success. It is founded on a deep-seated anxiety that things will probably get worse.

(Lawless, 1994)

It must therefore be recognised that the motivation, characteristics and nature of collaboration are diverse. Therefore the outcomes of collaboration and interorganisational relations are likely to be just as diverse. The exact nature and dynamics of these relations are therefore subject to analysis in reference to the original research of this project.

Table 3.5 Mackintosh's framework of synergy relationships

	PROCESS	OUTCOME
RESOURCE SYNERGY	Co-operation and co-ordination over the spending of resources	Added value from resources spent. Increased effectiveness and efficiency
POLICY SYNERGY	Joint approaches developed through combining the different perspectives of each partner	New Perspectives/innovative solutions created Original differences in culture and objectives between culture and objectives maintained.

(source: Mackintosh 1992)

In sum, this section has sought to propose some themes for the original research in terms of the likely factors for effectiveness in economic development agencies. The existing literature has been some help in pointing out some areas for exploration. The examination of agency characteristics in Chapter Two has also been illustrative. What is clear overall is that there have been few pieces of research which have specifically analysed the main characteristics and factors likely to influence agency performance. This is a major task for the fieldwork, which was performed with the approach of investigating practitioner and interest group views on performance, by asking both specific questions related to the outline in this section, as well as general open-ended questions on the necessary ingredients for effective economic development agencies.

3.6 Summary

To summarise the discussion so far, many issues have been highlighted that have relevance to good practice. One concept that would appear to summarise these issues is organisational design, which encapsulates many organisational features in addition to formal structures. It has also been established that there are different ways of defining success and good practice, especially if we recognise that there are a multitude of constituents with different motives, performance criteria and influence. Another important factor is how the environment influences, and is influenced by the development agency and what it does. So there is the ultimate aim of an agency as economic development, but also the challenge of managing and coping with environmental and constituency influences. The challenge is to deal with them in such a

way that contributes to this ultimate aim, but does not detract from it. However, as will be made apparent from original data and further practical examples, this challenge is a major one.

There has been coverage of some of the basic principles for good practice in terms of operation and management. A further complexity to the analysis is the differentiation of this for the various development functions. However, there is a further question, as to how differentiated economic development functions are, which therefore leads to the question of how differentiated the organisational requirements are, or need to be, to deliver them. Whilst making generalisations and 'pointers' for good practice are problematic in that they vastly over-simplify the true picture, there nevertheless seems to be a number of important general features that are important for effectiveness, summarised as follows:

- *Intelligence and understanding.* The greater the understanding of the economy at all scales, business sectors and trends, modes of intervention and organisation, other institutional roles and clients - the better.
- *Priorities and focus.* Development action should be geared towards what the economy and clients need for development, and not towards what the organisation 'thinks' it should or can provide. As far as possible, disparate goals and motivation for performance should be channelled towards the basic goal of economic development and agency strategy and remit.
- *Setting clear strategic and organisational goals.* Unclear strategies and goals can adversely influence all areas of agency activity. Strategic pragmatism is a key concept in managing both short- and long- term activity.
- *Finance at sufficient levels* is important. Effective development activity needs significant resource commitment. Economic development programmes should not be performed in a piecemeal way for political or compensatory reasons.
- *Staffing* is a key variable in performance. Staff abilities, skills, values and attitudes are a prime influence in the effectiveness of an agency, and also in the relationship between the agency, clients and the environment it operates in. The senior management role is demanding, and needs to be balanced to match activity and organisational requirements.

- *Functional and organisational relations and interface* are extremely important, as development agencies cannot operate in isolation in the institutional network.
- *Communication and information*. Lines of communication and information dissemination within the development agency need to be open, but with the maintenance of confidentiality considerations. Monopolisation of information or functional specialisms is problematic.
- *Modes of intervention*. The key here is research, intelligence and experience - to inform choice, modification or innovation in modes and methods of development action. The development agency must adopt an open, outward-looking position. Insularity is a significant drawback.

The nature of organisational form and structure is an important element of this research. However, the influence of formal structures (official descriptions of structural divisions of the agency) may have limited salience with respect to the many other variables affecting performance. There is a significant body of research in management and organisational literature on this issue, but a dearth of examination in economic development agencies. In the attempts to construct a 'best practice' model, there may eventually be a need to investigate the relevance of innovations in management and organisational design. There is much literature on what the future shape of organisational design and management should be like. Much of it is concerned with dealing with the ever increasing complexity of the working world, and the increasing velocity of changes that organisations must cope with and adapt to for survival. In terms of economic development practice, some of these new management models may be pertinent. In economic development practice there is also evidence of a systematic shift in provision from activity largely of a project and programmatic based nature to the delivery of a service-based system of provision. The consequences for organisation and management in economic development of this shift are significant. An important issue is that these concepts are advanced, and one may see the language of them used in many organisations, including development organisations. For example, in development agency brochures we may encounter the claim that 'we are a learning organisation', or that 'a culture of quality' exists. However, a crucial distinction to make is that announcements are not necessarily met by actions which can categorise an organisation as a learning organisation as distinguished by the accepted characteristics, assumptions

and processes (for example, Senge, 1990). What is espoused and what actually occurs may be different.

The next step for this thesis is to investigate the relative salience of the different variables highlighted in the discussion in terms of effective economic development organisation and activity, and to raise some new ones. This is the role of the original research work in this project, and will comprise the next five chapters. Chapter Four consists of an overview of the area contexts of the original research, both in terms of the agencies and the areas they operate in. This chapter further examines the key research issues that these particular local economies and delivery systems and structures raised with respect to this research project.

CHAPTER 4. OVERVIEW OF AREA CONTEXTS OF
THE ORIGINAL RESEARCH

CHAPTER 4. OVERVIEW OF AREA CONTEXTS OF THE ORIGINAL RESEARCH

4.1 Introduction

The purpose of this chapter is to briefly summarise the methodology and identify the sources and subjects of fieldwork as well as to describe the wider contexts and institutional environments of the areas under study. The original research in this project comprised of qualitative research interviews with economic development practitioners and interest groups in four areas. These areas included Belfast, Berlin, Glasgow and London. The Glasgow study included a substantial focus on Glasgow Development Agency. This was enabled by almost unrestricted access to members of this organisation. In other study areas, limitations were encountered which mitigated against in-depth case studies in single agencies. Instead, respondents were sought from a wide range of agencies. However, this developed into a strength in the research, as there appeared to be some convergence of views and reporting amongst a number of different organisations. In all, seventy-one interviews were performed. The data from these interviews was coded and then analysed. Further reference to the methodology of this project is included in appendix I.

This chapter is concerned with describing the socio-economic and institutional histories and contexts of the areas where the original research was performed. This is a very important consideration in researching local economic development and institutions that perform this role. Contextual and historical influences shape the agency, and the nature and mode of provision. They are also very influential in institutional relations. These areas are described in a number of ways. Firstly there is some introduction to the history of the area and its institutions. Then there is a description of the economy and the institutional system for economic development. This includes some mention of past economic development approaches. The strengths and weaknesses of both the economic and institutional system are then described, as this very effectively summarises the situation. Lastly, there is an analysis of the key perspectives that each area brings to this research. It is difficult to summarise the many aspects of local areas which are relevant to this research in a few thousand words. The actual research itself was performed with a detailed understanding of each study area. As already mentioned, placing the

development agencies within their area history and context is necessary in order to make an accurate and meaningful analysis. The data and information from the interviews also added substantially to the understanding of the economies and institutions in each area. The next section deals with an outline of Belfast.

4.2 Belfast

Belfast is Northern Ireland's largest city. It is situated in the West of the Province, set at the point where the River Lagan discharges into Belfast Lough. The city is constrained by the Lough, and the hills to the north-west and south-east. Belfast's strongest growth started in the late eighteenth century, as a market for linen and cotton and later for their production. This laid a foundation for rapid growth in the nineteenth century based upon rapid expansion of textile manufacture and the emergence of shipbuilding and engineering. The second half of the nineteenth century witnessed Belfast's rise as a major industrial centre, as a textile centre, and home to the largest shipyard and ropeworks in the world. By 1911, Belfast's population was 386,000. With Irish Home Rule, Belfast became capital city of a new province of the UK, Northern Ireland.

The ethno-religious element of Belfast is a crucial feature of the city. In the case of Belfast, ethnicity has long been an important feature of life and has found expression in various ways, not least in the form of significant levels of segregation (Boal, 1995). Prior to economic and industrial expansion, Belfast was predominantly a Protestant city. Industrialisation prompted a large influx of Catholic migrants from rural Ireland. By the mid-19th century, the Catholic proportion of the population rose to about one-third. By the 1991 Census, this proportion had reached 42 per cent. Of course, the inter-ethnic conflict and tension is a well known feature of Belfast. However, successive outbursts of this conflict led to increased levels of spatial segregation in the city. The city is distinctly divided between east and west, where west of the River Lagan, the Catholic population is 55 per cent as compared to 12 per cent east of the river.

The population of the City was 297,100 in 1994. Belfast is also part of a greater Urban Area (Belfast Urban Area - the BUA), which surrounds it, totalling some 476,000 residents in 1991. The core city has witnessed a rapid depopulation, from 417,000 in 1971 to 279,237 in 1991. This depopulation is largely due to selective out-migration outwith the urban area and to the suburbs (ibid.).

In May 1998, a multi-party agreement was reached to establish a Northern Ireland Parliament and a peace settlement between paramilitary organisations. If the Parliament succeeds, this will profoundly affect the social, economic and institutional fabric of Northern Ireland. This Parliament will take control of the civil service that has previously been under the central control of UK ministers for almost thirty years. The Parliament will also take control of substantial budgetary matters. The consequences of these developments promise to be very significant. However, much can be learnt from the historical situation, and the state of economic development immediately prior to the peace agreement.

Economy

Belfast's economy suffered a major slump during the great depression, but recovered post W.W.II. The textile industry sharply declined through to the 1960s, but the shipbuilding industry did not start to slide until the 1970s. Post-war, Belfast began to address some serious infrastructural and housing problems, creating a large public housing stock. Unemployment problems in Belfast did not emerge until the 1970s. Nevertheless, on aggregate, many jobs in manufacturing have been lost since the 1960s. The unemployment rate in 1968 was recorded at 5 per cent. By 1972, this had risen to 8 per cent, followed by a rapid increase to 21 per cent by 1981. Throughout the rest of the 1980s, unemployment remained at just under 20 per cent. The spatial division of unemployment has also been prominent. Pockets of over 50 per cent unemployment levels have been, and remain, common. This has been especially prevalent in the western sector of the city. According to Boal (op.cit.), every analysis since 1974 has shown almost exactly the same pattern - concentration of disadvantage in the inner city and in the western sector.

The ethnically fractured geography of Belfast has been a great obstacle to labour mobility. Security considerations for many residents have restricted Catholics from working in Protestant areas and vice-versa. The shift in employment patterns that has occurred reflects the changes in Belfast's industrial structure. The worst unemployment rates are to be found in North and West Belfast. These areas have also been the traditional core of the troubles. In addition, these areas have the main concentrations of deprivation and disadvantage.

The Northern Ireland region has a GDP of 82 per cent of the UK average, whilst the city's GDP is less, at 70 per cent. The city is heavily dependent on public sector employment, providing 45 per cent of all jobs in 1989. Manufacturing employment declined substantially, by 34 per cent between 1981 and 1989, representing 13,000 jobs lost. The shipbuilding industry at its height employed over 40,000 people. It now employs 2,500. The textile industry was also a traditional mainstay of the Belfast Economy, yet has significantly reduced in size and scale. Many light industrial and engineering companies have also disappeared from the city. The proportion of jobs in manufacturing decreased from 40 per cent in 1971 to 25 per cent in 1985, to 16 per cent in 1993. At the same time, from 1971 to the present, the growth in the service sector was gained partially by a growth in public sector jobs. Overall, the city is under-represented in the private sector and some other service industries. New company formation is below the national average (Belfast City Council, 1995). There has also been a change in the location of employment. In 1966, the city centre and inner city had two thirds of the jobs in the BUA, whilst by 1981, this had declined to less than half.

Belfast has witnessed many changes in residential patterns, employment patterns and industrial structure. In addition, there is one other critical factor that has been at work in shaping the economy. Government intervention and subsidisation of the economy has been recognised as high relative to most other Western European nations. Massive amounts of public expenditure have gone into infrastructure, housing and supporting industry, as well as providing public sector jobs. In some ways, this has distorted Northern Ireland's and Belfast's economy. Northern Ireland has been likened to a dependency economy, and even a socialist planned economy by some. However, the infrastructural development as a result of this investment is a substantial source of comparative advantage. Whilst at the time of writing (1998), there is a distinct presence of change in the air in Northern Ireland, the next section discusses the institutional system in Northern Ireland and Belfast as it stood during November 1997. The description of the institutional system in Northern Ireland may become subsequently out-dated, but the lessons from it, and from the fieldwork as a whole, will not.

The institutional system for economic development

At the regional, or Northern Ireland level, there is a distinct centralisation of control of resources and development activities within the government's Northern Ireland Office

and its departments. This is not least due to the legacy of a lack of input from existing democratic structures such as district councils. Many of these have refused historically to involve themselves in public administration matters. The main departments of concern here include the Department of Economic Development (DED) and the Department of the Environment (DoE). These departments are accountable to their relevant secretaries of state and the UK parliament, although this will change with the new Northern Ireland Assembly. The DED has several 'next steps' arms-length agencies under its direction:

- the Training and Employment Agency (TEA), responsible for training and the employment service in Northern Ireland;
- the Local Enterprise Development Unit (LEDU), responsible for small business development (under 50 employees);
- the Industrial Development Board (IDB), dealing with inward investment and large company development (over 50 employees);
- the Industrial Research and Technology Unit (IRTU), responsible for technology promotion and commercialisation; and
- the Irish Tourist Board, responsible for the promotion of tourism.

Whilst these agencies are aimed at national-level provision, several of them have local offices and activities. LEDU has regional offices at the district council level (26). The TEA has some 10 local offices, as well as local employment service offices. The DoE has a number of urban regeneration bodies under its direction, including the Belfast Regeneration Office established in 1997 through a merging of the Making Belfast Work body and the Belfast Development Office. In addition, the DoE funds one Urban Development Corporation (UDC) in Belfast (the Laganside Corporation) to regenerate areas of riverside land. This UDC differs significantly from the mainland experience, in that it has neither land ownership nor CPO powers, and works strongly in association with Belfast City Council and the Port of Belfast who are the major land owners on its sites. The DoE is also responsible for overall administration of the twenty-six partnerships created through the EU Peace and Reconciliation Fund (PRF).

Local authorities gained substantial responsibilities in economic development through gaining the ability to use a 2p rate for these purposes since 1992, which was subsequently

increased to a 5p rate in 1995. This was timed with the emergence of a more proactive approach from Belfast City Council in matters concerning public administration. Until 1992, Belfast's Unionist Councillors abstained from activities involving central government departments to discuss matters of administration and governance. This in part contributed to the centralisation of decision-making and activity into government departments, such as the Department of Economic Development, and the Department of the Environment. There are a significant number of local and community organisations that are concerned with economic development and regeneration issues. In fact, there can be said to be a plethora of these organisations. These numerous grassroots community organisations are funded by a number of different sources, and in fact their proliferation is directly related to the emergence of new funds. Some have existed for significant lengths of time, and have managed to remain in existence through flexibility and adaptability to funding regimes. The fact that high levels of funds have been available for some time also contributes to this situation. LEDU initiated the creation of local delivery agencies for its small business programmes throughout Northern Ireland. There are currently ten such agencies in Belfast which also engage in TEA funded training for the unemployed, small business managers and owners, and those considering starting a business. Funding is largely driven by contracted service delivery. Another spur to the proliferation of community institutions occurred when the DoE created local area partnerships to deliver its urban regeneration programme. In this case, 10 Belfast Action Teams (BATs) were originally created as part of the Making Belfast Work scheme. The EU Peace and Reconciliation Fund, which was established in 1992, created many community organisations around project funding, as well as area partnerships to administer project awards which were organised at district level. Lastly, the International Fund for Ireland, a largely US-based fund, has created more organisations at community and local level around project funding. So, as various funding regimes and policy directives have emerged, they have created new, additional agencies in Belfast.

The approach to development and regeneration in the past has often involved large expenditures, but with an absence of strategic thinking. The 'grant mentality' in both public and private sectors is well embedded. Since the 1990s, however, there has been some reorientation to a realisation that Northern Ireland as a whole needs to develop as a successful open economy within a competitive environment. Belfast's past approaches

have been neither strategic nor market-oriented. However, there is recognition in all quarters that things must change. There has been much activity in small business promotion since the 1970s, with perhaps a more intensive focus in the 1980s. This has largely taken the form of provision of premises and support services. Belfast also had an Enterprise Zone designation in 1981, covering reclaimed land in the harbour area, and in the western part of the inner city. The harbour site has been more successful, with the western zone having a less attractive environment and infrastructural facilities. There has been substantial investment in both the city's retail and commercial centre, as well as the riverside. A number of flagship developments have been recently completed including a concert hall, the Belfast Hilton Hotel, and a the 'BT Tower' which serves British Telecom's Ireland headquarters and provides a substantial number of service jobs. Large sums have been spent in community economic development. However, the need to increase the private sector employment base is a priority. The City Council has embraced its role in economic development, and has in particular made initial attempts to provide the leadership and strategic role that has been previously absent in the city. The Council is promoting itself as a lead co-ordinator in regeneration and development efforts.

Strengths and weaknesses

The Making Belfast Work Business Strategy Group (1996) summarised the weaknesses that need to be overcome if the city's 'regeneration and prosperity is to be secured' (ibid.), as well as the strengths that the city enjoys. The weaknesses include many related to the number and nature of institutions in Belfast and Northern Ireland. The multiplicity of organisations is a particular problem. Several government departments have responsibility for economic regeneration and development in Belfast. A plethora of agencies and organisations are also involved. Co-ordination, communication and collaboration are problematic. Such an uncoordinated approach 'very often results in well entrenched power bases, duplication and wasted resources.' (ibid.). As mentioned earlier, new modes and sources of funding have tended to mean the creation of additional agencies and organisations instead of consolidating and expanding existing ones. The dominance of central bureaucracy is a strong feature of both Belfast and Northern Ireland. As a result of the political instability in Belfast and Northern Ireland, a strong central bureaucratic and undemocratic administration has developed. This has excluded Belfast citizens from participation in decision making, and fostered a

dependency culture. This has resulted in a political vacuum which has certainly contributed to the growth of the community and voluntary sector as a form of civic participation and activity. Belfast City Council has, in the past, been a forum for internal dispute and constitutional preoccupation. This is increasingly less the case, and the Council must be supported and encouraged to fulfil a full local authority and democratically elected role. The Council itself recognises many of these weaknesses in Belfast's institutional system (Belfast City Council, 1995).

In terms of the socio-economic situation, there are a number of important weaknesses. The education system is one. The selection procedure and unbalanced investment in education means that the two extremes of both high attainment and non-attainment are prevalent. Social exclusion is a particular problem in Belfast. There are high levels of unemployment and pockets of extreme social deprivation in the city. Intolerance is another drawback. The legacy of violence and sectarianism has created a culture of discomfort and threat when faced with differing cultural traditions. An internal focus is also noticeable in the city, as the troubles have fostered a siege mentality of widespread indifference in Belfast to what is happening in Europe and beyond (MBW Strategy Group, 1996). The situation in the city has led to insularity and attitudes of independence for survival. The remote location of the city is a problem, as Belfast is located in the periphery of Europe. International transport links remain under-developed.

Belfast does have a number of strengths to further build upon. These include the name and opportunity of the city. Belfast enjoys a huge awareness of its name, and has experienced much goodwill in attempting to become a peaceful city. This has materialised not least in funding and international links. Another major strength lies in the people of Belfast. The strong cultural traditions of openness and hospitality makes Belfast a friendly city to visit. In terms of demographics, Northern Ireland has a comparatively young population profile relative to the rest of the UK. Belfast's infrastructure is well developed. Belfast has two airports, making it one of the best served regional cities in the UK. The road network and port facilities are also good. Housing conditions are generally good on both the criteria of cost and quality. Commuting times across the city-region are also low. The city has an educated workforce, and there is a high level of attainment at post-18 level. There is a vibrant SME sector in the city, with opportunities for further growth and expansion. Strong

support systems and the shelter from recessionary pressures in the rest of the UK have contributed to this. Belfast's base of engineering skills in such companies as Shorts-Bombardier and Harland and Wolf are an advantage, especially in attracting inward investors. Belfast enjoys a competitive cost base, with premises, labour and living costs low relative to the UK. A major opportunity also lies in the tourist potential of Belfast and the surrounding area.

Key research perspectives

Northern Ireland and Belfast produced a number of interesting perspectives for this research. An overarching problem in the city appeared to be the need for wholesale reform and rationalisation of the institutional system for development and regeneration. However, another prominent dimension is the troubles, and the crucial role and contribution that the bodies and mechanisms for development and regeneration have made in facilitating cross-community dialogue. This has often also involved the first steps towards demonstrating the value of devolved and democratic control of public services. A number of issues stood out as particularly important and interesting from the point of view of this research project.

Centralisation is a major issue. The statutory departments and agencies have been criticised as being too powerful and too insular, both with respect to the local community level and to the wider UK and international level. However, this may be partly a product of the troubles with respect to the position of government. The ability to work with other groups and interests may be further inhibited by past insularity.

Integration appeared to be problematic at both the statutory level and the local and community level. The fragmentation and sheer number of organisations at the local level in Belfast makes integrated and effective action difficult, especially where there may be benefits of cofunding, cross-community integration, labour market integration, and other returns which require an extra - community dimension.

The development of partnerships in Northern Ireland and Belfast has been atypical in relation to other areas, mainly because of the political salience they have had in terms of bringing together opposing interest groups. In the case of the EU PRF fund, it can be argued that the process of dialogue and participation in civil society by politicians and interest groups has been the main purpose and ends of this fund rather than the project

outcomes. This does not imply that the partnership process is worthless. It has been a major step towards the path to peace. One interesting dimension has been to investigate how, and in what nature, disparate groups have coalesced around issues of economy and society, and what demonstration effects have occurred to heighten and further the understanding and salience of economic development issues amongst all interest groups.

Several instances of organisational innovation and development were apparent in Northern Ireland. Several of the statutory agencies are currently active in implementing continuous improvement methodologies and total quality management initiatives along the lines of the European Foundation for Quality Management Model. The voluntary sector has been instrumental in developing management and organisational capacity, especially through the two umbrella groups of the Northern Ireland Council for Voluntary Action (NICVA), and the Northern Ireland Voluntary Trust (NIVT). Another progressive development by LEDU has been to establish and run management training programmes for enterprise agencies.

The political vacuum is an interesting and relevant feature for this research. The lack of democratic, accountable regional governance has led to both positive and negative aspects for institutional development. On the negative side, the civil service has been widely criticised for being too centralised and insular. On the positive side, the private, community and voluntary sectors have been proactive and very much involved in regeneration, development and public policy issues in general. In addition, local authorities have taken their economic development powers and responsibilities with significant sensitivity and tact in recognition of the strength of these sectors.

Lastly, the presence and history of subsidy dependence is interesting. It has parallels to Berlin, and also further illustrates the problems of transition to more market-oriented modes of funding. The Northern Ireland and Belfast economy is in the throes of shaking off subsidy dependence. Dependence on large sources of funds has emerged by the organisations and institutions involved to enable their establishment and survival. The subsidies have prolonged 'artificial conditions' in the region, and it has been recognised that this is an unsustainable situation.

Belfast stands at a cross-roads, especially with regard to the current peace process. It has gained significantly in terms of infrastructure and redevelopment in recent times. In retail and services, it is now established as a growing centre. There are also significant

economic opportunities in developing closer relationships with the Republic of Ireland. However, the threat of reduced public expenditure and renewed violence are both brakes on the full realisation of the area's development. The future of Northern Ireland very much depends on the success of the peace process.

4.3 Berlin

This study was brought about due to the winning of a bursary award for overseas study. It represented an opportunity to research economic development administration and action in another European country. The proposal submitted for the bursary was explicitly put forward as a study that would form an integral part of this project. The study of Berlin was interesting and relevant to the research project. At the time of study, Berlin was in the midst of great institutional and economic transition. Perhaps the most significant transition is the relocation of the Federal Government, in terms of its two assemblies and civil service departments. However, there is sentiment that this will not be a wholesale solution to Berlin's economic problems. Further reference to the economic development context, approach and institutions involved is made comprehensively in Athey (1998).

Berlin's economic, institutional and social structure have been greatly shaped by the events of the Twentieth Century, including both World Wars and the Cold War. Berlin is situated well into the east of the new Unified Germany, and has a population of 3.6 million. The legacy of division from the cold war has greatly shaped the physical, social, economic and political profile of the city. West Berlin, it has been argued, although part of the market economy of West Germany, was nearly as much a product of government intervention, subsidisation and planning as the East of the city. In order to keep West Berlin viable in terms of the economy and social stability, huge subsidisation and intervention was made by the government. East Berlin was the capital of the former socialist GDR - a centrally planned state. Modes of production and economic organisation were inefficient and out-dated by western standards. The physical and infrastructural capital of East Berlin was in a serious state of under-investment and disrepair. After unification, seventy-five per cent of East Berlin industries were scrapped. The East Berlin economy collapsed quickly after unification. West Berlin's legacy of division was as significant as for the East. Public intervention and industrial subsidies sheltered the economy from true market competition. Subsidisation attracted

mainly labour-intensive, low value-added production jobs, with grants and tax breaks almost meeting the labour costs of operations. There was also a huge public sector workforce employed within the city. In addition, West Berlin lost the higher level functions that most large cities enjoy. So West Berlin's economy was substantially distorted by this level of public intervention and its unique history.

Economy

Berlin's economy was in stagnation at the time of research. In terms of economic growth, it has been the worst performer amongst all the other German states since 1993. GDP Growth has been low, and was 0.6 per cent in 1993-1994, zero per cent in 1994-1995, and 0.7 per cent in 1995-96. Unemployment is a major problem, with absolute unemployment reaching 263,000 in February 1997 - a rate of 15.4 per cent. De-industrialisation has had a substantial impact on both employment and the economy. The overall decline in manufacturing employment was 32.1 per cent between 1989 and 1995. The service sector has shown substantial growth, however, but this has proved insufficient in the short- to medium- term to impact upon unemployment. In addition, the public sector in Berlin remains a major employer, but rationalisation is envisaged in the future which will incur job losses.

Reunification had a significant destabilising effect on the East German economy, including the effects of currency parity, which in effect over-valued the Ost Mark by three to four times. This fuelled eastern consumer expenditure, inflated prices and production costs of eastern products making them less competitive, and increased eastern unit labour costs beyond average West German levels. In addition, the loss of traditional markets with former socialist countries accelerated the decline of industrial production. Nevertheless, Berlin retains significant industrial employers. These include Siemens, and a significant workforce in the food, chemicals, media, communication and office products industries.

Counter-urbanisation has rapidly occurred in Berlin post-reunification. There has been the establishment of sites of residential, industrial and commercial development in a ring around Berlin - in the surrounding state of Brandenburg. In 1996, Brandenburg showed the highest rates of growth amongst all German states. The suburban location and relocation of activities away from Berlin has contributed to this. Labour market problems are more significant for West Berlin's residents, who have a legacy of

substantial employment in low-skill manufacturing. The people who were formerly in industrial jobs often now comprise the unemployed. In 1993, unskilled workers represented 45 per cent of total unemployed. In contrast, the East Berlin work-force was generally well educated and skilled, and was even regarded as an elite labour force within the GDR (Bruegel, 1993). Many of East Berlin's workers are well skilled, trained or highly educated, and have proved to be quick in adapting to new opportunities in both East and West Berlin. East Berlin workers are also cheaper to employ than those from the West (by on average 15 per cent in 1996), and are regarded as more flexible in the workplace.

Unemployment is the most critical symptom of economic and market restructuring in Berlin. There is a mismatch between the drive towards service and administrative sector expansion and the skills present in Berlin. The emergence of concentrations of unemployment is now a particular problem in the traditionally blue-collar residential areas of Berlin. Concentrations of disadvantage are now becoming more emphasised as a result. The worst unemployment rates are found in the traditionally blue-collar districts of Kreuzberg (28.1%), Tiergarten (21.2%), Neukölln (20.8%) and Wedding (20.8%). This is relative to the Berlin average of 15.4 per cent and the incidence of unemployment at under 13 per cent in quite a few districts.

The institutional system for economic development

The most important aspect of Berlin's institutional system is that it is a Federal State (Land) within Germany. This confers considerable power to the state assembly (Landrat) and executive (Senate), especially in terms of policy-making, expenditure, finance and law. Numerous mechanisms also exist at the Federal level for economic development, including the ministry of economics (Bundesministerium für Wirtschaft), and also several joint state funds which are basically a redistributive mechanism from the more affluent states to the poorer ones (Gemeinschafts Aufgaberegionale Wirtschaftsförderung). Most states have similar executive agencies, which tend to be limited companies (Gesellschaft mit beschränkter or GmbH) concerned with economic development and promotion (Wirtschaftsförderung) and property development (Landesentwicklungs Gesellschaft or LEGs). Berlin also benefits from a Chamber of Commerce and Industry (Industrie und Handelskammer, or IHK) which in Germany

enjoy similar legal status as a local authority and are the statutory representative of business, with compulsory membership and legally defined functions.

Berlin Senate is the executive administrative body for the Berlin Land. Functions are divided into a dozen ministries (Senatsverwaltung). Each ministry is headed by a Senator or Minister who is an elected politician and enjoys considerable power and independence in running these affairs. The relevant ministries for economic development include the Ministry for Construction and Housing (Senatsverwaltung für Bau- und Wohnungswesen), Ministry for Finance - property division (Senatsverwaltung für Finanzen Abteilung Liegenschaften), Ministry for Planning, Environment and Transport (Senatsverwaltung für Stadtentwicklung, Umweltschutz und Technologie), Ministry for Science and Research (Senatsverwaltung für Wissenschaft und Forschung), and the Ministry for Economy and Enterprise (Senatsverwaltung für Wirtschaft und Betriebe). The Senatsverwaltung für Wirtschaft und Betriebe is the main Ministry concerned with economic development, running a total of seventy-six programmes including such categories as assistance in business start-ups, investment and financing assistance, consultation advice, promotion of research and development, marketing consultancy, and labour market and employment assistance. The funding for this comes from a number of sources, including the Senate itself, the EU, Federal Government and pooled state funds.

Berlin also has a number of executive and independent organisations and agencies involved in economic development, described in table 4.1. There are also a number of other organisations concerned with trade fairs and property management. Both IHK Berlin and BAO Berlin are independent and private-sector oriented. BAO itself is owned and funded by IHK Berlin and a number of investment banks. The other executive agencies (Berlin Partner, BLEG and WFB) are limited companies by guarantee, although the majority share of ownership and revenue funding rests with the Senate.

The economic development approach taken involves many strands. The senate's mission statement for economic development is illustrative:

The aim of the Senate's economic policy is to create a modern, competitive economic structure as a basis for the further development of the city as a European service industry with a strong industrial core.

(Presse- und Informationsamt Berlin, 1996)

Table 4.1 Berlin's main executive agencies involved in economic development

ORGANISATION	ROLE
<p><u>BAO BERLIN</u> Berliner Absatzorganisation und Marketing-Service GmbH (Berlin Export Promotion Organisation and Marketing Service Ltd.) Ownership and membership: Federal State of Berlin, Berlin IHK, Berlin Chamber of Skilled Trades, IKB Deutsche Industriebank, Landesbank Berlin. Established: 1950</p>	<ul style="list-style-type: none"> • Consultant for import/export related issues in foreign trade law, cooperative ventures and public tendering. • European market and EU advice. Advises on EU promotion measures for Eastern and Central Europe. • Joint participation in trade fairs, delegation tours and presentations. • Hosts foreign delegations • Promotes Berlin-Brandenburg economic region.
<p><u>BERLIN PARTNER</u> Partner für Berlin - Gesellschaft für Hauptstadt-Marketing mbH (Berlin Capital City Marketing Company) Ownership and membership: Berlin senate; private sector. Established: 1995</p>	<ul style="list-style-type: none"> • City marketing - public profile and business location • Marketing and publicity events
<p><u>BLEG</u> Berliner Landesentwicklungsgesellschaft mbH (Berlin State Development Company Ltd.) Ownership and membership: Berlin senate Established: 1993</p>	<ul style="list-style-type: none"> • Site preparation • Real estate development and marketing • Administration of state-owned real estate • Manages senate's home-ownership programme
<p><u>WFB</u> Wirtschaftsförderung Berlin GmbH (Berlin Economic Development Corporation.) Ownership and membership: Federal State of Berlin, Berlin IHK, Landesbank Berlin, Private sector concerns. Established: 1978</p>	<ul style="list-style-type: none"> • Consultant for Berlin-based investment projects of domestic and foreign businesses. • Advisory services for investors. • Provision of information on Berlin-Brandenburg economic region. • Consultation on promotion and financing options. • Support of investors in property acquisition • Establishment of contacts to public agencies, associations, potential business partners, etc.
<p><u>IHK Berlin</u> Industrie und Handelskammer Berlin (Berlin Chambers of Commerce and Industry) Ownership and membership: Compulsory membership of all state enterprises - has similar legal status to local authorities. Established: 1950</p>	<ul style="list-style-type: none"> • Business support and representation • Vocational training and qualifications. • Business and market research

Berlin is heavily promoted as a business location nationally and internationally. Associated with this promotion is the redefinition of the city's role as part of the relocation of the Federal Government to Berlin. The relocation is proposed as having several benefits to Berlin's economy including raising its profile, increasing the presence of associated activities (media, lobbying, representative bodies), and the attraction of companies for a presence in the new capital. Berlin's strategic position is also the foundation for promotion and development. Its position between east, west, north and south in Europe has been heavily emphasised. There are now over one hundred institutions in Berlin that deal with east-west co-operation and trade.

Property and infrastructural development has been a distinct and visible element of Berlin's development approach. Immediately after the wall came down, commercial investments in property and land development boomed. This was aided by a large number of generous public sector incentives. Up to 1995, approximately £11.5 billion (DM 31 billion) had been invested in property alone. The historical Mitte district of the city represented a prime opportunity for development, as it had been left dormant during the division. Former sites where the wall was located have provided large strips of land for development. Projects have included the well-known Potsdamer Platz development. In addition to central developments, there has been much commercial and industrial property development in East Berlin.

Berlin also has a strategy to capitalise on its strengths as a research base, as it has over 250 science and research facilities and is developing five science and innovation parks. The stabilisation and development of the remaining industrial base has grown as a strategic priority. There are dedicated industrial sites in Berlin with subsidies and other forms of aid attached to them. In addition, there is a commitment to aid the modernisation and competitiveness of existing industry. There are also several other prominent strategies for Berlin, including expanding service sector activity, property and infrastructure provision, SME support, labour market support policies, and development and regeneration of the peripheral estates of eastern Berlin.

Strengths and weaknesses

Berlin's weaknesses are multiple. In terms of institutions, there is the perception that Berlin's public administration remains centralised, insular and inflexible. Another weakness is the politicisation of some activities. Current politicians assume many

executive posts in development agencies and project companies. The politicisation of key tasks and the political rivalry between some institutions obstructs co-ordination and convergence of policy and strategic approaches. It is questionable whether political representatives are best placed to manage agencies concerned with economic development. Overall, there were widespread problems of co-ordination between Berlin's public and executive bodies. The lack of a lead player amongst agencies is also a problem. Many of Berlin's weaknesses are closely tied to the legacy of the division. This includes the expertise and know-how in dealing with economic development issues in the new situation Berlin finds itself. In sum, in terms of administration, there is much sentiment that Berlin is a difficult place to 'do business'.

In terms of the strategic and policy approach, there are several weaknesses. The weight given to the prospects created by the Federal Government's location appear to be unrealistic in terms of the actual impacts that will occur. Most company headquarters and high-level administration and representative functions are already well established in other German cities, and it is unlikely that any shift will occur in anything other than the long-term. As of 1995, only three out of Germany's top five-hundred companies had their headquarters in Berlin. The industrial strategy is credible, yet the current state of the German and Berlin economy is likely to dampen any real progress for quite some time. In property development and provision, there is a large volume already waiting to be occupied, as well as many more developments underway. There is a definite over-capacity in commercial property. The small size of the indigenous business base in commercial sectors does not help the situation much either. Perhaps a more effective use of public expenditure would have been to undertake a more gradual approach. Currently, rent assistance is being given at rates guaranteed five years ago that are now over-priced in the current market situation. The redevelopment of the Mitte is in anticipation of the government relocation and is an attempt to create Berlin's prime centre for retail and commerce. However, Berlin has a strong polycentric nature, with several established strong centres of residential, retail and commercial uses throughout the city. Berlin is being promoted as a major centre for research and development, yet a major challenge is the commercialisation of public research facilities as these comprise the bulk of Berlin's R & D capacity. The unemployment situation in Berlin would be worse without the large number of publicly funded secondary labour market jobs and retraining schemes. Including these 64,000 people in the total unemployment figures

would give a rate of 21 per cent, which is an additional 6.5 per cent above the official rate.

The state of the Berlin economy and the problems of restructuring are very significant. The condition of the state government is not helpful to the relief of Berlin's problems either. The Senate is running a large annual deficit, and must find significant savings over the next few years (FT, 17.07.96). In addition, the size of the public sector in terms of staff is excessive. Overall, the state government must engage in substantial restructuring and rationalisation at some point. One of the main likely problems associated with state fiscal austerity is that the Senate is a major investor and player in many of the development projects in the city. There is some sentiment, however, that the Federal Government, once relocated, will come to the aid of the Senate and the problems Berlin is facing.

Despite the problems of recession and restructuring in the short- to medium- term, Berlin has some very positive strengths. Berlin has a much enhanced profile as a result of the Federal Government relocation, and the many flagship property developments in the city. The infrastructure in Berlin had been upgraded to the highest standards over the first six years of reunification. Berlin has comprehensive road, rail, water and air transport networks. There is a major new airport development underway in addition. Berlin does benefit from its position as a central point in a transport network between north, south, east and west Europe. Berlin's position as a gateway to eastern markets is special. There is a high affinity for east-west trade and communication in terms of linguistic skills, and cultural aspects as well as a general knowledge of these countries and markets. Berlin has potential as a centre for trade, as well as an HQ function for 'offshore' manufacturing in the former socialist countries. As mentioned earlier, the research and development facilities in Berlin represent an opportunity, but must be managed and developed to reach full commercialisation potential. Lastly, Berlin's position as a cosmopolitan city and a centre of cultural life puts it in the class of 'World City'. This is a major strength.

Key research perspectives

Berlin was an interesting city in terms of its history and current problems. It was a very relevant and useful study that provided a counter-example to common UK modes of development organisation and provision. The multiplicity of Berlin's problems was also

interesting. From an institutional and organisational point of view, the economic development infrastructure appeared underdeveloped and unsophisticated. The approach seemed overwhelmingly investment-led, especially focusing on property.

The nature of the public administration infrastructure and agencies involved in economic development proved interesting. Even though some Berlin agencies were limited companies, it was illustrative that legal status did not necessarily infer a more entrepreneurial approach. Many of these agencies resembled senate, or governmental apparatus rather than entrepreneurial public-private collaboration. The experience of Berlin's Chamber of Commerce demonstrated that even being a private sector owned and run organisation is no guarantee of effectiveness. This was proved when member companies attempted to legally challenge compulsory membership in the early 1990s due to dissatisfaction with the Chamber's operation and services. In sum, Berlin's institutional infrastructure for development appeared to be lagging behind many UK cities, although there were signs that this was well known throughout the system, and that change was slowly occurring. Another interesting avenue was the difficulty of adjustment by public sector officials and staff in dealing with the new situation. Adjustment to the challenges of the market economy, in both east and west has proved lengthy and difficult. The requisite skills to solve problems and meet opportunities seemed deficient in Berlin to some extent.

Altogether it was surprising how underdeveloped and unsophisticated Berlin's approach to economic development appeared to be. This is especially the case when one reads about the German institutional system as a whole being a key ingredient in the nation's economic success. However, Berlin is a unique case. Some innovations in development were occurring that were very relevant to UK experiences, such as one-stop-shops for investor enquiries. Whilst present for some time in many UK localities, Berlin had only established one by 1997. Similarly, marketing innovations were beginning to reach an effective level of maturity and sophistication at the time of the fieldwork visit. Overall, it was interesting to investigate the rationales, organisations and mechanisms in place for economic development action in another country and in an entirely unique situation. Berlin is in a position where it has good long-term prospects, but where the immediate future does not look good. Restructuring will probably take twenty years or more to be fully realised.

4.4 Glasgow

This study area was an obvious choice due to the location of the research institution and the collaborative sponsor being Glasgow Development Agency. It is also an interesting area, especially in terms of the system of institutional arrangements. Substantial work was done with Glasgow Development Agency. However, there are also other significant players in Glasgow's economic development and regeneration efforts. Glasgow is the major city in the West of Scotland region, situated on the River Clyde. It was once a major port and centre for shipbuilding. Glasgow has long been associated with industrial decline and restructuring, and the resultant social and economic problems that this has brought. Like many other areas of traditional heavy engineering, the momentum of Glasgow's decline peaked in the 1970s. The city currently has a population of 680,000 which is a reduction from 766,000 in the early 1980s. In the wider Travel- to- Work area, Glasgow supports 517,000 jobs. The city is very open to in-commuters, whom accounted for 58 per cent of the city's jobs in 1991. Out-commuting is less, at 16 per cent in 1991.

There have been many efforts to regenerate the city's economy and environment from the 1980s to the present day. Glasgow has had a history of proactive approaches, both in an institutional and practical sense. One such pioneering approach was GEAR (Glasgow East End Area Renewal), which was praised at the time as an innovative approach to widescale area regeneration. However, this scheme was later criticised for its over-emphasis on physical and environmental regeneration and lack of attention to economic impacts. One of the main institutional developments to occur in Glasgow was the City Council's adoption of a new approach to development and regeneration in 1980. This approach was an attempt to be opportunity-led rather than problem-oriented and property/environmentally focused. Part of this saw a greater effort to look further than the public sector to help solve problems, and a vigorous marketing strategy to promote Glasgow as a business- and people- friendly city. In addition, attention was clearly focused on the needs of business and the service sector in particular. As a result, benefits were realised in the form of redevelopment of the city centre, growth in tourism and cultural sectors, and the raising of Glasgow's profile nationally and internationally.

As Glasgow moved into the 1990s, progress had been made, but there were still major problems of employment, social deprivation and a slow-growth business base. In particular, the concentrated social and economic problems of inner-city and peripheral estates appeared to have worsened. Glasgow was faced with the twin challenges of increasing business development and competitiveness as a location, along with tackling the problems of spatial concentrations of unemployment and deprivation. Reinventing its own image in the 1980s had changed perceptions of the city, but underlying problems remained.

Economy

Glasgow entered the 1980s with some serious social and economic problems, as well as the negative image associated with these. These problems included rapid population decline, employment decline largely due to a huge shrinkage in the manufacturing base, obsolete infrastructure, poor housing and environmental quality. Unemployment was high overall, including a substantial proportion of long-term unemployed. In addition, the growth of other sectors, such as services, to offset manufacturing decline was slow.

Glasgow's present economic structure comprises of a large service base. In 1995, the service base comprised of 83 per cent of total employment in the city, with 20 per cent of total employment in Distribution, Hotels and Restaurants, 7 per cent in Transport and Communications, 21 per cent in Banking, Finance and Administration, 30 per cent in Public Administration and 5 per cent in Other Services. The manufacturing base has declined to comprise only 10 per cent of the city's total employment. In 1995, there were a total of 317,869 employees in employment in Glasgow. In terms of employment growth, Glasgow's ranking vis a vis other major UK cities excluding London progressed from 7th position where growth was negative at -4.3 per cent between 1991-1993 to 4th position in 1993-95 where growth was 3 per cent. The main spur to recent growth has been the services sector.

The latest Office for National Statistics figures show that unemployment in the Glasgow Travel-to-Work-Area in January 1998 was 6.8 per cent of the workforce. This compares against 6.2 per cent for Scotland and 5.2 per cent for Great Britain. The TTWA is a wide area including a substantial commuter belt outside the city boundaries. The unemployment rate for the core city was approximately 10.3 per cent of the economically active population in January 1998. This represents a reduction from the

Figure of 12.1 per cent in January 1997. Over this period, registered unemployment dropped by 15 per cent. Unemployment is a particular problem in certain areas in the city, where the highest rate for any ward is 23 per cent. The persistence of high spatial concentrations of unemployment, poverty and disadvantage remain a problem.

Glasgow is a major centre for retail and commercial activity. Retail activity in Glasgow has continued to expand, and is set to rapidly grow over the next few years with the construction of a new retail mall and environmental improvements to the city centre. Glasgow was recently confirmed as the UK's most important retail centre outside London. In terms of commercial presence, Glasgow is the HQ location for most Scottish - based utilities companies. The city is also the headquarters for several of the major Scottish Banks. In addition, Glasgow is capturing a large share of the outsourcing of finance and business services activities that is occurring. This has been a major source of new jobs for the city. As a result, the property market for commercial floor space is quite buoyant at present. In employment terms, of course, the public sector is a major employer, with the City Council and some national government functions being located in the city, including Scottish Enterprise, the Industry Department Scotland, and the Department of Social Security. The higher education sector is very significant in terms of employment, revenue, and the financial contribution of students to the city's economy. In addition, the Universities are a major bonus in terms of the city's attractiveness as a business location, and Glasgow's position as an 'intelligent city'. In terms of industrial employers, the shipbuilding industry continues to face decline. Despite major investment programmes to enhance competitiveness, the city's remaining shipyards face further job cuts, and ever-increasing competition from East Asia. However, the recent Government defence spending review, if implemented would create much potential business, as it would involve the modernisation, refurbishment and construction of vessels. Despite the success of Scotland's Central Belt in the microprocessor, microelectronics and computer industries, Glasgow has not benefited in terms of presence of manufacturers. Overall, Glasgow retains a small manufacturing presence, that has dwindled historically due to relocation of firms to suburban sites, in particular to the surrounding Enterprise Zones and New Towns. Food and Drink manufacture is a significant employer, although the sector has been declining over recent years. However, some recovery is now evident, especially in the form of modernisation and investment by several national companies in their Glasgow facilities.

Glasgow has consolidated its presence as a major media centre, with seven dailies published in the city. Scotland's main TV production and broadcasting centres are also located in the City. Further, a number of production companies are involved in a diverse range of business outside Scotland. Another success for Glasgow has been in tourism. This has been further enhanced in the conference industry by the completion of the conference centre in Finnieston. Glasgow has performed well in new business growth. The city creates one-third more businesses than the average Scottish rate, and in addition, survival rates are increasing. The numbers of companies in the software sector has shown a dramatic increase, with a 275 per cent rise 1995-1997, supporting some 2000 jobs.

The institutional system for economic development

The key institutions in the city include the City Council and Glasgow Development Agency. These organisations are a major source of resources for addressing Glasgow's problems and opportunities. There are also eight local development organisations, seven of which are based in areas of particular need for regeneration ('regeneration areas') and one that is a city-wide organisation. Scottish Homes is another institution created in the late 1980s which has had a significant impact, as is Scottish Enterprise, created in 1990. A brief overview of the institutions involved is warranted. A more detailed account of Glasgow Development Agency will be given, as it was a focal point of the study.

The city council delivers many functions in the city, being the planning authority, and having responsibility for education, housing, transport and social work. It also has a sizeable input into economic development and regeneration, with a regeneration unit of some one-hundred staff. Since 1996 legislation, the city council's expenditure on economic development activities has had a statutory basis. Development activities include city marketing, physical improvement, planning approval, employment initiatives and small business provision. It is a major player in terms of activities, as well as funding other bodies that are involved in regeneration and development. Scottish Homes is an executive public agency concerned with funding housing associations and the management of public housing stock. Scottish Enterprise is also an executive agency that came about from the merging of the Scottish Development Agency and Training Agency in 1990. It is an economic development agency for lowland Scotland, and contracts thirteen Local Enterprise Companies to deliver its strategic objectives.

Glasgow Development Agency (GDA) is the largest Local Enterprise Company within the Scottish Enterprise Network.

GDA itself absorbed Glasgow Action (a private sector-led City Action Team) upon its establishment. The agency is responsible for a wide range of economic development and training activities, and can be said to be truly multifunctional. These functions broadly fit into the categories of business development, environmental and property development, and human resources development. GDA actively participates in much joint working with the city council. The boundaries of the council and GDA are coterminous. Joint action includes the funding of local development companies and projects such as the Business Location Service - an inward investment unit for Glasgow situated within GDA, and Glasgow Works - an intermediate labour market scheme. In addition GDA, with the City Council, are main players in Glasgow Alliance (formerly Glasgow Regeneration Alliance) which is a strategic umbrella body for the regeneration of Glasgow. GDA itself employs some 130 staff, and had an expenditure of £57 million in 1997-98. Much of the actual delivery is contracted to other institutions such as FE colleges in the case of training, or local development companies in training and business support.

As with most of the case studies, there is a wide variety of projects, services and strategies at work within the city. Glasgow Regeneration Alliance (Now Glasgow Alliance) was a mechanism for establishing strategic objectives in the past, mainly concerned with the eight priority areas in Glasgow. This institution was granted funds by the Scottish Office to hire executive personnel in 1997, and its brief has now been extended to establish a strategic framework for a wide range of economic development and regeneration issues for the whole city. Development strategies and activities appear to be reaching some maturity of effectiveness in the city. Certain key target sectors such as call centres and software have performed well. As mentioned earlier, start-up companies have been a success in terms of numbers and performance. A major property development project, Pacific Quay has received enough public funding to go ahead, and is due for completion in the millennium.

Glasgow has been pioneering in its approach to the problems of long-term unemployment, social exclusion and housing. Both the WISE Group and the Glasgow Works scheme have successfully used the intermediate labour market model to gain

employment or further education places for two-thirds of participants who were formerly long-term unemployed. However, there remain marked polarities in the city. Concentrations of unemployment and low incomes still persist. There is also a case that the drive towards services and knowledge-based industries provides employment opportunities that many residents at the margins find hard to compete for. There remains a difficult job of imparting the importance of education and training on these areas, and providing the necessary infrastructure to raise standards of attainment. The designation of the city as an Employment Zone may help in easing the disproportionate burden of unemployment on certain groups.

In terms of stabilising the city's manufacturing base, there has been the development and assembly of sites for industrial users within the city. These include a number of industrial parks, and a major science park. Associated with this has been a programme to reclaim industrial and derelict sites in the city, which comprise some 10 per cent of the land area. Overall, there are many areas of activity in Glasgow in which the development organisations have been involved. There have also been many instances of innovation in certain approaches. However, despite the huge amount of energy and commitment, there remains one major weakness in the institutional approach. This is that the efforts are overwhelmingly public-sector, or quasi- public- sector in nature. The input and involvement of the private sector has never been truly significant in the regeneration and development of the city. Nevertheless, Glasgow has faced very serious problems of both economic restructuring and social deprivation since the 1970s. There is some feeling now in the city that there are real opportunities for development and improvement as opposed to past sentiments of consistently fighting a losing battle against the city's problems and negative external perceptions.

Strengths and weaknesses

Glasgow has some interesting strengths and weaknesses, that are reported here from personal observations and perceptions as well as reporting elsewhere. One overwhelming strength is the institutional system that operates in Glasgow. Having one single development agency (GDA) and one local authority (Glasgow City Council) with coterminous boundaries is a major strength. This arrangement substantially removes many barriers to co-ordination that have held back other cities. The presence of local

development companies in the regeneration areas also provides for closer community and business interaction.

However, there are also weaknesses within the institutional and strategic approaches taken in the past. Despite advantageous institutional arrangements, there is much opinion in the city that co-ordination could be better. This partially reflects an underlying overemphasis on 'getting the structures right' for regeneration and development. These structural preoccupations appear to be obscuring areas that perhaps warrant more attention, such as the intrinsic process and nature of organisational relations. This situation is interesting as Glasgow's institutional structure and arrangements appeared to be the least problematic in all of the study areas. The insularity and complacency of city agencies and their officers is a weakness that is also evident. The claim by many professionals that Glasgow is at the leading edge of regeneration is also a curious feature. This claim is often made without serious comparisons to other cities or areas. In addition, there appears to be the sentiment that having good structures and institutions in place equates with success and effectiveness. This is not necessarily the case, as attention to delivery, application and process may be more productive in increasing the effectiveness of development efforts. There is also the beginnings of a proliferation of institutions dealing with aspects of development. The City Council has, in recent years, been developing new centres, units or companies to manage new development functions. The local development companies in Glasgow are variable in terms of their quality and impacts. Several have folded or have had serious operating problems, and have been rescued and resurrected by the Council and GDA. Significant sums of money have gone into maintaining these companies. However, these LDCs are a source of knowledge, experience and expertise in dealing with local grassroots issues and policy implementation. Yet they do not have a voice in the umbrella body for the city, the Glasgow Alliance. This may be symptomatic of the centralist stance that the City Council employs in many of its policy issues. Glasgow Alliance's transformation is a curious development, especially since receiving Scottish Office funding to establish executive staffing. Despite a joint strategy formulation process by GDA and GCC in 1998, the Glasgow Alliance is going ahead with its own city-wide strategy, led by the organisation's Chief Executive. The joint strategy has involved extensive consultation. The Glasgow Alliance strategy has not. Glasgow Alliance, after receiving executive status offers perhaps more scope and potential for

organisational conflict. This has occurred whilst both GDA and GCC have enjoyed increasingly productive and closer relations. Therefore, the whole rationale of Glasgow Alliance is questionable, especially since it does not represent all the stakeholding groups and organisations involved in regeneration in the city.

The focus on environmental and property development and regeneration has at times gone too far. Whilst the need for an attractive core city is essential, the most pressing problems for Glasgow would appear to be social- and business- related. Deprivation and a less than vibrant business base remain evident in Glasgow. In fact, there could be more of a business development focus that could perhaps also tie in with providing employment opportunities in or near the regeneration areas. Added to this bias in approach is the substantial marketing activity that Glasgow has been involved in. A problem with this is that it has been too general and vague in the past. There is the feeling that despite portraying a positive image, there are underlying basic problems in the city that need still attention. Another source of weakness is one that has been externally imposed. Both the Scottish Office and Scottish Enterprise have given out contradictory messages to Glasgow in the past. Glasgow has too often, it seems, been seen as an intractable problem rather than an opportunity by the government and its executive agencies. This has left a vacuum, and has meant that the city's institutions have been subject to policy drift. The absence of effective civic leadership has not helped this situation. Private sector leadership in the city is also very weak. The business voice is not feeding into strategic and operational decisions about the city. More could have been done in the past to build up an effective business voice. The strong public-sector presence in development and regeneration needs complemented by effective strong business involvement. This would increase the sustainability of development activity, and would also contribute significantly to enhancing Glasgow's position as a location for business.

Overall, there are both strengths and weaknesses attached to Glasgow's institutional structure. The expertise and knowledge in the regeneration and development sphere is a significant asset. However, it is paradoxical that this expertise is overwhelmingly public-sector in nature. Thus there is an associated tendency to be insular and prescriptive. If market awareness and business understanding were to be enhanced even further amongst Glasgow's institutions, there would be scope indeed to really enhance the city's competitive position. In addition, there is an increasing proliferation of schemes,

approaches, tools and institutions for development and regeneration. This may present further barriers to co-ordination in the future. There is also the end-user's perspective to be taken into account if the environment for aid or services becomes over-complex.

Key research perspectives

Glasgow was a useful area for study, and in particular Glasgow Development Agency was investigated in-depth. Glasgow Development Agency was an example of a multi-functional agency, the only true one found in the field research. Of interest were the levels of integration between functions in the agency. This made interesting comparisons to areas with organisational barriers to integration and co-ordination as opposed to internal ones. In addition, the established historical foundation of the agency and development in Glasgow as a whole was interesting with respect to its effects on GDA's approaches and values. Many GDA staff were formerly Scottish Development Agency employees.

Glasgow's institutional structure as a whole appeared the most mature, co-ordinated and integrated of any of the areas studied. Nevertheless, tensions between organisations existed. The situation of continuity and historicity in regeneration and development efforts, and regarding the staff involved, was a great source of reflection and information for this research. In addition, Glasgow's approach appeared more 'public-sector' than entrepreneurial or business-led. This made an interesting comparison to some agencies in London. Nevertheless, the presence of significant co-operation and interface between the city's main players appeared to be a major bonus, and again, was interesting in contrast to other areas.

The Scottish Enterprise System as a whole was put under scrutiny. This has been made especially more salient by the emergence of a policy for Regional Development Agencies in England. In fact, the Scottish Enterprise system appeared to be highly praised by many outsiders. In particular, the nature of funding and flexibility of operations that LECs appeared to enjoy in relation to TECs in England made an interesting area of investigation. Some analysis in terms of how the factors of funding and contracting affected agency performance could be made in reference to these differences. Overall, the system in Glasgow has now reached a maturity that was evident in relation to some of the other case-study areas. Access to Glasgow Development Agency also meant that a deeper understanding of the inner dynamics of a development agency could be gained.

This also enabled a more sophisticated appreciation of the depth of factors that influence agency effectiveness and performance.

4.5 London

London is the UK capital, and also a World City in terms of its role in the world economy and as a cultural capital (Kennedy, 1991). London made an interesting study, no less because of its socio-economic situation as well as the institutional system there. It may be argued that the affluent economy of London and its hinterland renders economic development activity as a marginal concern. However, that is not the case. London is a city that is seriously divided in terms of resident population and opportunity. There is a marked division between wealthy in-commuters and inner-city residents (Fainstein *et al.*, 1992). In addition, it was important to research the organisations in England that had emerged from economic development policy in the 1980s and 1990s. These included Training and Enterprise Councils and Business Links. Including these in this research project was an imperative as they represented major policy and institutional innovations. London faces serious challenges in order to retain its position as a world business centre, especially in relation to the environment, infrastructure and transport system of the city.

Economy

London's economic history is one of a centre of national and international trade, capital and production. It is argued in most sources that the success of London is crucial to the success of the UK economy as a whole. For the past fifteen years, London's economy has out-performed average UK levels. Between 1984 and 1994, London's GDP grew faster than in the UK as a whole. In 1994, GDP per head exceeded the UK average by over 25 per cent. In addition, London alone contributes around 15 per cent of UK GDP. However, GDP per head is somewhat misleading in the case of London, due to the amount of income generated by in-commuters. If commuter income is included, London's Figure is raised to 40 per cent above the UK average GDP per head.

London's industrial mix is unique in UK terms. The proportion of GDP attributable to financial services is 39 per cent, over 50 per cent above the average in other UK cities. Finance and Business Services is the key sector in the London economy. The proportion of GDP attributed to manufacturing is relatively small, at 12 per cent of the

city's GDP, against a national average of 20 per cent. However, these are relative values and the sheer size of the financial services sector shrouds the fact that in absolute terms, London has the largest manufacturing base of any city in the UK. The manufacturing base of London has declined since the 1970s, but has remained stable since 1993. Whilst not the 'engine' of London's economy, it remains a significant and integral part of it. Other major economic sectors include distribution, hotels, catering, transport, education, health, public administration and defence. Whilst public administration is not as significant as other UK cities in percentage terms, this sector does provide tangible benefits to London's economy beyond its direct outputs. This is not least by attracting many commercial headquarters, representative organisations and service providers to the site of national decision-making and administration.

London's labour market is characterised by higher average earnings than for the UK as a whole (by one-third) and a younger labour force than the UK average. However, London's unemployment rate was 3 per cent higher than the UK average in 1996, and higher than any other standard region. Additionally, a large proportion (40%) of the unemployed are from ethnic minority groups. Another feature of the labour market is the highly qualified and educated nature of the economically active residents. This reflects the economic structure of London, of course. In addition, more Londoners continue education beyond the minimum leaving age.

As mentioned in the introductory section, London may have a world-class base of companies and economic activities and their workforce, but it also has problems. The index of deprivation based on district authority areas illustrates that 14 of the 20 most deprived districts in the UK are in London (Department of Environment Figures from LRC and ONS, 1997). Conversely, four of the most affluent districts within the UK are also found within London. Further, there is much evidence of low pay rates amongst inner-city residents, as well as other problems of low educational attainment, welfare dependency, unemployment, poor health, housing problems and crime (LRC, 1996).

In sum, then, London is certainly a tale of two cities, or a divided city (Fainstein *et al.*, 1992). The majority of wealth within the city is unevenly distributed to a striking degree. This is compounded by the fact that a large percentage of London's jobs are taken up by in-commuters from outside London. There are the twin challenges for economic development of maintaining London's pre-eminence as a world centre of

trade, finance and commercial activity, balanced with a definite need to address some of the economic and social problems within the most deprived areas. This involves investment and activity to develop human capital, upgrade living standards and create indigenous employment and business opportunities for these residents.

The institutional system for economic development

London's institutional fabric is as diverse and complex as its economy. London is a large city, and has a huge array of institutions that are concerned with economic development and regeneration issues. The sheer scale and number of these were listed in an interview by one practitioner,

"In Greater London, there are: 62 FE Colleges, 42 Universities, 7 TECs, 7 Business Links, 33 Local Authorities, 168 Regeneration partnerships, 14 chambers of commerce, 15 enterprise agencies, 6 to 7 promotional bodies (e.g. LFC, LTB), 2,500 voluntary organisations..."

(Executive Director, London Interest A)

The main focus for the fieldwork included London's economic development agencies, consisting of Training and Enterprise Councils, Business Links and other development organisations which were independent. Training and Enterprise Councils were launched by the 1988 White Paper Employment for the 1990s. They were initially proposed to be local agencies that are key players in training and human resources development in their areas. TECs were also created to have a wide 'Enterprise' remit, although this was only fully realised when the Business Link function was created. TECs were constructed with an in-built bias towards private sector representation on their boards, with the intention that they would be private sector -led. The bulk of TEC activity is concerned with the delivery of national training programmes and labour market issues. However, with the ability to retain the surpluses generated from these contracts, many TECs have taken on a wider economic development role. Some have been successful in establishing significant levels of economic development expertise and capacity. In many cases, TECs are key players in development partnerships, and have had a key role in bridging the public and private sectors.

Business Links were created in 1992 to provide firms with a single point of access to a comprehensive range of local business support services and to ensure that the services on offer were of a high standard. A key objective of the establishment of Business Link was

to reduce fragmentation in the provision of business services and to underwrite their quality. Each Business Link is a partnership between locally-based providers of business support, including such key players as TECs, Chambers of Commerce, Local Authorities and Enterprise Agencies. Most Business Links have been established through their local TEC, which initially co-ordinated the proposal for their local Business Link. A proposal was originally submitted to the DTI which decided whether to allow the partners to use the Business Link brand name. Business Links are required to deliver a range of core services set out by the DTI and to deliver these to a high standard. However, local partners determine how their Business Link is structured and run, including the mode and method of delivery and range of additional services. Business Links have a board of directors that comprises members from the local business community and other interest groups. The private sector has an in-built bias in representation. They were 'pump-primed' with DTI funding to aid establishment, with the original intention of self-financing operations after three years. This self-sufficiency has not materialised, although many Business Links do generate income from fees and other sources. One of the key services offered by a Business Link is the use of a Personal Business Advisor, who develops a long-term relationship with local companies and is the co-ordinator for other services. London has seven Business Links, each within the seven TEC boundaries. In addition, there is Business Link London, a regional body which takes responsibility for export promotion and strategic affairs.

London also has several organisations operating at the regional scale. The London First Centre (LFC), established in 1994, is the inward investment promotion agency for all 33 London Boroughs. It also receives large amounts of private sector funding. It deals primarily with marketing London for inward investment. London First was established by business Leaders in 1992 to lobby for business and investment in London. It also oversees the activities of LFC, which it jointly funds. London Pride Partnership is a regional partnership of private and public sectors formed to undertake marketing and promotion as well as lobbying central government and establishing its own policy statements, especially in strategic planning guidance. London also has a regional government office, the Government Office for London (GOL), and the London Planning Advisory Committee (LPAC). The GOL is the strategic planning authority for London resulting from Central government reform and co-ordination in the regions, bringing together the Department for Education and Employment, Environment

Transport and the Regions, Trade and Industry and Home Office. LPAC emerged from the abolition of the Greater London Council (GLC) in 1986, and is a statutory body representing the boroughs. It advises government in the formulation of Regional Planning Guidance and also advises the boroughs on planning and development issues. Another legacy of the GLC is Greater London Enterprise (GLE), which was formerly the Greater London Enterprise Board. Ownership of GLE lies with the London Boroughs, although the agency is actually run by a private sector board. GLE's role has developed so that its running costs are met by asset ownership, investment returns and fees from its operations. It engages in a wide range of development functions, and in particular is adept at addressing niche activities that are not provided by the mainstream apparatus. London Enterprise Agency (LENTA) is funded by approximately three hundred London Companies, and exists to fulfil a wide range of regeneration and social development projects. Much interest has been generated by the proposals for a new Regional Development Agency, the London Development Agency (LDA) and also for an elected Mayor of London. These are recent policy developments, and their exact nature is yet to be made clear. The LDA is envisaged to have a strategic role in economic development and regeneration. In terms of economic development approaches, there are many. At a London-wide scale, there has been much proactive effort directed at improving the image of London as a business location.

Strengths and weaknesses

Many of the major issues receive substantial attention by Kennedy (1991). London is faced by both the challenges of maintaining and enhancing its position as a world city and competitiveness as a centre of Business and Finance, and also in enhancing living standards and employment opportunities for disadvantaged groups.

Many of London's weaknesses stem from the lack of a cohesive administrative and strategic direction at the city-wide scale. The city has had over ten years without such governance. What is striking is the sheer number of institutions involved in regeneration and development there. In terms of local government, the parochialism and insularity of many London Boroughs was reflected in many comments from interviewees. There is some strength from the development of independent strategic groups, such as London First and the London Pride Partnership as mentioned previously. However, the lack of a lead player seems to have left a vacuum. There are

also other strategic alliances, such as the Wandal Valley Partnership, and West London Leadership, which show signs of increased participation and cohesion in both strategy and co-operation between partners. Several examples of a lack of pan-London analysis and action include the lack of City-wide labour market analysis and understanding (ibid.), and the conflict and infighting over competitive bids for projects such as the Millennium Fund and Kings Cross Centre. The labour market issue is crucial, as there is much need to match labour supply and demand in order to ease the disparate burdens on certain groups, as well as to plan and develop appropriate training and human resource development provision.

The lack of strategic focus also detracts from maintaining and developing London as a World city. Difficult areas of concern, such as increasing the proactivity and energy of creating and sustaining international links and reputation are not receiving sufficient attention. Some of the Pan-London arrangements have begun to develop more effective mechanisms for this. Internal marketing would also seem an area of concern. As Kennedy (op.cit.) notes, London's businesses and residents rate the city's environment poorly, whereas in actual comparison to many other cities it does not fare badly. Changing these perceptions, especially in the case of business, of which many companies are transnational, would probably in turn positively influence London's international image.

Some of the mainstream development organisations such as TECs and Business Links face several difficulties with respect to their funding mechanisms and contractual arrangements. It appears that many of these agencies are being asked to make some revenue return on delivering programmes that are designed at a national level. There may be some mismatch between local needs, and what these programmes or contractual obligations can provide. Therefore these organisations may be in effect forced to sell products where there is little developmental rationale. This issue is further discussed in Chapter Six. In addition, the origins of these agencies, and the nature of their contractual arrangements may place some objectives such as meeting national requirements, output targets or organisational survival above the interests of the locality they operate in. However, these issues may obscure cases where some agencies may actually be significantly embedded in their locality, providing valuable services and programmes.

London has many strengths, including the dynamism and size of the regional economy. The city has also benefited from active private sector participation, and can draw on a significant number of high-profile businessmen to participate in the city's promotion and development. In addition, the presence of the UK government is a positive element in London's profile. Recent policy developments also show signs of having a positive effect in the city. Much needed investment in the transport infrastructure is planned. The recent White Paper concerning the proposed mayor and assembly for London also shows signs of addressing the strategic and leadership vacuum that has existed in the past. Overall, it is easy to generalise about London's position. However, like any large city the reality is complex and dynamic.

Key research perspectives

As mentioned earlier, there was an opportunity to investigate some of the recent institutional developments in England and Wales by looking at some TECs and Business Links. In addition, there were some very interesting agencies which were not typically in the mainstream. One very interesting example was Greater London Enterprise, which has been instrumental in developing revenue-neutral forms of economic development assistance, and also takes a more commercially-oriented approach. Overall, the environmental influence of London's economic and commercial base was important. It was interesting to investigate whether more commercial forms of economic development activity were taking place, and whether practitioners were more market aware than in other study areas. It was initially hypothesised that this may also impact upon organisational design, management and delivery. There were also many interesting dimensions of inter-organisational relationships to be found in London. There were many partnerships operating across the city, and also much experience and feedback on the inter-organisational dimension of delivering economic development and regeneration. Overall, London provided a good contrast in both environmental and institutional arrangements with the other areas.

4.6 Summary

This chapter has outlined the contexts for the original research. It has briefly described the main features of the area economies and institutions, with regards to economic development, which were visited as part of this research project. There are obviously

areas of diversity and commonality here. All the areas were urban in nature, and suffered from a number of general problems. These were largely the demise of manufacturing and traditional industries with the associated need to develop other sectors for sustainable economic stability and growth. In addition, the presence of concentrations of deprivation were a feature of all the areas. In terms of institutional commonalities, most of the areas had development organisations of predominantly public, quasi-public and community origins. These histories and contexts greatly influenced the characteristics and operations of the economic development and regeneration organisations that were part of this study. For example, the legacy of high levels of public intervention were significant features for Belfast and Berlin.

In addition, these areas brought their own distinct dimensions to the research. Belfast has a strong community and voluntary sector, with a strong centralised administration for Northern Ireland as a whole. It has also had large sums of resources spent through the public sector in the past. The city is now about to embark on a fundamental transition. In addition, the number and diversity of development and regeneration organisations in Belfast was a distinctive feature. In Berlin, a painful transition has been experienced since 1990. Berlin was also distinct in that it had a strong and well resourced metropolitan government. Berlin is now starting to emerge from crisis into stability. However, one important feature of Berlin is the backwardness of its organisational infrastructure and approaches. However, change appeared to be underway at the time of research. Glasgow was distinctive in its established history for innovative approaches to development and regeneration. It also had a diverse and stable institutional infrastructure. However, this has had negative implications of insularity and some indications of 'aloofness'. Glasgow's main actors appear to think that they are 'best practice', yet it is argued here that they still have a long way to go. Glasgow still has significant problems, and many other British provincial cities have now taken a lead over the city. London was interesting in that many of the institutions are the result of major Government policies in development and regeneration over the past eight years. In addition, the fragmentation of institutional arrangements was a prominent feature, as was the polarity between the richest and poorest residents and localities. Another feature of London is its dynamic economy, and it was interesting to observe the influence this may have had on economic development agency composition and

approaches. London's institutions certainly did appear to be more commercially oriented and perhaps better managed.

As mentioned in the introduction, a few thousand words does little justice to each area. However, there has been an attempt to highlight the main features. The next chapter briefly reviews the development agency role and how the experience of the original research confirmed or changed the assumptions made in Chapter Two. It also introduces the analysis chapters Six to Eight.

**CHAPTER 5. REAPPRAISING THE ROLE AND
NATURE OF THE DEVELOPMENT AGENCY**

CHAPTER 5. REAPPRAISING THE ROLE AND NATURE OF THE DEVELOPMENT AGENCY

5.1 Introduction

In Chapter Two, the nature and role of economic development agencies was discussed, largely drawing on past literature and studies. It is useful to reconsider some of these issues with respect to the original research. This chapter also serves as an introduction to the analysis chapters Five to Eight. The structure of the analysis is divided into four chapters, respectively concerned with the agency role, the environment the agency operates in, organisational issues and operational issues. This chapter is concerned more with the re-examination of what agencies do, where they are expected to perform, and why. The remaining analysis chapters deal with characteristics and details relating to the effectiveness and performance of an agency. The role of an agency is the foundation from which to measure effectiveness and performance. There are a variety of roles and functions as described in Chapter Two. This chapter seeks to re-appraise these by including details from the original research.

This chapter introduces the use of interviewee evidence in the discussion. Much of the content in this chapter was influenced by the experience and analysis of the fieldwork. Fieldwork evidence in the form of interviewee quotes is extensively used throughout the remaining chapters. There has been an attempt to use quotes judiciously where they emphasise or illustrate a point. The source of the quote is also included, although the actual organisation has been given a code in order to maintain interviewee confidentiality. A full list of interviewees and further details on the methodology of this study are included in Appendix I.

5.2 Reappraising the agency role

It is interesting to re-appraise this question after experiencing and analysing the original research. Firstly, there is a question of how market failure influenced the rationale for economic development agencies' existence and actions. The position of an agency as an aid to correcting information asymmetry appeared to be a prime one. This was, in practicality, manifested in a number of ways. Many agencies played active roles as brokers for information about their localities, especially in the inward investment and

place marketing function. Many staff have substantial knowledge about their local economies and institutions, and know how things 'worked' in terms of how decisions were made, and by whom. They do have an active role in bringing agents together in this way. In addition, development agencies had in some cases been instrumental in realigning perceptions about localities, business sectors and certain groups of the population. For example, certain economic activities such as call centres have had very negative perceptions in terms of job quality, yet this myth has been dissipated in cities such as Glasgow, where they have represented a major growth opportunity. Areas like education, training and labour market programmes have also helped to decrease information asymmetry between employers and the unemployed for example.

There are areas of development activity that are clearly forms of public intervention in the economy. This appears to be the case in property development. Flagship property projects remain an area of substantial public investment, underwriting and revenue funding. There are also infrastructural and environmental functions. However, this does not implicitly equate to 'public' equalling 'bad'. Some of these modes of intervention have substantially enhanced a locality's attractiveness as a business location, or added business benefits. In the case of underdeveloped markets, there has been activity to realise development opportunities in certain sectors. This relates to the property market as mentioned above, where in some cases, public investment has led to a market resurgence. There is evidence of proactive efforts to exploit market opportunities in areas of competitive advantage in the cases of some development agencies. These include the promotion of service specialisms such as routine administration, call centres, financial services, conferencing and activities associated with centres of higher education and research. The business cycle has also been influential in shaping the mode of activities that development and regeneration agencies have engaged in. This has been illustrated by schemes for the unemployed, such as self-employment programmes or retraining initiatives.

Societal and political values, as mentioned in Chapter Two, certainly shape economic development action. Their influence has been made clearly evident in recent times, with the emergence of equality and equity issues in job market access. Redistributive policies at a national level have always been a major influence in regional and local policy. As well as societal values, there are the agency values and the values of their staff to consider, and how these influence their role and activity. These are further mentioned

in Chapter Seven. In some cases, the values of practitioners in agencies conflicted with those represented politically at local and national levels. This was noticeable in the comments of many practitioners about market values. Many interviewees were concerned about working with markets and the private sector rather than in spite of them.

Government failure is an important concept mentioned in Chapter Two. Many agencies were the practical manifestations of perceived past government failures. For example, some agencies such as UDCs and TECs were established in reaction to the failings of past institutional structures. TECs were in part created by the perceived need to tailor training provision more closely to the needs of local companies. Another motive in their creation was to make them more like private sector organisations in structure, staffing, operation and style to facilitate this closer relationship. This appeared to be a vital role according to many practitioners. Agencies appeared to present some potential for being an effective bridge between the private sector and mainstream public sector.

In examining rationales for public policy, the scales and scope of operation were discussed in Chapter Two. In particular the theory of development agencies as a form of decentralisation of choice or decentralisation of administration was put forward. It is interesting to re-appraise this after examining agencies in a practical sense. Overall, it is felt that this distinction is valid when referring to agencies. Agencies appeared to fulfil both roles to varying degrees. In the decentralisation of administration, there was a clear case of many agencies in the UK fulfilling national policy criteria through decentralised administration of policy. However, the flexibility to define the exact nature of provision appears to be a feature worth further attention. Many functions, and in particular training and education, were designed as national level programmes with little local customisation except for choosing recipients. Alternatively, other agencies enjoyed significant latitude in designing their own modes of intervention to meet policy priorities. Elements of administration of choice were evident in many agencies. Some agencies retained much choice in defining their own priorities and targets, and even in deciding the types and volumes of national programmes to deliver. Overall, development agencies had both elements of decentralisation in their design and

operations. The defining feature appeared to be the volume of pre-designed national programmes and projects that the organisation dealt with.

Most agencies have a flexible remit for engendering economic development or elements of it. Whereas many government programmes and funding regimes are inflexible and do not in reality allow much latitude for discretion in action. This seems especially the case in education and training programmes (Training for Work being the most classic case of a rigid centrally designed programme) and some business grant schemes (for example, the Enterprise Allowance Scheme). Many agencies had developed in their local contexts to provide effective policies and strategies. However, the nature of government programmes often made it difficult to 'retro-fit' them into these local priorities. At one extreme, there was widespread dissatisfaction with a role restricted to delivering government contracts.

The origins and sources of maintenance for many agencies, then, introduces a conflict between local responsibilities and survival in terms of government criteria. There are also conflicts where the modes of activity are designed centrally. A good example of this is the promotion of certain quality standards as part of business support or human resource development. Quality certifications such as ISO 9000 and Investors in People have been criticised by some commentators. In the case of ISO 9000, there appears to be a questionable business rationale for gaining accreditation, with no evidence of improved company performance (Seddon 1990). There appears to be a sometimes confusing array of programmes which development agencies are given responsibility for promoting that have very tenuous economic development rationales. For example, Business Links have been given instructions by the government to implement programmes for dealing with the millennium bug in SMEs. Many programmes appear often to be designed at the upper tiers of policy formulation in government. The apparent gap between policy formulation and implementation would appear to be wide in some cases.

Some reference was made to development agencies defining themselves through their mission statements in Chapter Two. Again, it is interesting to compare and contrast these definitions with some of the findings from interviews. Referring back to the quotes used in the previous chapter, there were statements like 'persuading local businesses to invest in the culture of best practice'. From conversations with practitioners and interest groups, as well as the insights and substantial knowledge

gained from this research as a whole, it is questionable whether economic development agencies are truly meeting the challenges they set themselves. For example, one tool often used to impart 'best practice' in human resource development to companies is Investors in People. As one interview commented,

"Investors in People is 'tired', and it is not really up to US company standards. We know this as we have here in many US multinational HQs in our area. If you tried to get them to do liP, they would laugh at its crudity!"

(Executive Director, TEC C)

The crucial question here is whether agencies have the resources or expertise to effectively impart the leading edge of management and HRD techniques into companies. They can certainly raise the awareness of being effective in these areas and improve existing conditions in local companies. This raises the overall question of how 'in touch' agencies are with the potential beneficiaries from their actions, as well as the appropriate methods and contexts for promoting economic development. It also brings to attention the issue of just how involved agencies can be in the minutiae of implementation. This often, it seems, boils down to their resources in relation to the size of area and client base they serve. At the opposite end of the scale, many agencies saw their role as that of 'enabler', 'leader', 'transforming entrepreneurial culture' or 'educational' for example. Whilst these roles were often vaguely and ambiguously expressed, many practitioners saw their agencies as catalysts to action and raising new development concerns or areas of opportunity.

From the evidence, development agencies played a significant role as an actor in their localities. They were perceived as more than delivery agents in their localities. Often the 'catalytic' or 'enabling' role was proposed by many interviewees as a foundation for action. The agency's role in the network of local and regional institutions was also emphasised. It was felt by many interviewees that development agencies played a crucial role as a bridge between public and private sectors. Many development agencies were lead players in partnership organisations, joint funding bids, and joint lobbying activities. Their role as a point of reference for economic development issues and concerns was also very important. This appeared to be an issue in terms of community, business and institutional interface. In terms of being the leader in economic development policy and provision in their localities, many agencies found the leverage of having funds to spend as being quite influential. These roles as local 'leader', 'enabler'

or 'catalyst' were expressed in numerous ways. Some interviewee comments are illustrative:

"The role [for an economic development agency] should really be a catalyst, pump-primer, amplifier of high growth and knock-on effects. It's really a role as a catalyst and of dynamism. Development agencies can do a significant amount. They can influence their partners, and they can use cash as leverage to it."

(Executive Director, LEC B, Scotland)

"TECs need to be more than an area office delivering government programmes. They need leadership, vision, innovation and a forward-looking organisation with a commitment to do more than deliver government contracted work."

(Executive Director, National Interest B, London)

"I think there's a key element in all of this that's to do with... strong civic leadership... That's my understanding of Barcelona... and Manchester in the Olympic bid and other features there, and also has been very self-evident in Leeds. Civic leadership in those situations has almost helped to compensate for the lack of an economic development structure in England. Whereas here, it has tended to be in some cases in the past Glasgow civic leadership matched by the SDA, regional office, or the GDA now. In the 1980s, the local authority was committed to shaking [this city] out of this complacency... That's part of our role in [this agency] - leadership, whether in the city as a whole, in helping projects progress, skills development, or any other area of our activity."

(Executive Director, LEC D, Scotland)

"West London TEC has crafted this legitimacy, and it is one of the few TECs to have done so. But West London had a combination of areas and boroughs where there's been relatively weak or volatile economic development programming and leadership... The notion of WLTEC as a strategic body was developed in a vacuum of leadership elsewhere, and at the time of an emergence of a distinctive subregional economy, and at a time of government re-focus on East London. These all created a vacuum to be filled, and WLTEC stepped in. [The TEC Chief Executive] and the others there had seen this vacuum and have done well. They have garnered perhaps stability in their presence even beyond government policy change."

(Executive Director, London Interest A)

It appears, then, that a prevailing view amongst economic development professionals is that their agency's role is one that goes beyond delivering services and government programmes and policies. They interpret their role as being key player in the local economy and institutional environment.

The sheer diversity for potential development action was evident in many agencies. A large number of interviewees commented on the fact that they were constantly being asked to get involved in areas that were beyond their core remits. There was much sentiment expressed that there was a potential for an agency to become involved in too many and too diverse a range of activities. However, the very nature of an agency as a significant local player, and the nature of economic development activity, means that they touch on many aspects of local life. There were many organisations in the original research that were involved in a diverse range of policy areas. Some had even begun to get involved in areas of activity such as education and academic research, which have been traditionally the responsibility of local education authorities and higher education/research funding councils respectively. This really illustrates the fact that economic development is an area which takes in a wide range of factors, and also as an activity must involve working with many other organisations and institutions. However, agency involvement in a wide range of issues was also a source of tension. Some practitioners felt that their agencies were often stretched by the wide remit that they took, and that they often became involved in areas which should really be led by other organisations.

The functional definition used in Chapter Two proved to be useful in understanding what agencies were involved in. Many agencies had the remit of business development, HRD or property and environmental development - either as individual functions or in combination. Few agencies encountered in the study were truly multifunctional. In Belfast, Berlin and London, agencies were typically established to deliver certain functions. However, in Scotland, the Local Enterprise Companies and many Local Development Companies, dealt with a wide range of functions and services.

The role of development organisations as the solver of problems appeared to conflict at times with their role as exploiters of opportunity. Often, the focus was biased towards remedying problems. Notionally these two objectives should be complementary, and not conflict. Apparently this was not imbued enough through the development agencies encountered. A similar polarity was evident between the roles of 'innovator' and as the provider of 'basic needs' services. Advisory services to businesses and the unemployed are basic modes of provision that were seen as necessary and formed a foundation for government funding. Finding innovative solutions to development problems and

opportunities were regarded as part of the agency role. A tension exists where an agency must satisfy basic functions and innovate at the same time.

Roles and rationales for existence and operation were not static. There was much evidence of them changing over time. For example, the driving theme in the late 1980s and early 1990s was 'competitiveness' for many development organisations. Similarly, as can be seen today, 'access to opportunity' and the principles of the 'New Deal' are policy imperatives for the UK government, and are definitely influencing agency strategies and actions.

Many local agencies did not undertake the implementation of their strategies and programmes themselves. There was a significant amount of subcontracting to private, public, community and not-for-profit sector providers for the delivery of certain functions and programmes. This has certainly been the case for education and training. Business development and support programmes were also implemented by contracted organisations in Northern Ireland and Scotland. So many agencies acted as principals, and were engaged in a principal-agent relationship with the party contracted to do the work.

Another dimension to development agencies was their position with respect to political systems at local, regional and national scales. Many agencies in Britain appeared to be apolitical. However, in interview reporting, the political salience of their activities was thought to be high. Politicisation of key agencies and key decisions appeared to be a distinct feature of Berlin's organisations involved in economic development and regeneration issues. However, in the UK case, the institutional developments in the 1980s and 1990s were to some extent, a deliberate removal of activities away from traditional values and modes of operation which included elements of local political control. Despite this attempt at removing economic development activities from the political arena, the political sensitivity regarding these organisations and their performance remains high. This is even more interesting considering the relatively small amounts of public expenditure involved.

From this brief discussion, there appears to be quite a number of inherent tensions within the development agency role. The most significant of these include the tension between Central Government's defined role and responsibilities for development agencies, and the local agency's self-definition in the context of its local economy and its

position at the implementation level. Development agencies can visibly appreciate the impacts of their activities. However, they are also in more of a position to improve, abandon or alter measures of their own design than those measures passed down from higher tiers of government.

5.3 Summary

There has been some brief attempt at reappraising the agency role, and a reminder of what can be expected in terms of what agencies do. Some perceptions from the original research work have also been included. What is important at this juncture is to begin to form questions over what attributes an agency needs to fulfil these many roles and functions. In particular, at first glance, the tensions and the environment that an agency operates within would appear to place high demands on agencies. To fulfil their roles as promoters of economic development, agencies must possess additional skills to those used in designing or administering effective services and programmes. It is argued here that, by their nature, development agencies must be truly 'excellent' companies. The demands on them are high, and in order to succeed, it would appear that they must have the resources, expertise, organisation and application to meet these demands, and even surpass them. It is argued here that development agencies must be on a par with, or surpass the truly excellent companies.

The following chapters form the bulk of the thesis, concerned with an analysis of factors and features that influence agency effectiveness. The particular categories and features discussed reflect the strength of reporting. The sheer number of factors that would appear to be important reflect the breadth of the research question. During the research interviews, one of the central questions was to ask the respondents to identify the key ingredients for effectiveness in development agencies and activities, and then to identify the key barriers to effective action. Tables 5.1 and 5.2 represent a summary of these responses. It is difficult to weight these in individual cases, as there may be bias in reporting, and some variance was encountered. What has been done is to summarise these issues, and to italicise the key ingredients and barriers based on the strength of reporting. The 'commonly quoted elements' are meant to be illustrative of some of the facilitators or barriers in more detail.

There are, then, apparently many factors that were important to interviewees in this research. Referring back to Handy (1981) from Chapter Three, there is a 'multiplicity of variables impinging on any one organisational situation'. What was intriguing for this research project was to investigate the significance of past academic studies in terms of the factors they put forward for explaining effective economic development action. Another feature of this research is that it is an applied project by its very nature, in terms of the subject and collaborative element. The findings are meant to be of use and interest to a wider audience beyond the academic. The results point to the fact that in order to appraise and improve performance, attention must be directed towards a wide range of variables, and even ones which do not immediately come to mind. This would be an opportune moment to restate another Handy quote from Chapter Three, that selectivity of the familiar can lead to running the risk of 'doing a superlative job on an irrelevant issue'. Since few studies have ever examined economic development agencies in a comprehensive way, there has been little past dissemination on which issues are irrelevant and which are not. As mentioned previously, this research takes a predominantly exploratory and investigative approach - getting 'inside' economic development and attempting to understand it as a process. Although this project involved a number of organisations in different areas, the real scrutiny for research was the economic development function, and the people and the organisations that perform it rather than the localities themselves. It is natural for this type of research to be accused of subjectivity. However, there is a depth of understanding to be gained from qualitative interviews that is not available from other methodologies. In dealing with comments from various perspectives, coherence and consistency was sought in performing the analysis. There is much discussion of the methodological dilemmas and issues presented by this research method in Appendix I.

This research project, in terms of the analysis, was much influenced by Schein's research on the Singapore Economic Development Board (Schein, 1996). Schein's research introduced the notions of organisational performance and the need to examine a wide array of factors in explaining it. Schein showed that organisational analysis, and the features that arise out of such a study are a foundation for understanding why organisations behave as they do. It also showed that poor operational performance was most likely connected with internal factors to the organisation. So this research analysis, like Schein's, is performed as a basic organisational analysis, and also brings in

some components of strategic analysis and applied management research. Some readers familiar with the urban regeneration or local economic development field may find the structure and content of the following chapters somewhat unfamiliar. However, after lengthy consideration and background research, this approach was found to be the most effective way for the researcher to proceed in undertaking and disseminating this project.

Table 5.1 Summary of reported 'essential ingredients' for effective economic development agencies and action during interviews.

'Essential Ingredient for effective agency and development action'	Commonly quoted elements
<i>Objectives</i>	Clarity, continuous review, realistic, realisable, the right targets.
<i>Inter-organisational relations</i>	Partnership, partnership relations, good working relations, exchange of information, commitment, trust.
<i>Information and understanding</i>	Customer needs/wants, other institutions, markets, local economy, monitoring and evaluation.
<i>Staff</i>	Commitment, understanding, communication, expertise, flexibility, analytical ability, mix, staff development, qualifications, abilities.
<i>Management</i>	Ability, understanding, 'hands off at senior levels', good company management.
<i>Leadership</i>	Strength, nature (private sector), appropriateness to objectives.
<i>Vision</i>	Existence, cohesion, complementarity. Permeation through organisation.
<i>Values and Culture.</i>	Openness, credibility, customer care.
<i>Innovative</i>	Realistic, feasible new areas of provision or activities.
<i>Dynamism</i>	Flexibility, responsiveness, ability to cope with change/new developments.
<i>Organisational development</i>	Re-orientation towards market awareness and client management. Establishing mechanisms for 'learning organisation'.
<i>Resources</i>	
<i>Internal communication</i>	Openness, productivity.
<i>Scale, size, scope capacity</i>	'Critical mass', returns to scale, large enough to have strategic and operational capacity.
<i>Stakeholder support</i>	Community, private sector, other institutions.
<i>Long term view</i>	
<i>Integration</i>	Horizontal, vertical and inter-organisational
<i>Modes of delivery and implementation</i>	Effectiveness, design, customer satisfaction, impacts.
<i>Networking</i>	Political connections, power brokering.

Italicised 'ingredients' reflect high levels of reporting

Table 5.2 Summary of reported 'barriers to effective action' for effective economic development agencies during interviews.

'Barriers to effective action'	Commonly quoted elements
<i>Politics</i>	Conflict, self-interest, own agendas, lack of government support, electoral cycle.
<i>National policies</i>	Lack of control and input, lack of continuity, ambiguity, policy and departmental conflict, policy change.
<i>Funding</i>	Annuality, conflicts of conditionality, too much - grant culture, programmatic and project bias, number and complexity of funding streams and contractual relations, tactical bidding, competitive bidding, uncertainty.
<i>Reporting requirements</i>	Too detailed, too much, too often, over different timescales, lack of organisational capacity, output driven.
<i>Management</i>	Poor capacity of senior executives/managers. Little attention to company management and people management.
<i>Insularity, defensiveness, complacency</i>	Turf protection, don't like change, complacency, self interests, own agendas.
<i>Conflict</i>	Political, policy, inter-departmental, inter-organisational, inter-personal.
<i>Staff</i>	Insufficient skills, attributes, understanding, training, development..
<i>Organisation-purpose mismatch</i>	Mismatch between organisational characteristics, status, structure and purpose.
<i>Multiplicity of provider organisations</i>	Lack of integration, overlap, duplication, confuses client, competition for funds.
<i>Partnership skills</i>	Insufficient, no development, no training/development programme.
<i>Partnership management</i>	Insufficient attention, awareness.
<i>Communication and co-operation</i>	Inter-departmental, inter-organisational, inter-staff, lack of honesty, trust and credibility
<i>Knowledge and understanding</i>	Insufficient in knowledge about local economic development, other institutions roles, the local economy, business and private sector.
<i>Operating area</i>	Boundary mismatch with 'local economy', too small.
<i>Bureaucracy</i>	Red tape, lengthy timescale for expenditure or project approvals.
<i>Uncertainty</i>	Of organisational survival.
<i>Income driven</i>	Not functionally/task driven.
<i>Product driven</i>	Not geared towards market needs.
<i>Too ambitious</i>	Take on too many activities too quickly.
<i>Wider economy/market</i>	Trends, recession, infrastructure.
<i>Activity bias</i>	Property bias
<i>Lack of reward/recognition</i>	Lack of organisational and staff recognition for successes.

Italicised 'barriers' reflect high levels of reporting

CHAPTER 6. THE AGENCY'S ENVIRONMENT

CHAPTER 6. THE AGENCY'S ENVIRONMENT

6.1 Introduction

At the very start of chapter 3, it was emphasised that it is important to consider the environment in which the agency operates. The environment comprises the external forces and characteristics which affect the structure, role, functioning and performance of the agency. This notion of 'environment' is one that is taken from the field of organisational and management studies (see for example Johnson and Scholes, 1993). This field specifically investigates how the environment shapes the nature of the organisation and its performance. In chapter 3 there was a description of the isomorphism perspective, which proposed that the organisations which managed their environmental constraints most successfully are better able to attain their objectives. It was also suggested that some organisations may even be powerful agents in shaping their environments. This notion of environmental factors is also very relevant to the field of policy analysis, which is concerned in particular with the environmental influences of government and political systems. In the disciplines of urban and local economic development studies, environmental influences are rarely dealt with in a comprehensive manner. One of the few commentators to discuss these issues is Bovaird (1994), who drew on management and organisational disciplines in his analysis of managing urban economic development.

A further distinction is made between the general environment, or wider context in which the agency operates in, and the immediate environment, as made by Worthington and Britton (1997) and Egan (1995). This distinction is represented in figures 6.1 and 6.2. This section comprises an examination of the environmental factors acting on an economic development agency and analyses their relative importance in the light of the interviewees' experiences and reporting. The structure resembles an 'environmental audit', describing the environmental factors and characteristics identified in the interviews - and illustrating real examples and perceptions of the way they can influence agencies. The essence to this section is how the environment can influence the way a development agency is organised and performs. This analysis is limited to the most influential environmental factors. There are a multitude of environmental factors, and

the limits of this thesis mitigate against an exhaustive discourse. In sum, the main aims of this Chapter's environmental analysis include:

1. Carrying out an audit of environmental influences.
2. Considering the key environmental factors shaping the organisation and its performance.
3. Clarifying the nature of the environment in terms of its level of uncertainty.

6.2 The General Environment

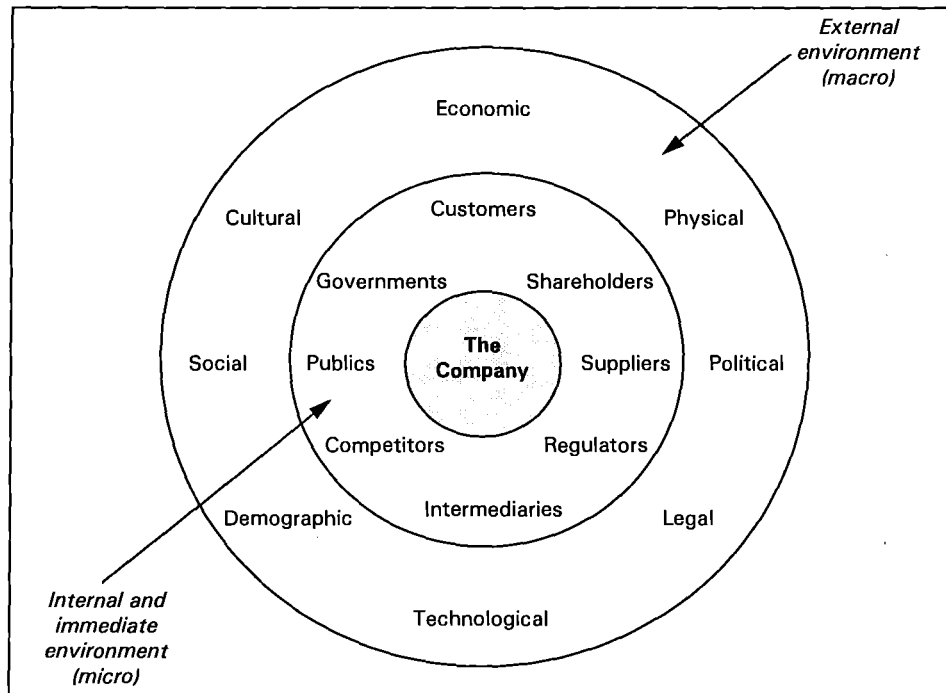
Government

It is a widespread feature of many development organisations that they have origins in government policy, or rely substantially on government policy and funding to sustain their role. One can only look at LECs, TECs, Urban Partnerships, Business Links, Urban Development Corporations, and the proposed Regional Development Agencies to illustrate this fact. Chapter Two introduced the idea of local economic development and the agencies involved as representing a mode of the decentralisation of government activity and implementation. The main concern here is the influence of the government on the effectiveness of local economic development organisation and action. In the interviews, there was a distinct frustration with the framework the government imposes, and with the policy determinants of action. This relates to government failure in some respects, as mentioned in Chapter Two. The notion of government failure is a well developed theory in the field of policy analysis. Weimer and Vining (op.cit.) provide a summary of the basic sources of government failure, reproduced in table 6.1. Another related field is the 'implementation problem' of policies, found in public sector management and organisational studies (reviewed, for example, in Baier, March and Saetren, 1994). This seeks to explain the mismatch between the expected results from policies and the actual results from implementation.

In all the organisations encountered, governments at all levels, and in particular the national level in the UK, and the state level in Germany, were very influential in shaping the nature of agencies and the modes of activity. Central government policy,

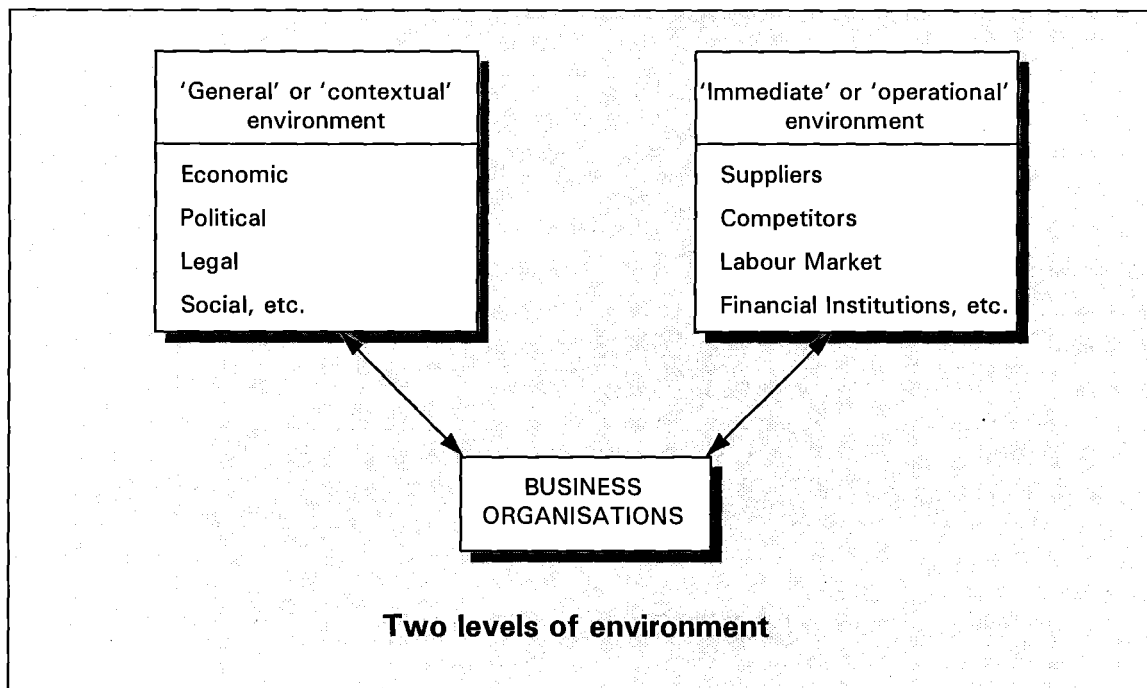
systems and resources were a major environmental factor for an economic development agency. The key areas of government environmental influence are discussed as follows.

Figure 6.1 Egan's representation of the Business Environment



(source: Egan, 1995)

Figure 6.2 Worthington and Britton's representation of the environment.



(source: Worthington and Britton, 1997)

Table 6.1 Weimer and Vining's summary of the sources of government failure

Problems inherent in direct democracy
Paradox of voting (meaning mandate is ambiguous)
Preference intensity and bundling (minorities bear costs of inefficient social choices)
Problems inherent in representative government
Influence of organised interests (rent seeking)
Geographic constituencies (pork-barrel allocations)
Limited time horizon induced by electoral cycles (under-investment)
Posturing to public attention (restricted agendas)
Problems inherent in bureaucratic supply
Difficulty valuing output (X-inefficiency)
Limited competition (X-inefficiency)
Civil Service protections (inflexibility)
Agency problem (diversion of resources)
Problems inherent in decentralisation
Diffuse authority (implementation problems)
Fiscal externalities (unequal distribution of local public goods)

(source: Weimer and Vining, 1989)

The political system

The political system, and in particular the electoral system and the nature of political power and decision making are important environmental features. This was certainly a factor that came out of many interviews. It was well emphasised by the comparable experiences of German and UK voting and parliamentary systems. For example, In Berlin's case, the state electoral system is not the same as either the UK Parliamentary System or the UK local government electoral system. Simple majority rule does not exist in the German state electoral system, and there is proportional representation. Control of the Senate (State administration) is gained through controlling 50% of the vote either by one party or a coalition of more than one party. The shifting coalition balance inside and outside times of election appears to bring instability to policy and administrative approaches. This was illustrated where shifting coalition balances or election results often brought demands for appointees to ministerial posts. This develops because ministerial control is associated with electoral returns and political power and prestige. These positions are also used in bargaining when brokering coalition alliances. The destination of the ex-ministers in these cases was also interesting

in shaping the institutional environment for a development agency. In some cases, these recent ministers were appointed to executive positions in development agencies, and several interviewees reported that one agency had been specifically created to give an ousted minister a position with a profile (note that this minister did not lose their elected seat - a change in the coalition balance led to another party claiming or being awarded this ministerial appointment).

The electoral cycle also influences the agency, and the environment which it operates in. It is clear that election pressures can significantly influence policy formulation. Weimer and Vining (op.cit.) commented that the electoral cycle induces 'myopia' in elected officials facing re-election, and that the need for a political representative to promote themselves to an electorate leads to the selection of policies that will reap visible benefits within the electoral term. This has been confirmed for example in the pattern of static tax rates in US states in the year prior to elections (empirically verified by Mikesell, 1978). Many examples of the negative implications of the electoral cycle were reported in interviews. The electoral cycle itself came under scrutiny by several interviewees. One respondent in particular summarised the influence that the political environment in the context of the electoral system could have:

"The biggest [barrier] is the government structure of the UK, the five-year elections. For the first and second years of government, they're cutting budgets, for the next year they're in limbo, and in the last two years they are singing their own praises... No-one has any idea what the government policy or approach is or will be... So from the government election process comes a very short-term view. This lack of continuity is the biggest problem."

(Managing Director, Community Interest E, Belfast)

Similar sentiments were expressed in a Berlin agency:

"with elections every four years, everything stops six months before the state election, and even post-election there can be a period of inactivity"

(Manager, Private Sector Interest A, Berlin).

Changes after elections are also influential. This was illustrated by many interviewees commenting on the 1997 election of the Labour Government in the UK and the resulting restructuring of departments, re-distribution of responsibilities amongst these departments, and of course, new policies. Examples include the creation of the Department of Environment, Transport and the Regions, and the allocation of

responsibility for all EU funding schemes within this department. The policy for the creation of Regional Development Agencies has also had a significant effect on agencies in England. For example, prior to the 1997 election, the agencies and institutions in London concerned with economic development were engaged in vigorous lobbying and positioning activities in order to influence government policy and raise profiles for both enhancement, resources and survival under the new policy system, regional development agency and proposed assembly and Mayor for London. One interviewee summarised these activities:

“London has 33 London Boroughs, 7 TECs, 8 Business Links and loads of Chambers of Commerce. With the LDA [the proposed Regional Development Agency] and the Mayor, it is a difficult stage... People are vying for position. There is the emergence of power bases, brokering and the government backing of some of these power bases.”

(Executive Director, TEC D, London)

This effect obviously influences institutional relations at a local level. There is an issue of the number of ‘implementation agencies’ within the area, all with some claim to being possible delivery agents for aspects of regeneration and development policy. They are in effect pitching their claims to have a role in delivering services, programmes and policies in the future. However, it is under debate whether this effect on institutional relations in London was temporary or whether it would have long term effects. One respondent commented that nine months after the election, “We have now settled back into good relationships” (Executive Director, TEC D, London). Another important feature of electoral change was the government’s changing political priorities, highlighted by the widespread perception amongst UK interviewees that the new policies of the ‘New Deal’ and ‘Welfare to Work’ would be important shapers of future activity, changing many operating parameters.

The electoral cycle certainly illustrates the issue of continuity with respect to the governmental element of the agency’s operating environment. A lack of continuity was cited by many interviewees as a major impediment to medium- or long- term planning and action. This issue of continuity runs through many elements of the government environment, as will be apparent in this section.

Policies and delivery mechanisms

By far a major issue of concern and discussion with those interviewed was the effect on the agency of the government's policies and the plans for their implementation. Certainly, the suitability of the relevant policies and delivery structures to local conditions and the practical implementation of economic development approaches at a local level, was a prime concern. Many views were expressed that the national policy framework did not embody the most effective approaches. This argument was strongly emphasised in the case of national programmes that many agencies were contracted to deliver. A prime concern was the lack of flexibility of these programmes - that the framework and mechanisms for delivery were rigidly set by central government departments. These were criticised for poor relevance to both local needs and opportunities, and also with respect to realising more market-oriented methods of development. The rigidity of national programmes was cited by one interviewee as especially prevalent in training, and the local benefit of these was questioned:

"There's no local flexibility and you have to question if it is beneficial for us to be involved."

(Executive Director, LEC B, Scotland).

The rationale behind the formulation of policies and programmes is an issue that lies at the root of the agency's dilemma in coping with the policy environment. This was illustrated in the case of the efforts to develop a market-led approach by one interviewee's agency, who commented that 'The market-led model conflicts with mainstream programmes' (Executive Director, National Interest B, London). Another practitioner (Executive Director, TEC C, London) accused government policies and programmes of being driven by volume, the need to spend and the need to be seen spending resources on a problem, rather than effective economic development activities. It was felt by some interviewees that in a number of cases the rationales and drivers behind policies were not primarily those that met economic development objectives. For this research, there was not a sufficient representation of government departmental views to provide a balanced presentation of these arguments. However, most interviewees thought that this particular situation constrained them from performing their functions as effectively as they would have liked. The 'market led model' receives clarification in Chapter Eight. It basically refers to an approach based more in the understanding of the private sector and with the use of strategic marketing tools.

Reference was also made by interviewees to the political visibility and political capital to be gained from some economic development programmes. This was made especially apparent by one practitioner in reference to inward investment - and in particular the heavy ministerial exposure in Scotland's inward investment gains. Large property developments were also seen to have an added advantage in their scale and visibility for political publicity, according to some interviewees. For example, the symbolism of many of Berlin's large property projects, such as Potsdamer Platz and Adlershof were seen by many as skewed away from economic development objectives in favour of political ones. At a fundamental level there was even scepticism thrown at the foundations of many central policies and mechanisms by interviewees. One interviewee felt that the rationale for EU regional funds was overwhelmingly one of compensation rather than development.

The consistency and complementarity of government policies was certainly an area of concern amongst interviewees. Many examples were given of a lack of consistent cohesive policies across government departments, and even conflicts of policy interests and parameters. In terms of consistency, the UK government came in for criticism for a "piecemeal approach" (Researcher, Research Institute B, Belfast) and being "involved in knee-jerk reactions, and with too many policies and approaches that are bolted onto existing ones" (Executive Director, National Interest B, London). Another criticism was that the lack of resolution of some debates about policy left crucial implementation issues unresolved. This is clearly an illustration of ambiguity in policies, priorities and strategies. The EU dimension also came into the discussion, especially in reference to the apparent conflicts between the EU policy objectives of regional funds, and the UK Government's departmental policy objectives. This issue is clarified by several interviewee's comments:

"We have EU funding, which seems to be at odds with national policy... There's a fundamental dichotomy between what the EU wants, which is jobs and output driven, and what you need to do - which is market- led. The single programming document is littered with the language of being 'market led' and 'customer driven', but there's no application. So there's a real EU-DTI policy conflict there, I think."

(Executive Director, Business Link A, London)

"A large amount of our funding is non-DTI, and it doesn't adhere to DTI policy... [these] initiatives are socially oriented and are evaluated and driven on social terms."

(Senior Manager, Business Link B, London)

Many other comments were made on this issue - that basically EU strategies conflict with UK Government ones. This largely concerned the mismatch between the social objectives of EU regional policy and the more market-oriented objectives of the UK Government. Another area of concern amongst interviewees was the inter-departmental conflicts and turf battles over areas of responsibility at UK government departmental levels, which were felt to undermine the continuity and consistency of the government position. However, concrete evidence to back up these interpretations and claims from interviewees was hard to find. In fact, an examination of Structural Fund guidelines illustrates significant flexibility in their use allied with adherence to the conditions of additionality and the framework of European competition laws. However, the underlying rationale for the Structural Funds did change emphasis in the 1988 and 1993 reforms to improve economic and social cohesion (Michie and Fitzgerald, 1997) specifically to reduce regional imbalances in the course of market liberalisation and the entrance of new members.

Much of the discussion on the appropriateness of national policies to local conditions rests on the issue of decentralisation, and also relates to the discussion in earlier chapters about 'the assignment question' (Oates, 1972, 1977; Smith, 1996). This question is about whether agencies represented the decentralisation of choice or administration - i.e. whether agencies have devolved policy and strategy responsibilities, or whether they are simply administrators of central policies and their tools of implementation. The degree of centralisation is also an issue related to this. Amongst interviewees there was some sentiment expressed that centralisation of policy, administrative and resource control does leave a vacuum at the regional and local level. This was especially an issue in Northern Ireland, where the centralised nature of the Northern Ireland Office was associated with insularity and a lack of accountability by many interviewees in Belfast. Associated with this was the feeling that the Northern Ireland Office didn't have a sufficient grasp of grass roots issues.

Reporting on the influence of government associated factors was mostly negative. Whilst this reporting may be subject to bias by the sources of interviews, it does highlight the importance of government as an environmental influence. It also clearly illustrates scope for improvement. A brief review of the policy analysis and public administration literature reveals that these difficulties are inherent in the formulation and implementation of public policy. The basic tenets of these disciplines point to the

fact that policies are rarely formulated in a perfect way in terms of cohesiveness nor technical implementation considerations. Baier, March and Saetren (1994) summarise many of these ambiguities of policies and their causes. Examples include cases where policy implementation may have more symbolic meaning than its actual enactment or implementation (Mayhew, 1974); or where policies are not simply guidelines for action but are expressions of faith, virtue and instruments of education. In addition, policies may be created in the absence of a consideration of requirements in terms of consultation, resources or delivery organisations. In some cases central policy may require co-ordination among administrative organisations with contrasting objectives, styles or activities. Yet this may be difficult in practice, and as a result may reduce the effectiveness of these policies. Ultimately an inherent and integral feature of the electoral and administrative system is that policy is a process of negotiation, dealing and consulting with a wide range of disparate interest groups. In the end, the ambiguity of a policy increases its chance of support and adoption at the cost of creating administrative complications (Baier *et al.*, *op cit.*). Overall, the policy making and implementation process is neither clear nor well structured.

In summary, governments, their policies and the policy formulation and implementation process inherently suffer from the problems mentioned in the previous section. One could say that they are a fact of life (Weimer and Vining, *op.cit.*), or alternatively state as Pollitt (1993) does, that “all public services have multiple goals, which tend to be complex, vague and often in conflict, but they are essentially politically- driven”. It is also a fact that many agencies are of political origins, and are public or quasi- public organisations funded by public money. The realities of the situation were summarised by one manager:

“Scottish Enterprise is a political tool. It is there to fulfil a political purpose, and can be changed to suit the political process. That’s why Scottish Enterprise and Glasgow Development Agency exist now, and why SDA was abolished.”

(Senior Manager, LEC 1, Scotland.)

This argument finds much in common with the very nature of public service, and public service organisations, that, as summarised by Farnham and Horton (1996),

Public-service organisations are, by definition, political institutions. Whether in central government or local government, public services are created by government, normally through legislation, are funded by individual and corporate taxpayers and exist primarily for the benefit of citizens.

However, there was a very persuasive and apparent undercurrent present in most interviews performed with members of development organisations. This undercurrent was that their status as products of government policy and politics did not sit comfortably with their own perceived role. In addition, their existing status was at odds with what the preferred role and approach would be like if they had more autonomy and a looser relationship with central government. This widespread sentiment was summarised by one statement of a senior executive:

“The political environment, the policy framework, the evaluation and performance framework and the requirements for a high input-output ratio is not necessarily the best for realising economic development.”

(Senior Executive, National Agency C, Scotland)

Overall, this poses questions for further decentralisation, especially in England. Many interviewees recognised that most of their resources came from central government, and that this was likely to continue in the future. However, there appears to be scope for more policy and resource decisions to be taken nearer the level of implementation. There may be associated efficiency gains in addition. This situation can be firmly placed within the experience and remit of development agencies. They sit uneasily between public sector and private sector, both in their aims, legal status, internal characteristics and operations. They have to operate within the frameworks of both the objectives of the Government and polity as well as the economy and market.

Funding

Another major environmental factor for economic development agencies reported during interviews was funding. This, of course, is closely tied to government, as much economic development activity is publicly funded. Interestingly, it was not the levels of funding which drew the most comments and attention. The sources, modes and mechanisms of funding were the most significant aspects in the light of interview coverage. Many of the issues raised in this discussion relate to the environmental constraints mentioned in the previous section.

Sources, modes and mechanisms of funding

The sources, modes and mechanisms of funding were a prime concern for interviewees. In particular, the nature and distribution of funds was regarded as an important shaper of the nature of intervention that agencies used. This relates to the issues arising with respect to implementing national programmes, as mentioned previously. Several general mechanisms of funding were in operation in the agencies encountered. Block funding is a mechanism whereby an agency receives a funding allocation, usually divided into functional or divisional expenditure already, but with some flexibility for virement between these budget heads. Competitive funding is a mechanism whereby agencies bid for moneys held in certain institutions, such as the Department of the Environment, or the EU. Block funding mechanisms were applied on a more widespread basis in Scotland, and did distinguish Scottish agencies from those in other areas. Basically, the funding system for Local Enterprise Companies in Scotland appeared to be more flexible and needs-based relative to other organisations in England. Organisations such as TECs and Business Links acquired a significant amount of their funds through delivering national programmes sourced in a number of government departments. This included both operating revenue as well as funds tied to national programme implementation. In addition, some local enterprise agencies and local development companies were also in this position, contracting to LECs in Scotland, TECs and Business Links in England and Statutory agencies in Belfast.

The competitive bids mode of funding illustrates sharply how the funding element of the environment can shape an agency, its role, and behaviour. One concern expressed by a number of interviewees was that the system of competitive funding allocations encouraged organisations to skew away from their core objectives. An illustrative comment was made by one respondent:

"Tactical bidding is very wasteful... Competitive funds leads to bidding for everything in the hope that you get the schemes you want... and if you win the ones you don't want, this leads you away from your core functions... The objective of a bid often aims at second guessing the bid judges. In the worst case, the organisation looks to the government instead of the clients."

(Executive Director, TEC B, London)

In addition, the multiple sources of funding and the number of competitive bids being made was thought to create excessive bureaucracy and demands on administrative time.

One interviewee commented that:

“SRB partnerships are very labour intensive for us. The amount of effort for small bids is large against the effects of additional mainstream funding... We have a whole team of people for SRB.”

(Executive Director, TEC D, London)

One interviewee claimed that a market for funding was problematic and that the origins of this system lie in the government creating it. However, there were several views which were not so negative about competitive and multi-source funding. Several interviewees from local development companies in both Glasgow and Belfast claimed that finding funding from different and disparate sources ‘kept them on their toes’ - i.e. avoided lapses into complacency. They also claimed that multiple sources of funding spread the risk in a project, so that the project is not over-reliant on one funder. As mentioned by some respondents, funders can sometimes withdraw support. The damage of this can be minimised if there are a number of funding sources. These agencies are effectively using a portfolio approach to minimising the risk in resourcing projects, programmes and operations. In relation to this issue, dedicated funding was not interpreted by everyone as wholly positive. One interviewee commented that development agencies with dedicated funds can sometimes pay insufficient attention to running the agency as a company with concern for human resources, efficiency, organisation and effectiveness. As they explained:

“I think the [lack of attention to company management] may be due to a large dollop of public money which enables this attitude. [Here] we’re very resource aware, and we don’t have any staff who sit and do nothing. The effective management of people and resources is essential.”

(Executive Director, London Interest A)

In sum, a lack of dedicated core funding was found to have negative consequences from the point of view of many interviewees. Some respondents complained that there was often a need to propose innovative projects and programmes in order to renew funding from central government and European Union sources. In such a case, a local enterprise agency director complained that for replacement and extra funding, new ideas were needed constantly:

“Unfortunately every project that gets extra funding from the government and the EU has to be a new idea. The only constant work and stream of funding we get is for the majority of LEDU programmes we deliver. The constant change from creating and implementing new ideas is inefficient.”

(Managing Director, Community Interest E, Belfast)

Another interviewee reckoned that many agencies “hadn’t learnt the lessons from EU competitive bidding - that we need to prioritise and cut off some applications” (Manager, Business Link A, London). This relates to issues of continuity and capacity in relation to funding. It was apparent from this research that an agency with the majority of its funding from contracted delivery of central programmes, competitive bids and/or EU programmes had difficulties creating and maintaining a central core capacity of competency and management as an economic development agency. Some agencies appeared skilled at maintaining high and continuous levels of funding from these sources to enable this. Conversely, others did not, due perhaps to either a lack of seed funding to set up these skills and capacities. The latter scenario appeared especially applicable to voluntary organisations and smaller development organisations. However, for some agencies, mechanisms did exist to provide seed funding to enable the set up and development of the core ‘organisational infrastructure’ in the first few years of their life. Such a mechanism was provided for Business Links, which are now expected to rely more on earned income as the main source of maintenance rather than pump-priming grants. In the case of the WISE Group in Glasgow, substantial and continuing support by the City Council has aided the expansion and success of what is now an effective and efficiently run organisation. Another important factor from most interviewees’ point of view is the annuality of funding allocations. Many interviewees felt that annual budgeting and planning mitigated against effective economic development action over the medium and long term. It was felt that funding systems were mostly short-term.

The multiplicity of sources of funding were also commented on as a problem in terms of the different conditionalities and policy priorities from each source. These were thought to conflict in many cases. This relates to the institutional and policy conflicts described in section 6.2. Several interviewees expressed the opinion that some funding systems undermined other agency and (government) department roles. In two case studies, the levels of funding were found to be an important shaper of the institutional system and approach. In Belfast, the levels of funding for Northern Ireland as a whole were reported to be high. This occurred within the environment of a high level of public

expenditure and employment generally. Some interviewees pointed to the fact that such levels of funding allowed the creation and maintenance of many organisations concerned with economic development and regeneration. New funding schemes, such as the European Union's Peace and Reconciliation Fund had successively led to the creation of new waves of organisations to utilise these funds. It was also reported that the availability of funds led to many organisations having few reasons to work together or rationalise operations into less organisations. As one interviewee commented:

"There's a lot of money available. If you can get funds for your own agency, then you don't really need to talk to other people."

(Executive Director, City Agency D, Belfast)

In West Berlin, there was a situation where the city had received generous levels of public funding and intervention in the economy for forty years. This, according to many, led to a situation where most sectors of the economy had adjusted to operating with low taxes and high public subsidies. This was no less the case for public administration. Some interviewees reported that one feature received little attention - the fact that public administration and public policy also had a hangover from subsidy dependence, reflected by the comments of one respondent:

"Berlin's problems are increasing, partly because local elites don't have a clue about the situation. Still, in West Berlin the power structure is still suffering from the culture of subsidies. *All the time the society and industries of Berlin are told that they must adjust to the new competitive environment and modernise - but no-one ever addresses the fact that the public administration that should also be doing this too.*"

(Researcher, Research Institute B, Italics added)

Reporting and accounting mechanisms

The reporting and accounting mechanisms associated with funding were also a big issue for many respondents. It was felt by many that the financial and performance reporting criteria for public funds were a major influence on how they operate. Overall, there was much concern over the measures used, especially in terms of their output and volume orientation. A common perception amongst the majority of interviewees was that there was a growing mismatch between the measures required by funders and the measures thought most effective for the agency. Many respondents reported that their management information systems and monitoring frameworks were now becoming more attuned to impact measurement and customer and market research in contrast to

the funder's reporting requirements. Overall, the targets set for some agencies by funding bodies were criticised for their relevance and suitability, as two interviewees commented:

"In Business Links and TECs, targets are set by civil servants. They use the number of business and client enquiries as a measure of performance. This is like Heinz judging their success on who has seen the ads, instead of basing it on sales."

(Manager, London Interest C)

"Reporting requirements are a barrier. We are required by government to report on things in ways that we wouldn't necessarily do it. This is a real burden... Business reporting to improve performance is difficult to include as part of the government's reporting requirements. We know that we are expected to report to the government, but you have to ask - is it really done in the best way?"

(Executive Director, TEC A, London)

Another interviewee commented on the lack of sophistication of government reporting requirements for the economic development role:

"A lot of TECs are driven by the management information requirements of the Government Regional offices, which are not very sophisticated. A lot of TECs now have sophisticated impact assessment frameworks of their own."

(Executive Director, National Interest B, London)

The extent and timing of performance monitoring by funders, especially government departments was also much criticised. One interviewee reckoned that their organisation could see up to five sets of auditors every year, and that they had to provide auditing evidence differentiated for different funders and in addition, over different time-scales (Executive Director, London TEC). Another factor connected with this is that there are knock-on effects for future funding - that future bids will be affected by performance measures of past and current projects and programmes. Of course, performance evaluations are criticised for the bias of the terms towards the funders, and this situation may perpetuate or exacerbate the influence that performance monitoring and evaluation has on the development agency.

Overall, an impression from the majority of respondents was that the funding framework and mechanisms for financial accountability were a major influence on how they approach their role, and on the implementation of economic development programmes and services. This was viewed by some as a serious constraint on both

enabling effective long-term approaches for economic development, and in promoting a more market-oriented view. One interviewee illustrated this difficulty:

"The government's obsession with audit trails and performance means long term vision and projects are difficult, and that development agencies cannot be flexible enough"

(Chief Executive, London Interest B)

This constraint on risk-taking behaviour was emphasised by other practitioners. Overall, more flexible funding regimes, such as that found in the Scottish Enterprise model, and in some core funding regimes for local development companies in Glasgow, appeared to provide a better basis for creating organisational capacity to plan over the long-term. However, caution must be taken as this situation was seen in some cases to exacerbate poor company management and encourage complacency. In reference to the SEN model, one interviewee summarised the benefits of the Local Enterprise Company funding regime:

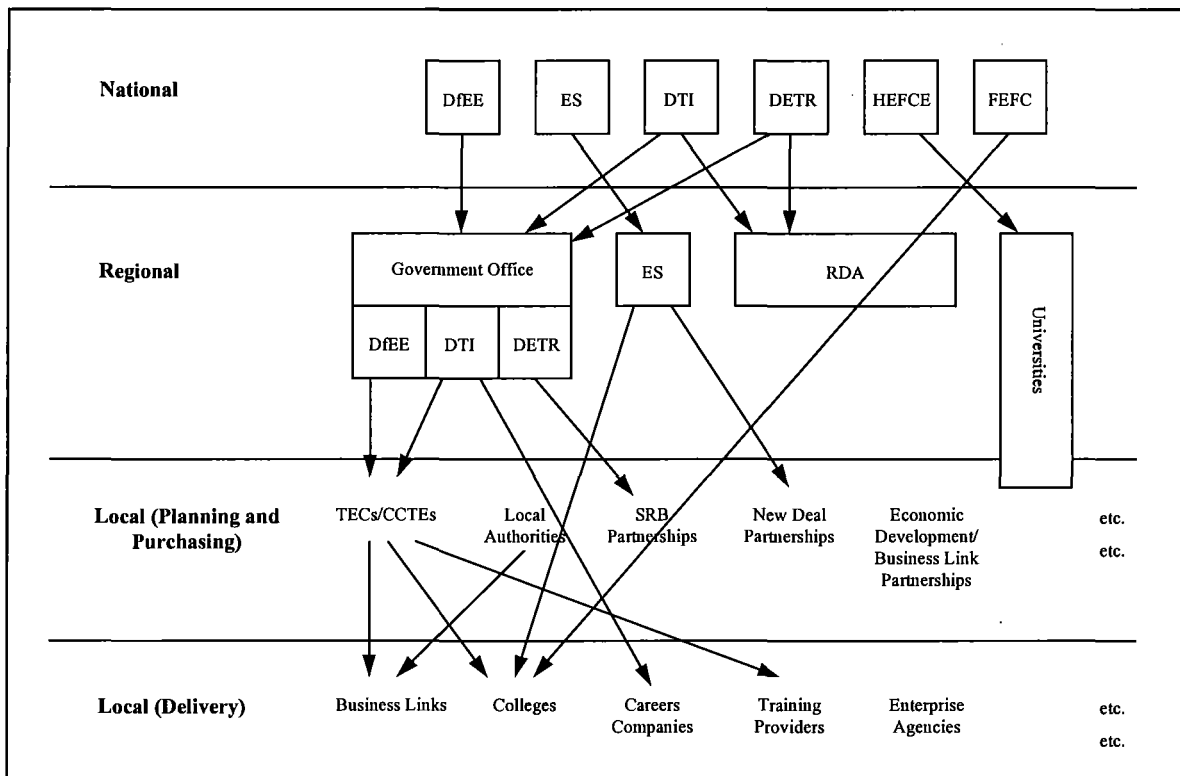
"[Our LEC's] system of submitting a business plan to the Scottish Enterprise Network does put us through the mill a bit, but once we've got the cash, Scottish Enterprise allows significant flexibility and latitude to do with it what we like. I'd say that dedicated funding is an advantage."

(Manager, LEC F, Scotland)

Much of the reporting in the interviews referred to the government policy and programme framework, funding regimes and mechanisms, and financial reporting as environmental factors. These issues will be discussed further with reference to other sources. One TEC Chief Executive bemoaned the complexity and bureaucratisation of contractual and funding arrangements in England for economic development and regeneration (Planning Exchange Conference, January 1998). They further produced a diagrammatic representation of these arrangements, reproduced here in Figure 6.3. This diagram is very useful, in that it illustrates the conflicting and complicated picture of institutional relationships in policy delivery and funding. The feedback from the original research found much in common with previous research and dissemination on TECs, especially in terms of their origins and relations with central government (for example Jones, 1997; Down and Bresnan, 1997; Haughton *et al.*, 1997). TEC contractual and funding frameworks do constrain them from operating effectively. Critics of the policy and resource environment that TECs operate in commonly cite the following features as detracting from organisational effectiveness and performance:

- Multiplicity of principals in contractual arrangements (for example DfEE, DTI, GO, DETR, EU).
- The annuality of these contractual arrangements, plus the mismatch of contractual cycles.
- Imposition of significant external bureaucracy from principals and government departments.
- Too numerous levels of administration and approval up through the governmental hierarchy for all matters of business.
- Too many audits and paperwork requirements demanded by government agencies (see also Evans, 1993).
- Up to 90% of revenue met by administering and delivering government training programmes and retaining surpluses gained from them.

Figure 6.3 A TEC Chief Executive's Diagrammatic Representation of the Contractual Relations Existing in English Economic Development and Regeneration Delivery.



(Source: overhead and handout from paper given by TEC Chief Executive at a Planning Exchange Conference, January 1998.)

Plummer and Zipfal (1998) point out that a major TEC role imposed by Central Government is that of a purchasing authority. TECs have been criticised for the past as being 'middle-men' for the distribution of government funds, with little actual in-house capacity for programme and service generation. On average in every TEC, approximately seventy per cent of direct operating costs are spent on purchasing contracted services for the delivery of central government programmes (these, and following figures from *ibid.*). Comprising this, forty-five per cent of these costs are spent on purchasing Youth Training from local colleges and other specialist providers and approximately twenty-five per cent is spent on Training for Work (the main national programme for unemployed adults). Jones (*op.cit.*) further describes the significant constraints that TECs have operated in since their inception,

... in their early years TECs were very much the creatures of government... It was government that offered them the deal whereby savings/efficiency gains from one area of their operation could be used on other activities... It was government that developed the idea of output related funding that created many of the distortions to the main government training programmes. It was government that reduced the funding levels each year, which inevitably meant that training providers were going to get less money in their turn... It was government who insisted on the size and make up of TEC boards... It was government that foisted responsibility for the National Education and Training Targets.

It must be mentioned that the operating conditions of TECs have improved since their inception. Contracts have been negotiated on a 3-year basis since 1997, easing the annuality burden. It is in the past experience of TECs that the lessons lie, where there have been many operating parameters imposed on them that have significantly shaped their modes of operation. The majority of commentators agree that this has been to the cost of effective local economic development provision. TECs represent an essential dilemma in the UK government's approach to the decentralisation of service provision. They are also the embodiment of a pivotal turning point in government responses for improving economic performance and quality of life. The dilemma is essentially one of the reluctance of central government to delegate more control over resources and policy tools to the local level. This contrasts the approach in Scotland, where LECs, often inaccurately portrayed as the mirror image of TECs, have significantly more control over their budget and how they use it.

It is a simplification to separate government and funding as two distinct environmental influences. This was seen in the experiences of agencies with European regional policies and funds. Most of the discussion on the problematic nature of European regional policy and funding occurred in London, although some was also encountered in Belfast. In the UK's case, the administration of funds has much central control, and there have been some references to the fact that in past rounds of EU programmes, differences in approach were clearly evident between programmes managed by the DTI and those managed by the DoE (Roberts and Hart, *op.cit.*). In fact the Government Offices for the Regions (GORs) were partly designed to enable greater integration for the purposes of planning and administering European Funds (Mawson, 1996). However, substantial decision-making with respect to the structural funds was retained in Whitehall, thus weakening the true integrative potential of the GORs. It is valid to describe the actual policy and programmatic guidelines laid down by the European Commission for matters concerned with the Structural Funds as 'hazy' and the actual strategic guidance as insufficiently clear (Roberts and Hart, 1997). Such is the nature of the experience of EU Structural Funds throughout the UK and Europe, that substantial variation in the nature of projects, programmes and administration has occurred.

It is important to point out that the definite lack of regional cohesiveness and strategic overview in London has perhaps contributed to the lack of satisfaction with the Structural Fund experience there. In addition, the situation of competition for resources and emergence of in-fighting once resources are won may have tended to raise inter-organisational hostilities and positioning over certain issues. The fragmentary and competitive nature of the structural funds bidding and implementation process in the East London and the Lea Valley corridor Objective 2 Area has been emphasised by North (1997). Overall, in London, the reported problems associated with European regional funds are more likely to be grounded in the inadequacies of local and regional structures and mechanisms, rather than in the European Commission itself. The issues surrounding European Regional Policy are wide ranging, and substantial reference is made to them in Bachtler and Turok (1997). Overall, there is much dissemination to support the fact that in the past, Structural Funds have not been implemented with concrete guidelines, nor with the underlying rationale of economic competitiveness. In addition, the overtly complex and bureaucratic procedures surrounding these funds are well reported and discussed, described by Wells (1997) as 'a by-word for arcane

complexities'. Difficulties with financial reporting and monitoring were also mentioned by interviewees. Evaluation and Monitoring procedures for EU funds are another area of variation, ranging from simple expenditure information, job creation and output-related measures to sophisticated systems which make later fund payments contingent on managers providing detailed information on outputs actually achieved from preceding payments (Kearney, 1997).

Competitive bidding, and the whole issue of the nature and mix of funding was an issue that merits further discourse. There were definite signs of frustration with the competitive bidding process in the original research. What was most illuminating were the demands placed on agencies by the process of bidding and the subsequent management of these projects. It is in the intricacies of internal organisation and management, as well as the nature of interorganisational relations where the main constraints to organisational effectiveness lie. Despite this, a recent publication devoted to competition and urban policy (Oatley, 1998) gives a scant account of the agency impacts of competitive bids and programmes. Yet, in the experience of this research, there are real issues at the agency level in dealing with the administration of, and participation in, such competitive schemes. In terms of conflicts in policies and objectives, there were also concerns voiced by respondents. Social objectives were often said to be in conflict with objectives of competitiveness. Other frustrations may have been due to the large property and environmental development elements in City Challenge and other competitive programmes, which were often perceived as less risky in comparison to more innovative integrated or holistic projects (OECD, 1996b). Of course, the majority of reservations expressed about the competitive system for funds and projects were, as in the case of European Funding, expressed in London. Again, the lack of coherent regional or subregional interorganisational working and strategy formulation may have reinforced this view. Alternatively, one positive element to the competitive bidding process is that it did introduce a need for organisations to both communicate and work together, facilitating better institutional and strategic arrangements for future development practice. London's situation is chaotic in comparison with the system for competitive bidding in Glasgow and Scotland as a whole. If the case of urban programme funding is considered, the sheer number and fragmentation of London's boroughs alone is a major contributing factor to strained partnerships and intense local competition for funds. Whereas in Glasgow, for example,

'regeneration areas' have long been prioritised with local strategies being in existence for a significant period. There is therefore a well developed basis and foundation in these areas for UK urban and EU regional funding bids.

Other General Environmental Factors

The Wider Economy

Naturally, one of the most crucial environmental factors for an economic development agency is the economy. It was really taken for granted in discussions with many interviewees that the nature of the economy and the market at all scales - global, world-region, national, regional, sub-regional and local - was a critical influence on their activities. Obviously it was also recognised as important in shaping other environmental factors such as government policy. The nature of the economy's influence was alluded to in Chapter 2, in the analysis of the rationales behind economic development action. The scope for discussion is huge, but nevertheless some examples illustrate the crucial nature of the wider economy.

One example is when economies are in severe recession. Two main products of this tend to be business failure and unemployment. In terms of active labour market policy, it is difficult to stimulate employers to hire more labour across the board, as recession tends to affect many types of business. This difficulty occurs at both the national and local level. In addition, individuals are more cautious of establishing new businesses, or expanding existing business. Even when the economy is in a boom period, there are negative factors pushed onto some localities. The 'boom-bust' scenario of the 1980s-1990s provides much material for examining how the wider economy affects the environment for development agencies. In the property market, for example, the market in the South East of England underwent considerable inflationary growth that had knock-on effects in the rest of the UK despite lower levels of demand and transaction activity. This had obvious effects for UK areas in terms of land prices, speculative activity and land banking, for example. Speculative housing developments consumed land that could otherwise have been kept vacant for industrial or commercial development. In addition, there was a predisposition for the development of new or green-field sites, whereas areas of dereliction remained underdeveloped. New developments for housing and commercial uses were not always well served by local infrastructure, creating pressures and additional financial burdens on local authorities.

When the downturn in the property market occurred, this had wide-ranging influences on the rest of the UK. Developers and households were saddled with debt, and financial institutions became wary of further commitments to property developments, becoming more cautious as projects were more risky and less viable (Ball, 1994).

This period in history is also interesting in consideration of the development of Training and Enterprise Councils. Originally conceived in 1988, in an economic upswing, they were partly a response to the skills shortages that were emerging in some activities, and being strongly emphasised by the private sector. Therefore, one of the central rationales for the policy and the TECs creation was to depart from the cumbersome, centralised and slow management and leadership in training previously provided by the Department of Employment and the Manpower Services Commission (Plummer and Zipfel, *op.cit.*). Another closely related quality of TECs was the element of private sector participation and leadership in their operations, seen as a major step in making training provision closer to private sector needs. However, as Peck (1993) notes, with the emergence of recession in the UK in the early 1990s, the role of TECs quickly changed from the provision of training for existing private sector employment opportunities and skills shortages, into dealing with the unemployed and other individuals attempting to enter the labour market in a time of reduced demand. Thus, TECs were given responsibility for implementing many government programmes devoted to the training and retraining of the unemployed.

Stark examples of wider economic factors and events affecting local economies have also emerged in recent times (1998), such as the withdrawal from operations of companies such as Siemens in Tyneside, Hyundai in Fife and Lite-On in Lanarkshire. These companies had previously been hailed as major new investments recently, in 1997. This situation has largely been blamed on the recent south-east Asian recession and the rapid decrease in world market prices for semiconductors and electronic components. In summary, a further environmental factor of great influence is the wider economy. Development agencies must respond to the changing needs and opportunities of their localities with respect to changes in national, regional and global markets and economic conditions.

External perceptions and opinions

The perceptions of external actors and institutions with respect to development agencies were an important environmental factor for some interviewees. In particular, press coverage was regarded as a significant influence on the external perception of some agencies. Many interviewees from both Business Links and TECs complained of a bad press. More significantly, one interviewee commented that:

“Business Links are very patchy. We’re very wary about the national board and its reputation. We only manage [our area business link], and we may be tarnished by others. This is a difficulty. The price is the quality of the Business Link brand both nationally and in our area.”

(Manager, Business Link B, London)

Indeed, the brand name of agencies such as TECs and Business Links was thought of as problematic in terms of reputation, as one bad agency could drag the others into controversy. Some agencies also suffered from differing perceptions from different interest groups:

“Greater London Enterprise had two bad reputations depending on who you were asking. One was as a form of socialist intervention body, and this opinion was held by the private sector and some political parties; and the other was that GLE was part of the private sector, which was held by local government and other political actors. It has taken five to six years to break down these perceptions and to show that [GLE does] add value, and that [GLE does have] a role in a demonstrative capacity.”

(Executive Director, London Interest A)

One Business Link Manager claimed that they wanted to distance their organisation from government as much as possible, and gave the view that the government’s past reputation for small business development was a barrier to their organisation’s relations with the private sector.

The political salience of economic development agencies, their role and their activities was overwhelmingly perceived to be high by most interviewees. Some respondents claimed that often, expectations were too high - that their likely impacts on the local economy were modest in comparison to external expectations. This position was indicated by one interviewee:

"One problem from the legacy of SDA - was that [our LEC] inherited a lot of expectation from the public and business community."

(Executive Director, LEC M, Scotland, Italics added)

Overall, the external reputations and perceptions of development agencies was variable - from acceptance, interest and dialogue to indifference, rejection and outright hostility. This was found to be the case whether based on experience of being a client or not. Clearly, from the interviews, this was an important environmental factor, that could also be made problematic over a very short time-scale, but only improved over the long term. In fact, many interviewees reported that it took, on average between five and seven years to build credibility and favourable external perceptions.

6.3 The Immediate Environment

This section will discuss the immediate environment a development agency is placed within. The immediate environment encompasses the local economy and the local institutional environment. Both are strong influences on how the agency operates. The nature of the local economy is a major factor in shaping agency strategies and approaches. The institutional environment is very significant. Many agencies are actively involved in working with other institutions in their locality.

The local economy

The influence and structure of the economy was starkly illustrated in the cases of Berlin and Belfast, where most interviewees pointed to the 'artificial' nature of their economies in the past. In Berlin's case, there was the socialist economy of the East, and the publicly subsidised economy of the West. In Belfast, the Northern Ireland economy was sheltered from the wide-ranging restructuring and market-oriented policies of the rest of the UK in the 1980s and 1990s. There have been difficulties in adjustment for both of these areas after changes in both the national and local economic situation and political priorities of the 1990s. Both of these areas traditionally relied on heavy public subsidies to industry as well as a large, well resourced public sector. In Northern Ireland's case, several respondents' comments summarised the past situation:

“The troubles, the economy, and the whole of Northern Ireland has been propped up by grants. The grant mentality is very well embedded. And it is very difficult to turn this mentality around quickly.”

(Senior Manager, Regional Agency C, Northern Ireland)

“In a similar vein to Berlin, Northern Ireland has been called an Eastern European socialist economy within the UK. The Thatcher revolution in the UK didn't really affect Northern Ireland. The government maintained flagging industries.”

(Senior Academic, Research Institute A)

“One question you must ask is one of dependency, and in what way did Northern Ireland enjoy this favoured child status? The state did have to keep some semblance of an economic development effort and community support.. You must ask how dependence erodes enterprise and the market economy, and ask in what way public funds have addressed the issues of entrepreneurialism, especially when, for example, we have had the support for large numbers of public sector jobs.”

(Civil Servant, Regional Agency D, Northern Ireland)

The extent of subsidy dependence and reliance on public expenditure is further evident if we refer back to Chapter Four and consider that 45% of Belfast's total employment is in the public sector. This is in addition to the legacy of capital grants made to companies over the past 25-30 years.

The nature of the economy and the business cycle were also found to be important to interviewees, in significantly shaping agency responses and actions. There has already been some reference to the business cycle in the discussion about the wider economy in section 6.2. Some respondents were based in areas that had economies with serious structural problems, including a lack of indigenous businesses and labour market problems. One interviewee involved in business support in a Business Link commented that “if you look at this area it is pretty dire” in terms of the levels of indigenous businesses and the general economic environment (Manager, Business Link B, London). Another interviewee reckoned that if the local economy is in a bad way, then an agency could be stretched and fighting on all fronts but still making little impact. One agency executive director commented that “a major constraint is the scale of the problems here - we get pulled in every direction” (Executive Director, Local Enterprise Company). In contrast, an agency in London was located in an area with a very low unemployment rate - at two per cent. They commented that in their case it was inappropriate to take

wide programmatic approaches to unemployment training and job creation, and that the most likely route to success was in tailored provision.

The temporal nature of the economy, and the structural changes that occur constantly were also recognised as an environmental influence. For example, one interviewee commented that,

“There is a problem that, even if it is really good training provision for people, but in a climate of poor employment demand, then we lose credibility. It’s the same when labour skills shortages are reported. Skills shortages and other factors such as rates of pay or the spatial distribution of unemployment and employment are also influential in how we are perceived and on labour market outcomes.”

(Divisional Manager, Regional Agency E, Northern Ireland)

An executive director of a local enterprise company described the changes in priorities and approaches with the changing business cycle. They cited that if unemployment is decreasing, then the priority of employment at any cost diminishes, and that the focus becomes quality and jobs for certain groups of the population. They further added that this also occurs in business support - that with buoyant conditions, the priority becomes the development of companies with higher growth prospects, rather than one concerned with the volume of businesses created.

The issue of competition was also important to many interviewees, especially in relation to the competition between and within regions and cities, and the market share they had in certain economic sectors. This was apparent on many levels. One level was between national cities. In Germany, Berlin’s market position in certain economic sectors was an area of concern. It was felt that it would not be the prime location for financial services nor media, as both are most strongly represented in Frankfurt and Hamburg respectively. It was also reported that many economic sectors were evenly spread throughout the German urban system due to the legacy of German division and the lack of large cities generally in Germany with the exception of Berlin. The competition for industrial and commercial location between core city and hinterland was an issue in Glasgow, London, Berlin and Belfast. This issue was starkly apparent in the case of Berlin, where major investment in the immediate urban hinterland in the surrounding state of Brandenburg was occurring. This was often interpreted as detrimental to Berlin, and also involved relocations from outwith Berlin to Brandenburg in some cases. Another interesting case of intra-urban spatial competition was apparent in Berlin. This

was between retail centres, and was relevant to the establishment of a new retail centre in the central district of Berlin.

In sum, the influence of the local economy is great. It is a very significant, and obviously influential factor for any economic development agency. Development organisations must have an implicit understanding of their local economies, and also how they relate to wider economic structures and trends.

The local institutional system

The nature of the local institutional system was the source of much discussion in the interviews. In particular the number of organisations with economic development interests, and the relationships between them, were a source of much debate. What was made clear is that the nature of, and the agency's relationship with, the local institutional system were crucial environmental features.

The local government dimension

There were many issues concerning the nature of local government representation, interaction and relations raised in the interviews. These were very significant for development agencies. As large scale providers of public sector services, and in their role as an elected administrative body, local authorities are obviously key players in the local economy. Many respondents commented that local authority relationships were essential to their operations and the realisation of effective economic development action.

One issue is the structure and size of local government. Many development agencies span more than one local government boundary, as well as the area economies which they may or may not encompass. Some interviewees' agencies were aligned with sub-regional area economies. Yet there was also the situation where local authorities in these sub-regions lacked working arrangements and strategic partnerships with each other. There were cases in London of the insularity of separate local authorities and their reluctance to work together. One respondent (Executive Director, London TEC C) summarised this situation as 'balkanisation'. Another (Executive, London Interest Group B) characterised the London Boroughs as 'too parochial'. The values and attitudes of local authorities were also commented on at length. Initially, it was

expected that the interviewees would have perceived a general change in local authority values to more market-led development orientation, and more recognition of businesses' role in the economy. However, in many cases, local authority attitudes to, and relations with the private sector were reported to be variable and patchy.

In contrast, the situation in Glasgow is one where one LEC (GDA) deals with one local authority (Glasgow City Council). Many of the delivery bodies used are also within these boundaries. This was seen as a real advantage by a significant number of interviewees in all UK study areas. In addition, there was also reference to other cities which enjoyed more cohesive metropolitan local authority relations and coterminous metropolitan TEC boundaries. In London, many TECs and Business Links had boundaries which were coterminous with those of local authorities, although none had only one single local authority to deal with. This was the source of many organisational tensions and conflicts.

Of interest is the way in which the nature of boundaries and number of local authorities within the operating area affect the development agency's operations. One problem is co-ordination with various local authorities. Another is defining an acceptable strategy or approach that finds a sufficient degree of 'fit' with all local authorities in the area. To some extent this depended on the relations between the local authorities themselves. In some cases, relations were not good enough to allow a cohesive approach or point of view between local authorities. As a result of this, some agencies in London dealt with local authorities through a series of bilateral agreements. However, area-based partnership programmes appeared to be a successful mechanism for enabling inter-local authority interaction and the development of sub-regional or strategic area approaches.

The continuity of political leadership in local authorities was thought to be an influential environmental factor by some interviewees. The perpetuation of single-party dominance in many urban authorities was thought to produce certain structures and approaches. One consequence was thought to be insularity and a lack of change. Another was one of stagnation. Centralisation, and increased political infighting and factionalisation within the ruling party was also indicated as a feature of many one-party authorities. This single party dominance has also led, according to some interviewees, to the perpetuation of the parochialisation of local government at local and metropolitan scales. This affected agency relations in that certain local authorities were resistant to

change. This has been especially problematic in producing changes in attitudes to the economy and developing better relations with the private sector.

In summary, the difficulties lie for agencies in effecting good working relations with their local authorities. However, this is made even more difficult with the differentiation in the nature, position and policies between different councils. Inter-local authority relations were problematic for agencies, as well as their own direct relations with them. One issue raised in interviews was that the greater the number of local authorities in the agency area, the more difficulties arose. One respondent reckoned that "more than three local authorities and you have problems" (Executive Director, London TEC B) - which was based on their past experience working in a TEC with 5 local authorities within its boundaries.

The private sector dimension

Another element of the institutional system is the role the private sector plays as an environmental influence and player in the economic development agency's role. Relations with the private sector are important, as it is the main driver of economic activity, development and growth. Closer relations engender more knowledge and understanding of the nature and development of the private sector. Operations can also be tailored to helping the private sector contribute more to economic development, as well as providing a voice for businesses in local matters. The nature of private sector participation and influence in development agency form and function was very varied, although most agencies did have some form of private sector representation at the non-executive board level. The organisation of private sector interests was a cause of concern for many agencies, especially in some areas where there was no coherent and consistent private sector representation and voice. One interviewee expressed an opinion that the private sector works by 'word of mouth' and personal contact rather than through formal representative means (Executive Director, Business Link C, London). It was felt by other respondents that economic development organisations must make more effort to build a relationship with the private sector. The role of chambers of commerce was varied according to the interview evidence. Some played a cohesive part in shaping the development agency approach, whilst others bore resemblance to the more problematic local authorities - i.e. riven by parochialism, political infighting and inconsistency. Overall, there was evidence of a lack of effective private sector leadership and

representation at the local level in many areas. There was much reporting of difficulties in creating and maintaining effective agency-private sector relations. A feature of private sector interests in many areas of the UK would appear to be the lack of a consistent voice and representation that has credibility.

The number of institutions and organisations

The number of institutions and organisations is an important feature. This was given a high profile in London and Belfast in interview discussions. The sheer number of organisations involved in economic development and regeneration were seen as a constraint to effective action in Belfast. In both London and Belfast, the large numbers of organisations were seen as a problem in terms of competition between them for resources, profile and political exposure. London was also described by one interviewee as a 'quagmire' (Chief Executive, London Interest Group B) in terms of both public and private sector representation. The same interviewee also commented that "there is no doubt that in London the private sector organisations are punch drunk from the number of organisations pursuing them." In London's case, the development of a regional development agency and elected mayor for London caused the development of lobbying, 'jockeying' and infighting in organisations in order to influence the policy process and to raise their profile for the new system (see section 6.1). In London, competition for resources and profile was, according to one interviewee, rampant:

"Even in Greater London, there are 62 Further Education Colleges, 42 Universities and Higher Education institutions, 7 TECs, 7 Business Links, 33 Local Authorities, 168 regeneration partnerships, 14 Chambers of Commerce, 15 Enterprise Agencies, 6 to 7 promotional bodies, 2500 voluntary organisations, 7.5 million people, and a labour force of 4.5 million... And there is no co-ordination. Instead there are bilateral and trilateral arrangements between bodies. Competition is widespread for a market share of public funds and running services, whether between TECs and Business Links, TECs and Further Education Colleges, or TECs and local authorities... London's approach is shaped by these sets of arrangements."

(Executive Director, London Interest Group A. Italics added.)

The number of organisations involved in development and regeneration appears to be an important environmental factor. Too few organisations can cause a lack of community feedback and input into development policy and strategy. Many agencies are dependent on local or community organisations for the delivery of certain programmes. However, too many organisations increases the competition for resources. It also confuses

potential users or beneficiaries if there are a multitude of organisations dealing with similar services. Another problem of too many organisations is when making inter-organisational arrangements and decisions. Too many members of partnerships or networks can make decision-making processes complex and time-consuming.

Inter- agency relationships and interface

Inter-agency relationships and interface are important environmental factors. Many development agencies work closely with other organisations in the pursuit of development and regeneration goals. Certain funding systems, such as UK urban funding regimes and EU structural funds are contingent upon concerted action by an area's institutions and organisations. As mentioned earlier, local authorities are significant local players. Co-ordination amongst institutional players was a widely reported environmental influence. The problem of co-ordination is very salient from the outsider's point of view, especially private companies and potential investors. This was felt to be a particular problem in Berlin as reported by some respondents, although co-operation and co-ordination was felt, by many respondents there, to be very underdeveloped in Berlin and Eastern Germany as a rule. A lack of co-ordination at higher levels, such as those for formulating policy frameworks and allocating funding was also deemed to be a barrier to effective operations. This is largely due to the lack of clarity, or development of a uniform approach by institutions at a similar level.

The nature of the institutional network was often a cause of concern in many areas. In some cases, the players in the institutional network were portrayed as parochial, nepotistic and even, in Scotland's case described as a 'Mafia' and 'Masonic'. These attributes were associated by interviewees with constraints on the openness of the institutional system and network, and also on the ability of agencies and individuals to promote change or new approaches. In the interviews, the facilitators and barriers to inter-agency communication and working were discussed. These are important environmental influences. They were largely explored whilst discussing partnership and inter-agency working. Facilitators were often cited as openness, accountability, credibility, trust, transparency, clarity of purpose, focus and clarity of roles. Barriers were cited as insularity, pursuing own agendas and self interests, political conflict, lack of focus, and being resource rather than action driven. A number of respondents' comments illustrate these points:

You said that partnerships work well for you. Why is that? (interviewer)

"Its the open position, goodwill and reputation of (our TEC). We rely on a TEC subsidy for our establishment, and [the local TEC] recognise that we are doing it right and they don't perceive the Business Link as a threat."

(Executive Director, Business Link B, London)

What are the barriers to effective partnership working? (interviewer)

"The number one barrier is politics - self interest and following own agendas. They are strong here, and we are involved in so many partnerships. But a way around it has been found [here], and this is through respect, credibility, and the recognition of the advantages of working together. Without these, nothing will happen. You also need an honest broker in a partnership, someone who isn't looking for political gain from participation."

(Chief Executive, TEC A, London)

What characterises successful partnerships? (interviewer)

"Clarity of purpose, fusion, integration of regeneration, a hard focus, realisable goals and clarity of roles."

(Executive Director, City Agency D, Belfast)

The reported facilitators and barriers to inter-agency working are further summarised in table 6.2. In terms of inter-agency working and the local institutional system, the lack of a lead institution or agency was perceived as a problem in all the study areas except in Glasgow. Reference was made to leadership both in the individual and organisational sense. However, when discussing the local institutional system with interviewees, the need for stronger and more cohesive leadership in the form of key institutions in local government, the private sector and development agencies seemed more significant than in terms of individuals as 'leaders'. The lack of lead agencies was perceived to be a problem in London, Berlin and Belfast.

There are several questions unanswered about inter-agency working here. The questions of particular interest in this project are from the economic development agency's point of view and are 'where to collaborate?' and 'how to collaborate?' These questions will be further addressed in the following Chapter. A full investigation of inter-agency working and 'partnerships' cannot be done justice here. That is the subject for another project, perhaps. What is apparent, though is that the dynamics, mechanisms and management of these relationships is vital, and has been under-researched in the local economic development and urban literature, especially at an organisational, operational and

practical level. Instead, most of this literature concentrates on the issues of politics, policy formulation and accountability (Imrie and Thomas, 1995; Meegan 1993; Oatley, 1993) and often takes for granted that inter-agency or institutional relations and 'capacity' are a *de facto* facilitator of growth and development (Amin and Thrift, 1995b; Healey *et al.*, 1995; Peterson, 1981; Stoker, 1989).

6.4 Summary

Recalling the main principles behind this environmental analysis in the introduction, there follows the clarification of a number of these. Firstly, there is the degree of uncertainty of the development agency's environment. The conclusion is that the degree of uncertainty is high, with periods of stability and instability. Naturally, there are mechanisms capable of reducing uncertainty, which will be discussed in later chapters. Secondly, there is the identification of key environmental forces. This has been done in Figure 6.4, and it can be further concluded that the most influential environmental factors appear to be government, funding, the economy, and the nature of other local institutions and the relationships with them. In considering the positioning of the economic development agency in relation to other institutions with similar remits, this has been a theme throughout this chapter, and the issues of co-operation, competition and conflict have been noticeable in examples given.

The position of the development agency within its environment, and the effect that this has on the organisation's approach and performance are crucially important. It must be recognised that there are a multitude of environmental factors that influence their operations, organisation and performance. Down and Bresnan (1997) illustrated this point in the case of TECs:

TECs, like many other institutions, do not operate in hermetically sealed environments, but in the real world where staff, products, procedures, organisational structures, policies and even governments change continuously for various reasons.

Overall, there are a huge array of environmental factors that influence agency organisation, operation and performance. However, an economic development agency does have a curious relationship with its environment in that it seeks to influence and change it. The local economy is the most obvious of these environmental elements., as development agencies are attempting to shape their future economies. The nature of

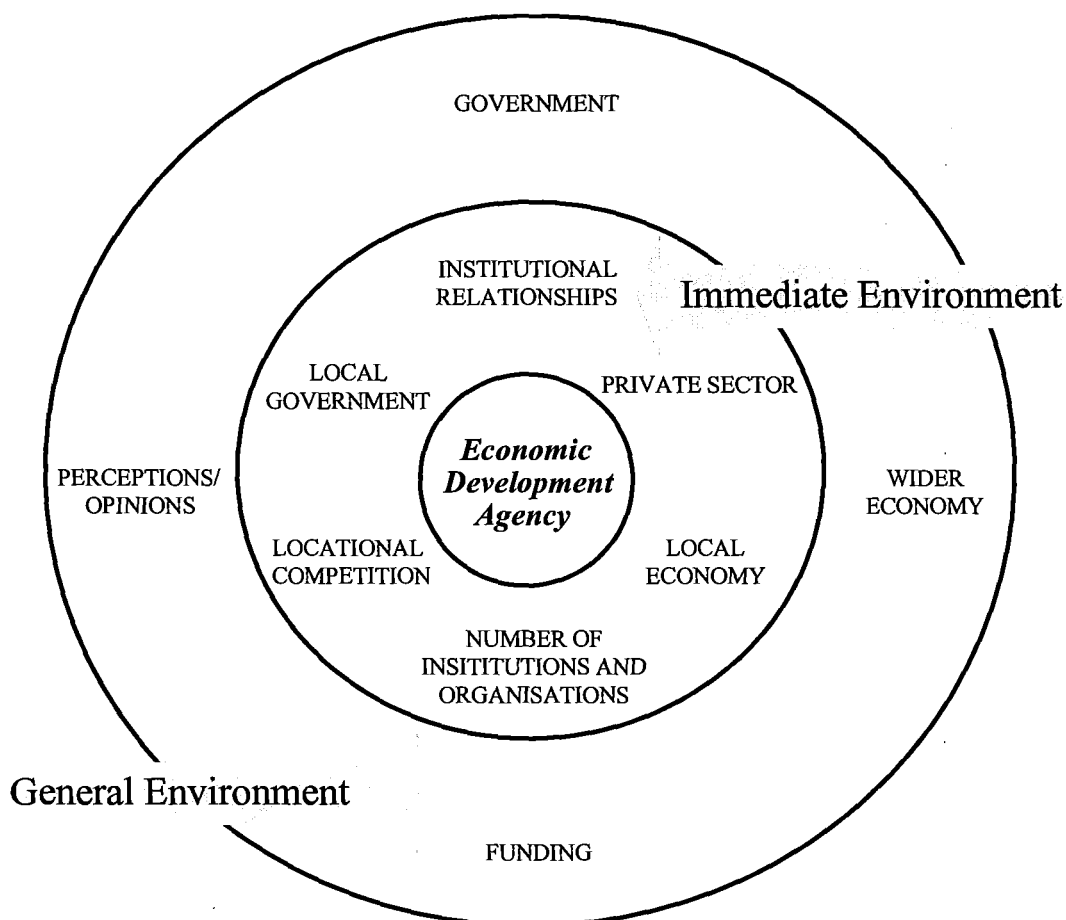
other local institutions, and both relations between and with them are also subject to an agencies' manipulation or attempts at change. For example, many development agencies have been created with some function of imparting 'demonstration effects' or innovative ways of working onto the mainstream public sector.

In this chapter, then, some crucial contextual features that influence the role and nature of economic development organisation and activity have been described. The following chapter (Chapter Seven) discusses the organisational and operational features that arose from the fieldwork when discussing agency performance and effectiveness. There is some further discussion on issues raised in this chapter, such as external relations and values.

Table 6.2 Reported facilitators and barriers to inter-agency relationships

Some reported barriers to effective inter-agency working	Some reported facilitators of good inter-agency working
‘insularity’	‘commitment’
“competing partner objectives”	“trust”
“resource-driven”	“getting right people around the table”
“political conflict”	“clarity of purpose”
“unclear aims, goals and agenda”	“focus”
“too inclusive - too many participants”	“practical, realisable goals”
“impractical goals”	“clarity of roles”
“undefined partner roles”	“credibility”
	“openness”
	“reputation”
	“advantages of working together clearly recognised”
	“decision-making capacity at the interface with other agencies”
	“size - core participants only, but with mechanisms for consultation”
	“regeneration or development driven”

Figure 6.4 The main environmental factors influencing an economic development agency



CHAPTER 7. AGENCY PERFORMANCE AND
ORGANISATIONAL ISSUES

CHAPTER 7. AGENCY PERFORMANCE AND ORGANISATIONAL ISSUES

7.1 Introduction

This Chapter is a critical part of this thesis. It was found during background research that there has been a dearth of research and reporting on the internal workings of an economic development agency. There were some indications of awareness of the importance of organisational issues in academic and official sources, but little in depth investigation or coverage. In terms of the 'technical design' (which refers to the origin and delivery of tools, projects and initiatives) aspect in economic development covered in Chapter 9, there is much detail of practice and 'good practice' in the literature. However, there is little to relate the origins, formulation and execution, or 'technical design' of economic development to internal organisational issues. The value of the original research in this project was that organisational issues in terms of management, structure, staff, and group relations, for example, were very significant in the interviewees' experiences and reporting in determining the effectiveness of an agency. This adds an interesting dimension to the fields of local economic development and urban studies research, as well as evaluation and 'good practice' literature: *that effective economic and social development action is contingent on having effective agency structures, internal organisation, staff and management as well as having the right tools, institutional frameworks and institutional relations.* This finding was a genuine one, reflected as a strong theme running through almost every interview.

This Chapter considers many organisational factors with respect to development agencies. The breadth and strength of the reporting on these issues was a feature of the original research. The main organisational issues discussed in this Chapter include

- size
- scale and scope
- organisational status
- functional specialisation
- systems and structures

- staff and human resources issues
- values
- management and leadership
- external relations.

The chapter attempts to discuss and reflect upon the findings from the original research. Many of the factors mentioned in this chapter are closely related, and also relate to issues covered in Chapters Six and Eight. The style and tone taken is an exploratory one. An attempt at a more cohesive approach to organisational analysis and design is made in Chapter Nine.

7.2 Size, Scale and Scope

This area of debate is a complicated one that is forever present in economic development and other areas of public administration (for example see Bennett, 1990; Challis, 1994; Oates, 1972; Riley, 1993; Weimer and Vining, 1989). The size of development organisations' areas, their boundaries, and geographical coverage, have received little convincing research or analysis in the past. Little detailed evidence exists to provide guidance on this subject. Some commentators even question the rationale behind defining local economies as distinct entities (Curran and Blackburn, 1994). This section does deal with the issue of boundaries and geographical spread, as well as issues of the size of agency and the scope of its operations. The purpose of the investigation here is to highlight how these factors relate to the agency's effectiveness. The limitations of this research and analysis mitigated against an in depth investigation of the geographical boundary issue. However, some interesting features are highlighted here, including issues of subsidiarity, returns to scale and proximity to the communities and enterprises in the agency's area.

One big question for many practitioners and academics is whether development agency areas of coverage are coterminous with some kind of distinct economic area or area economy. There were several instances of interviewees expressing some opinions on their geographic areas as being important. Some agencies and partnerships were justified on the basis of their areas being contiguous with some area economy. An example was in the case of West London. Here, a private sector-led strategic partnership, *West*

London Leadership (WLL) was created in 1996. Some justification for this was that many felt West London was a sub-regional economy in its own right, as one interviewee explained,

"The argument for West London Leadership is that West London has its own sub-economy, and that TECs have boundaries irrelevant for that economy."

(Executive Director, TEC D, London)

This partnership area covered two TEC areas, and two Business Link areas in West and North- West London. This expressed sentiment - that West London is a sub-economy - has been enshrined in a strategic development policy for West London. There was also evidence of further sub-regionalisation in London's institutional arrangements, both through partnership formation and merger activities. In Central London, for example, two TECs, CILNTEC and CENTEC merged in 1997 to form Focus Central London. This decision was rationalised as follows:

"The merger was more about Central London being homogenous... It made more sense for one organisation to cover these two [TEC] areas... for self- contained economic development. That was the logic behind the merger. What has come out of it is a more cohesive perspective"

(Chief Executive, TEC A, London)

This 'sub-regionalisation' argument on the basis of the area economy was somewhat weakened by comments from many London respondents, inferring that the formation of sub-regional partnerships has been driven by anticipation of the new regional development agency for London. There is much sentiment that the new regional agency will be taking a more sub-regional than local approach, and that London is likely to be divided along the lines of North, South, East, West and Central partnerships, with some rationalisation of agency provision at these levels. So, to some extent, this merger and sub-regional partnership building activity is pre-empting the arrival of the new RDA. However, this is less likely to be the case for WLL, where planned origins date back to 1995.

In other study areas in the UK, there was debate about whether metropolitan regions or travel- to- work- areas were the most appropriate geographical scales for agency coverage. This debate was prevalent in Scotland, where the two largest cities, Glasgow and Edinburgh differed in their LEC boundaries. Glasgow's LEC boundaries are tightly bounded around the city, are coterminous with the City Council's boundaries, and

exclude most suburban settlements. In contrast, Edinburgh's LEC boundaries include Lothian, which encompasses most of Edinburgh's metropolitan area and suburbs. The debate centres around the need for effective economic development policy, strategy and implementation at some regional or sub-regional scale. This is within the context of a metropolitan region. The common arguments are made for Glasgow, that it is an urban centre serving a regional hinterland, yet it is administratively viewed as a separate entity. One popular discussion centred around Glasgow city's labour market, and the fact that there were many suitable labour market opportunities in the hinterland surrounding the city. Some interviewees mentioned that there was a lack of strategic consideration over the fact that suitable employment opportunities for Glasgow's unemployed lay in the industrial employers in the surrounding region. In terms of an agency or local authority working in partnership with such companies, this was made difficult by the fact that the company was located outside their area of administration and responsibility. However, it must also be considered that there may be a real vacuum in sub-regional arrangements for local authority working in Strathclyde. Since Strathclyde Regional Council was abolished in 1996, few forums have been established for even the discussion of these issues.

This debate on the geographic coverage of agencies is often made on the basis of some kind of economic entity existing at a local, regional or sub-regional scale. However, there are also other factors to consider in determining agency area. One such debate centres around the decentralisation issues covered in Chapter Two. The principal of policy decentralisation is that policies and services should be performed at their most appropriate levels for effectiveness, and that decisions are taken at the appropriate level. This entails a consideration from the top-downwards, whereas the principal of subsidiarity implies viewing things from the bottom up. Subsidiarity entails retaining services and policies at a local level, and moving them up to a wider-scale only if there are advantages of doing so, rather than the devolution of central services to the local level as implied by the decentralisation model. In relation to this, the issues of size and scale were discussed with respondents. In chapter 3 it was hypothesised that there may be some relationship between size, capacity and economies or returns to scale. The issues of size and capacity were well illustrated by many examples in the case studies. This was a strong issue in Belfast, especially with the proliferation of many local organisations concerned with social and economic development. In reference to the 10

Local Enterprise Agencies (LEAs) in Belfast, there were many comments on the constraints that their small size made on their effectiveness. According to one respondent, this was a critical issue:

“One benchmark that is constantly neglected is that of critical mass. The government says, ‘economic development - we’ll do it’, and sets up enterprise agencies. But not one is viable at all, as they are too small. [Our organisation] was ahead of these agencies, and tried to tell them about critical mass. Each Local Enterprise Agency is a spit in the ocean, as they are just too small.”

(Managing Director, Community Interest C, Belfast. Italics added)

One interviewee in a statutory agency in Northern Ireland discussed a change in policy for Belfast - the merging of the Local Enterprise Agencies (LEAs). The rationale for this is illustrated in their comments below:

“The LEAs were established on the basis that they would be self-sufficient in 2-3 years. This has not happened... Belfast has 10 LEAs, serving about 15,000 people each. Outside Belfast, LEAs serve about 50,000. This compares with LECs and TECs who serve on average about 500,000, and European RDAs serving 1-2m people. The ultimate aim is the merging of the LEAs, so that they can gain a critical mass and economies of scale... We’re looking for critical mass, quality, returns to scale and value for money. We’re looking for them ultimately to merge, and they will start that process by working together. Some LEAs are marginal, but the LEAs will have to come together.”

(Area Manager, Regional Agency C, Northern Ireland)

Other Belfast organisations have already faced rationalisation and merging. This was the case for the Belfast Action Teams (BATs), area agencies responsible for dealing with the implementation of regeneration initiatives at a local level within the Making Belfast Work initiative. The number of BATs was reduced from 10 to 6 through mergers. One interviewee (Senior Manager, City Agency D, Belfast) closely involved in this commented that previously the BATs were less effective due to size, fragmentation, and a lack of real strategy. It is illustrative to investigate further how size can constrain effective action. One interviewee expressed in detail the consequences of a lack of capacity due to small scale funding and staff resources:

“We don’t have the time or resources to look at needs at a wider scale. We are also lacking confidence... So there is a lot of work to create capacity in east Belfast. So we miss even when we are being fobbed off by government - we don’t see it. [Our agency] suffers from over-stretched capacity. Community business is one string in an organisation’s bow, and we need more. We need the groundwork done on a continual

basis - i.e. Statistics, trends and analysis. But we also need to ask 'how do you make a difference to local people?' so we need a local area-based strategy, and need to look at local needs, problems and opportunities. It is a luxury for the working groups on the ground to get people to relate strategies, issues and work together. It would be a luxury to reflect like that. It would inform practice. We are too narrowly focused... We do have a lot of vision and ideas, but we have to step back and ask what's deliverable. Even in terms of identifying training needs and the skills base. We need basic labour market intelligence... We need people funded to stay here long enough to make a difference. We need dedicated money, or some stability."

(Manager, Community Interest B, Belfast)

This quote illustrates the very real constraints imposed by a lack of capacity. Staff in this particular agency felt that they had little time or resources to act strategically or analyse the local socio-economy. Another example of the way size affects the ability to manage certain functions was illustrated by one interviewee in Glasgow. The ability to implement the new Scottish Enterprise Monitoring Framework (the Output Monitoring Framework, or OMF) was thought to be easier in a larger LEC than in a smaller LEC. This interviewee was closely involved in the design and application of the OMF, and commented that,

"With the OMF come problems of implementation. GDA is well resourced and has the human resources to implement and use the OMF data, whereas smaller LECs such as Dumfries and Galloway and the Scottish Borders struggle as they don't have the same capacity."

(Senior Executive, National Agency C, Scotland).

Within the issue of scale and size, there was an equally strong sentiment expressed about the strengths of being a small local agency. These were the benefits of being close to the clients, economy and community that the agency works with. Some respondents expressed that it was important for large agencies to keep in touch with the 'grass roots', and that with size, there was a danger of losing this. This was expressed by the manager of one business support agency in reference to the formation of strategy,

"Strategic organisations can only be strategic if they know what's going on, on the ground... it's critical that strategy is driven by grass roots. This doesn't happen enough."

(Manager, Business Link B, London)

The tight geographical focus of a local or community development organisation was seen as a benefit by some. Relating this to the size of the agency, a number of

respondents in smaller local development organisations expressed the importance of having an interface with the communities and businesses in their areas. This seemed especially important in the delivery of business support programmes and services. According to one respondent, this reflected the nature of the way in which business is conducted:

“Business is all about word of mouth and credibility. What doesn’t work is trying to do this at a bigger scale... it’s about pressing flesh, reputation. It’s all to do with putting yourself about, and networking. A lot of our workers will walk the streets and ensure businesses are on our database.”

(Executive Director, Business Link C, London)

So there may be a case for stating that larger organisations, and those who contract out substantial elements of actual delivery, are less able to provide an interface with the community or market. However, the argument may also relate to customer and market interface rather than size directly. Perhaps larger agencies should be aware of the disadvantages of remaining distant from the ultimate recipients and beneficiaries of their activities. There is also evidence to suggest that in smaller agencies, capacities can be stretched. These agencies can either narrow their focus and prioritise sensible use of resources or remain ineffectual through attempting to participate in too many areas of activity. Rationalisation and merging of smaller agencies may be a solution. However, care must be taken to ensure that this is driven by gains in development capacity, and also in attempting to retain substantial community interface and goodwill.

In the case of subsidiarity and decentralisation, it was apparent that in some cases, certain agencies do not have enough flexibility at their local level to take sufficient advantage of their strengths as local agencies. In the case of TECs, such is the extent to which their resources and programmes are tied up with nationally dictated methods, terms and conditions (see section 6.2), that they are seriously constrained in adapting to local priorities. Referring back to chapter 2, it could be argued that TECs more resemble ‘administrative decentralisation’ than ‘policy decentralisation’. However, some TECs have become experts at establishing funds through surpluses and other sources in order to develop their own capacities, priorities and services.

On the basis of the fieldwork, there would appear to be some evidence to suggest that there is a relationship between size, scale, scope and effectiveness. The rationale for an agency area being coterminous with some kind of local economy was not made clear in

the original research data. What appeared to be more necessary was for a strategic approach at the level of a spatial economic entity such as a metropolitan scale. The size of an agency necessary to cover a metropolitan area may lead to the introduction of some of the problems mentioned in this section. If agencies are too large, there may be some predisposition towards more bureaucratic structures that enjoy more distant relations with the 'grass roots' or communities that they serve. However, in the case of smaller agencies, a number of problems seemed to be inherent. One was the lack of strategic capacity within them. Another is the scope for proliferation and conflict amongst a larger number of local agencies for resources and attention (discussed further in section 7.9). Smaller agencies, it seemed, lacked an ability to develop solid expertise and capacity in economic development. However, they did have the benefit of being closer to communities and businesses.

7.3 Organisational Status

Organisational status is discussed here in reference to the issues of the legal status and composition of the agency. Many economic development agencies are now in the form of a limited company by guarantee. This legal status was certainly dominant amongst the UK economic development organisations interviewed. It is helpful to initially evaluate the rationales behind the transformation of provision from traditionally public sector means to what are, in name, private sector organisations. The rationale largely lies in attempting to create organisations which are more 'in touch' with the economy and markets - through strategy, operations, organisational form and management. This debate is also connected to the general emergence of institutional forms that deliver public services outside mainstream local and central government apparatus (whether defined as Quangos, non-departmental public bodies, extra-governmental organisations or any of the other many descriptions - see Ridley, 1995; Hunt, 1995) and the imposition of 'quasi-markets' in public services in the 1980s and 1990s. Briefly, the rationales behind having a local delivery agency as a private company and outside the apparatus of traditional local and central government administrative structures include:

- Closer in form to the private sector.
- Transference of private sector management methods.
- Enabling the fusion of public and private sector values and approaches.

- Demonstrative effect on existing public sector.
- Private sector led board to steer actions and approach to needs and opportunities of local market economy.
- Better targeted, more focused organisations.
- More efficient use of public resources.
- More bias towards strategies and actions based on real economic and social needs and opportunities rather than political priorities.
- More effective services through appropriate mechanisms for customer feedback and market sensitivity.

The perceived advantages of agency status are well illustrated if contrasted with the worst criticisms of local government that were made in the 1980s. As summarised from a Local Government Training Board Publication (Walsh, 1989), Local Government post war developed the following characteristics:

- i. Bureaucratic: detailed rules and procedures, uniformity of provision.
- ii. Large and Centralised: creating a gap between those delivering services and those at the centre of the organisation.
- iii. Self-sufficient: employing those who delivered the service.
- iv. Professionally dominated: controlled by professional experts.
- v. Concern for structure: management conceived in terms of structures of organisation. Preoccupation with getting the structure 'right'.

Similar criticisms could have been levelled at the mainstream civil service. To a large extent, the emergence of Quangos and executive agencies were a method of circumventing widespread lengthy and difficult organisational change in both local government and the civil service. As Ridley states, one reason for the expanding influence of locally non-elected bodies is 'that they have turned out to be a convenient vehicle for bypassing an often hostile and recalcitrant local government' (Ridley, 1995).

In the research interviews, the nature of the organisational status received little direct reference in terms of it being a factor for performance. However, a number of lessons were apparent from this research with respect to organisational status. One lesson is

that it has not been confirmed during this research that a private sector organisation is more effective than a public sector one. That is not to rule out this hypothesis in the light of further evidence, however. This is largely because the legal status of an organisation was not found to be a significant controlling factor on the approach an agency takes, the staff it hires, the management philosophy and culture, nor on the relations with the private sector for that matter. For example, many state development agencies in Berlin were private companies in legal status, but were more similar to the State administration than any other type of organisation. Local development agencies in Belfast were companies limited by guarantee, but resembled neighbourhood community associations in size, role and activity. The 'label' attached to a particular organisation can therefore be interpreted in many ways. It is the opinion here that it would be mistaken to make a direct relationship between the label "PLC" and dynamism, market awareness, flexibility, or effective private-sector relations. Similarly, 'Public Sector' doesn't necessarily imply bureaucracy, inflexibility, insularity or market ignorance. However, stereotypical views can persist, as was discussed in section 6.2 in reference to Greater London Enterprise which is a public sector body run by a private sector board and staff.

Another example of the influence of organisational status was found in reference to Chambers of Commerce and Industry in the UK and Germany. German Chambers of Commerce and Industry have attracted much attention as panaceas for success (for example, see Bennett, 1990). They are praised for their private sector orientation, and provision of collective services to member companies. The compulsory membership system is a defining foundation for their role and activities. However, there is variation in the performance of private sector led provision of business support and training services even in the heavily praised German system. In Berlin, the Chamber of Commerce was put under serious criticism in the early 1990s for the nature and quality of its services to members. This situation was, at the time of the research visit to Berlin, being resolved. As one Berlin interviewee commented, "compulsory membership doesn't guarantee a better service" (Manager, Private sector interest A, Berlin).

Much of the debate on organisational status in the local economic development and urban studies literature centres on the board representation of agencies (see for example Bailey, 1995; Halkier and Danson 1997; Haughton, Peck and Strange 1997). The central issue is the nature of influence private sector representation on non-executive boards has

on shaping the agency and what it does. In addition, the form of agencies as being public-private sector hybrids has often been put forward as conducive to enabling economic development and regeneration, and engaging more market-oriented methods. However, it is perhaps the case that engaging both the public and private sectors in a more effective fashion is down to much more than their board governance and legal status. Further issues on the governance of development agencies will be dealt with in section 7.8. Overall, issues regarding board activity and composition, although mentioned, were not regarded as a critical factor for agency performance.

In summary, the findings on the influence of the organisational status of an agency on its performance and effectiveness are inconclusive. However, what evidence that can be determined from the interviews points to the fact that simplifications cannot be made in deciding that certain organisational and institutional forms are better at economic development activities than others. Organisational status may remain a constant, whereas internal organisation, management and economic development approaches may change. Therefore organisational labels are not a reliable indicator for use in analysis and evaluation. As much discussed throughout this thesis, other factors render the 'structure' and agency 'label' arguments and camps of research and dissemination (for example, Bennett and Krebs, 1994; Halkier and Danson, 1997; Bailey, 1995) of questionable significance and relevance in the light of other evidence. Institutional labels are therefore an insufficient basis for the search for excellence in economic development.

7.4 Functional Specialisation

An interesting question posed initially in this research was one of whether results and impacts are more effectively and efficiently realised in agencies with narrower functional remits. Interviewees were questioned on issues related to this. There was only one study location where a truly multi-functional agency existed, it seemed, and this was Glasgow Development Agency, a Local Enterprise Company in the Scottish Enterprise Network. Some sizeable local development companies also existed in Glasgow which had a wide range of functions. There were interesting contrasts between areas, with Northern Ireland having more functionally differentiated statutory agencies and London having some functionally differentiated agencies, as well as some movements towards fully integrated systems in some localities.

A prime issue for discussion is the relative merits and problems of having either a multi-functional agency or an agency with a narrower functional remit. A crucial question is "what is the most effective form of action - a targeted, focused approach or a holistic multi-targeted approach?". One problem in producing an answer is that there is evidence to support the effectiveness of both approaches. However, there are many instances of more targeted, narrower approaches being criticised for the lack of impacts on other areas of the socio-economy, which also relates to a lack of consideration beyond this narrow functional remit. This has especially been the case in property development and environmental regeneration projects and institutions. Examples of the negative consequences of a narrow property or environmental development focus have been extensively made in the case of London Docklands Development Corporation (Brownhill, 1990, 1993; Coupland, 1992; Imrie *et al.*, 1993a; Imrie *et al.*, 1993b), Tyne and Wear Development Corporation (Byrne, 1991; Imrie *et al.*, 1993a) and Glasgow East End Area Renewal (Keating, 1988; McCrone, 1991).

In the interviews, the targeted narrow approach to development was often quoted as 'easier to manage', whereas more integrated approaches were recognised as more difficult to manage. However, many respondents thought that a more holistic approach to economic development was better for achieving sustainable long-term results. The pros and cons of single-purpose bodies and multi-purpose bodies were summarised in table 3.3 in Chapter 3. This table is included again (in modified form) below. The original research in this project did support some of the points made by Davis and Hall (op cit.) in their table. Many of the 'against single purpose' arguments were supported by the interview evidence, although the flexibility of finance, the dominance of 'narrow' service interests and the gaps in services provision were not really covered in the interviews. In contrast, in terms of the 'against multi-purpose bodies', not many of these were supported. A summary of Davis and Hall's table and the findings from the research is provided in table 7.1 below. Many of Davis and Hall's arguments for single purpose bodies were unsupported. Distinctions between SPBs and MPBs were not so clear cut. Problems of a lack of clarity of focus, for example were encountered in both narrow-focused and wide-focused agencies. It is argued here that the original table highlights many issues that can be problematic for any organisation, and that the organisational design and management of the agency matters more than the breadth of its remit. It was found that multi-functional agencies could have excellent focus, accountability

structures, clarity of role, specialised staff, control and monitoring, for example. In the case of the arguments for MPBs that were supported by the research, again the features against SPBs are not necessarily solely to be found in this type of organisation.

Integration of the various facets of economic development action and implementation are thought to be important. This was reflected by one respondent who commented on the integration of the Training Agency and the Scottish Development Agency into Scottish Enterprise:

"Economic development is a broad area of activity, and in one sense I find the creation of Scottish Enterprise in 1991 involving the merger of the SDA and the Training Agency was correct in the sense that the role training has in the economic development process is intermeshed with everything else. So, there's a lot of logical sense in that... I think, you know, that a multi-faceted approach to economic development is the best way forward."

(Executive Director, LEC D, Scotland)

Not all interviewees were so enthusiastic about bundling all economic development functions into one super-agency, however. A few were in favour of single agency approaches to area regeneration, especially in environmental and property development on brownfield sites. Some interviewees regarded urban regeneration, especially in deprived urban areas, as best realised with a holistic approach. Others expressed the need for a dedicated, stand alone agency for inward investment. However, in one discussion about a dedicated inward investment agency in London, an interviewee highlighted the complementary nature between development functions:

"Single function agencies for inward investment are more appropriate... However, I feel that [the agency] could have been set up with the [business support agencies]. The services for inward investors are similar to SME needs in terms of information systems, sector analysis and labour market intelligence."

(Chief Executive, London Interest B)

This comment raises the question of duplication - i.e. that a proliferation of single function agencies may lead to the duplication in provision of services or tools for development that are complementary across more than one organisation, function or service base. There is a strong case to suggest that there may be more efficiency gains from sharing fewer sources of complementary services.

Table 7.1 The advantages and disadvantages of single- and multi- purpose bodies revisited.

For single purpose, against multi-purpose according to Davis and Hall	Comments in light of research.
SPBs provide clear focus whereas MPBs not as clear.	unsupported
SPBs enable services to be organised on 'optimum size' arrangements for that service, whereas MPBs are more likely to lead to sub-optimal compromise arrangements.	unsupported
SPBs can override 'narrow' interests - MPBs are more likely to have to account for a wider range of interests.	unsupported
SPBs give greater clarity to the public over their roles.	unsupported
SPBs can attract membership of people with specialist knowledge and interest. MPBs less likely to achieve this.	unsupported
SPBs allow better control and monitoring of service performance because of clear individual service focus.	unsupported
SPBs allow better control and monitoring of service performance because of clear individual service focus.	unsupported

Against single purpose, for multi-purpose according to Davis and Hall	Comments in light of research.
SPBs fragment administration and government. Reality does not consist of separate service 'islands'. MPBs are best placed to judge priorities and co-ordinate activities.	supported
SPBs lead to confusion as the number of bodies proliferate. MPBs avoid this confusion.	supported
SPBs lead to sub-optimal use of public resources due to duplication of effort.	supported
SPBs may lack flexibility of finance to cope with the unexpected. MPBs can veer between budget heads.	inconclusive
SPBs can more easily lead to the dominance of 'narrow' service interests if generalists are not present. MPBs are more likely to provide that wider perspective.	inconclusive
A comprehensive system of SPBs would lead to gaps in service provision and responsibilities because remits are tightly defined. MPBs can more easily deal with such issues.	inconclusive

(source: adapted from Davis and Hall, 1996. pp. 13; includes analysis of research data)

In some study areas where there were more differentiated agencies rather than fewer multi-functional agencies there were plans for a movement towards increased integration. London was a particular case where several agencies were attempting to facilitate further integration. In some cases the merging of functions currently in separate organisations into one single agency was planned. In reference to one of these cases, an interviewee commented that,

"There are more returns from integration. Our vision of the future is that all local partners become one, that we have a full merger of operations by 1999 - a single agency for economic development [in our area] by April 1999."

(Executive Director, TEC B, London)

The benefits of an integrated agency were neatly summarised by one respondent:

"An integrated agency does have the benefits of getting people to do associated functions within the same location and organisation... Funding access is also easier. Funding difficulties are more likely in a single function agency, for example Locate in Scotland is dependent on LECs for training funds."

(Manager, LEC J, Scotland)

It is also worth considering the incidence and benefits of co-location of staff and their organisations within the same site or in close proximity. Some agencies sat within the same office locations as other organisations related to economic development or performing other economic development functions. For example, two of the TECs interviewed in London occupied adjacent offices to the area Business Link and local Chambers of Commerce. In one TEC's case, joint functions between these agencies and the local authorities led to the creation of a sub-regional inward investment agency within the same site. In Berlin, the Chamber of Commerce was campaigning for a single site for all the City's economic development organisations. So physical proximity, it seems, is a factor in enabling integration between functions and agencies, on both senior levels and day-to-day working levels. A good question is how significant organisational barriers remain when spatial or physical barriers to inter-agency working have been removed.

Overall, the key findings from the interviews have been summarised in table 7.2 below. One definite advantage of Multi-functional agencies is that they tend to be larger, and therefore have more capacity to enable understanding of their economy and deal with these information issues more thoroughly with respect to their areas. Multi-functional

agencies generally came across as a more favoured approach, and increased integration of services and functions was a much expressed desire of a majority of interviewees. However, there was the danger, as expressed by one interviewee, that agencies with wide economic development remits can end up taking on too much, and that they can have too wide a remit (Executive Director, LEC B, Scotland). There is also the case that not all functions will enjoy equal priority or resource allocations. This is inevitable, and occurred in many agencies interviewed.

Some of the issues in this section are closely related to the number of agencies operating within a locality, and the problems of co-operation, duplication and conflict that occur. These issues are dealt with in more depth in Sections 6.3 and 7.9. In addition, the customer and client interface with the development agency is important. There is much perception from interviewees that a multiplicity of agencies confuses existing and potential clients. This is further discussed in relation to organisational systems and structures in the following section, and in relation to operational issues in Chapter Seven.

There was strong evidence to suggest that the multi-functional option is the preferred one amongst respondents. Economic development was overwhelmingly perceived as an area of activity that benefited from holistic, integrated approaches. It is interpreted here that organisational barriers are often substantial and diminish the chances of effective development activity and action. However, there is still scope for finding methods to overcome these barriers. There is also evidence of the existence of internal barriers to integration, usually found between functional divisions within the agency, for example. Similarly, these must be overcome. Section 7.5 discusses integration further, but with more reference to internal organisational integration rather than functional integration alone. As will be discussed, the achievement of integration of operations and organisation requires more than simply placing wide-ranging development functions within the same organisation.

Table 7.2 Summarising the relative advantages and disadvantages of multi-functional agencies and single-function agencies that emerged from the interview data.

Single function economic development agency	Multi- function economic development agency
<p>Fewer and easier to define targets and objectives.</p> <p>Attribution of impacts to agency more easily facilitated.</p> <p>Narrower understanding of wider economic development contexts, processes and functions.</p> <p>Duplication and competition in some service or function areas more easily occurs between different agencies.</p> <p>Easier to manage.</p> <p>Smaller.</p> <p>Funding sources may be smaller, fewer and more inflexible.</p>	<p>Multiple and less easier to define targets and objectives.</p> <p>Attribution of impacts less easy.</p> <p>Wider understanding needed and facilitated by thinking about and delivering wide range of services and functions.</p> <p>Duplication and competition drastically reduced within one or fewer agencies operating in wide remits.</p> <p>More difficult to manage.</p> <p>Larger.</p> <p>More funding sources and sometimes ability to reallocate between different budgets and surpluses.</p>

7.5 Systems and Structures

The systems and structures that exist within economic development agencies are a prime concern for this research. Essentially, these are built around the purpose and environment of the agency. The structure is the skeleton on which all other agency characteristics and activities hang onto. A concern for this project is that of finding the most appropriate organisational structures and design. Johnson and Scholes (1993) describe the province of organisational design as consisting of three elements:

- *Centralisation/devolution* - deciding where within the structure the responsibility for operational and strategic decision making should lie.
- *Organisational configurations* - the need to match the detailed structure with the context which the organisation is operating.
- *Management systems* - how systems relate to the structure and influence the behaviour of people.

Firstly, attention will briefly be focused on the main areas of discussion in the interviews. The conclusions from this will then be taken into a more wide-ranging analysis.

Structural issues in the interview data

As previously discussed, an important issue from the interviewees' point of view was the integration of functions and departments within development agencies. This section refers to integration in relation to the internal integration of agency operations and working relations. Integration was thought of as important because:

- i. integration of the various streams of economic development functions was thought of as conducive to the delivery of effective projects, services and programmes (reflecting the discussion in Section 7.4);
- ii. integration was regarded as necessary to facilitate effective communication and the diffusion of information and understanding about all areas of the agency's activities throughout the organisation itself; and
- iii. integration was better for client/customer interface - that there was ease of access and less chance of a client being confused by bureaucracy, being passed around various departments or people and being subject to delay through time-consuming approval and assessment systems in more than one department. (discussed further in section 8.5)

The opposite of integration, fragmentation was thought of as problematic in some cases. In reference to the benefits of integration to customers and clients, several interviewees highlighted this:

"fragmentation is significant for its effects on clients"

(Chief Executive, LDO B, Glasgow).

"In theory we have customers, and ease of access is an issue that is surveyed. Integration is about the service to the customer."

(Executive, National Agency A, Scotland)

The importance and difficulties of integration in economic development were demonstrated by a number of respondents' comments:

"If you are doing economic development, then, by definition you have to have integration and involvement between functions... For example, inward investment needs the integration of functions."

(Chief Executive, LDO A, Scotland)

"Our strengths relate to where the synergy actually comes from - in terms of being able to work across divisional boundaries... That isn't always easy, and also to get people individually to be capable of working beyond their area of traditional professional competence."

(Executive Director, LEC D, Glasgow)

"Our values are absolutely about integration... excellence and innovation, or internal quality matters... have to be imbued throughout the entire organisation... When we go out to deal with a company, we have to be able to deal with that company through an integrated strategy, and not saying 'well I've done my wee bit, now I'll pass you onto another of my colleagues who's in another division'."

(Chief Executive, LDO D, Scotland)

The issue of integration is not simply one that occurs between functions, divisions or departments. It occurs between individuals at all levels, and between individuals within the same division also. A central element to this is information exchange. The nub of the matter is finding mechanisms to facilitate integration, often amongst individuals and divisions with differing professional cultures and goals. Crucially, the status of the senior management with respect to their level of integration is important. One central question is 'does the senior management team take a strategic view of the whole company's business?' This is crucial, for it is a role of senior management to take an overall view of the company, and to ensure that their individual divisional responsibilities are feeding into company goals. If this is not happening, then fragmentation and barriers to integration become more difficult to displace. One interviewee felt very strongly about their own organisation's difficulties with this, based on their previous experience:

"The biggest criticism I have of [this organisation] is that there is no real interaction in board meetings and at the higher levels. In the [private] company where I worked previously, meetings were used to discuss all elements of company business, and were forums for information dissemination, questioning and much more. There was real integration, and 'total football' there. But economic development is full of fiefdoms held by individuals, especially at higher levels."

(Manager, LEC J, Scotland)

This issue of 'fiefdoms' and the need to avoid the monopolisation of information and activity by certain individuals was thought to be important by a number of respondents. The qualities needed for integration are communication, openness and trust. Monopolisation of activity and information contradicts these qualities. The importance of reducing both the opportunities for, and the incidence of, monopolisation in this manner was a key objective of Singapore Economic Development Board's management as emphasised by Schein (1996).

An addition to the need for integrated economic development action was the perceived need for integration in terms of the customer and client interface. Several organisations in Northern Ireland and London had begun, or established organisational re-design along these principles. The principal of the 'one stop shop' or 'first stop shop' is to provide a cohesive front-end to the organisation that manages integration and the client's path through the organisation in order to minimise bureaucracy and confusion.

"We underwent restructuring last year... Our structure was formerly hierarchical, structured around functions. We've moved to a matrix structure, empowering people with a wider knowledge and wider brief... The essence of our restructuring is customer focus. We've established a very strong customer services team. This is our front-end, and is the level that the bulk of clients, companies and people deal with."

(Executive Director, TEC A, London)

"We're in a process of restructuring at the moment. We are also merging with the Business Link. It is a chance to merge all our customer facing staff into one division. This is most important."

(Executive Director, TEC B, London)

The principles of the 'one stop shop' are well established. However, it is a difficult mechanism to establish because it relies on sufficient expertise and knowledge about the internal workings of the agency, the functions it performs and also the services available in other organisations that can be signposted or referred to from enquiries. However, it seems a prevalent example of good practice. It also requires decision-making capacity at this 'front-end' in order to assess the suitability of clients to the service on offer, or to refer them to other parts of the organisation, for example. The lack of even basic co-ordination to facilitate a cohesive and streamlined customer interface was demonstrated by one interviewee's comments about Berlin and Brandenburg's economic development organisations:

"One lesson I thought that was relevant here from all the US experience in urban economic development was that it wasn't so much the money on offer to investors or companies, it was the human resources issue. It was the co-operation issue. If you are able to produce a positive image of your locality and, or your region and you can prove, you can show to potential investors that they will be taken care of, that questions will be answered, and that they will not be bombarded by all sorts of bureaucratic hassles... That when they ask questions they will be sent to the right people, and when they have difficult problems to solve or when they have projects that they want realised... That they notice that the various public agencies who are involved are working together. And they are working in a co-operative and also in a mutually reinforcing way. So they don't have to keep going back and forth re- asking questions. The whole kind of one-stop approach, that was developed in order to make the whole decision- making, the investment decision- making process easier. That's not happening here."

(Senior Researcher, Research Institute C, Berlin)

Integration would appear to be a contributing factor to agency effectiveness. Communication is an important feature of this. Section 7.4 illustrated the importance of functional integration. However, having an agency with a wide functional remit does not guarantee integration. Organisational structures, processes, inter-personal and group relations and interface are all important in achieving integration. The benefits of integration are in the development and implementation of corporate strategy, the dissemination of knowledge and information throughout the organisation, and for user and client interface. As mentioned earlier, the qualities of communication, openness and trust facilitate better integration of organisations and their operations. Senior management can play an important role in developing and maintaining these qualities, as well as establishing a corporate-wide view of the agency's operation and management.

What kind of structures do agencies employ in practice and theory?

A useful exercise is to ask how development agency structures can be described in reference to categories described in classic management and organisational studies. There has been much work in these disciplines on the nature of structure in organisations. In particular, Mintzberg's work (1979) is definitive in this. There will be a brief analysis of structural issues and configurations in this section. Figure 7.1 refers to the 6 basic parts of an organisation as described by Mintzberg, and Johnson and Scholes (1993) Summarise Mintzberg's six organisational configurations in table 7.3. These organisational configurations are stereotypes, and few organisations will fit neatly into them. However, they can be used to analyse some important issues concerning the

structures of economic development agencies. Mintzberg's analysis is comprehensive, and cannot be done justice here. Like most specialisms of organisational and management research, 'structure' needs to be considered within a wide range of organisational characteristics. This section will concentrate on the more structural and systemic features of economic development agencies, but must be placed within the context of the whole chapter.

Using Mintzberg's 'dimensions of the Five Structural Configurations', there follows a description of the evidence found within economic development organisations. There was surprisingly much variation in the structural configurations of economic development agencies. Agencies had the characteristics of machine bureaucracies, professional bureaucracies, divisionalised forms and adhocracies. It is useful to discuss the general commonalties found in agency structures. Firstly, they appeared to be 'flat' in that there were a low number of hierarchical levels from top to bottom. Another common feature in some was the functional divisionalisation of structures - that structural groupings were determined by function. Function was in some defined between development areas, such as business support, human resource development, property and environment and special projects. Some functions such as inward investment also enjoyed a distinct unit identity.

It is useful to summarise the structural typologies that agencies most resemble. A machine bureaucracy is characterised by the standardisation of work processes. Some agencies encountered partially fulfilled many characteristics of this model. The main characteristics for this were the formalisation of behaviour, vertical and horizontal job specialisation usually in functional groupings, large operating unit sizes, vertical decentralisation with limited horizontal decentralisation, and action planning. Some development functions and parts of agencies resembled routine administration work. Another typology is the Professional Bureaucracy, which found much application to a wide range of agencies encountered. The main characteristic of the professional bureaucracy is that they rely on the skills and knowledge of their operating professionals to function, and all produce standard products or services. In these types of organisation, it is the professional who is in control. As Mintzberg states, "the Professional Bureaucracy emphasises authority of a professional nature - the power of expertise". Professionals also seek collective control of the administrative decisions that affect them. This organisational categorisation is very relevant to economic

development agencies. A few issues summarised from Mintzberg are immediately apparent as reflecting practise in economic development agencies:

Professionals have extensive autonomy, freeing them even of their need to co-ordinate closely with their peers, and all of the pressures and politics that entails... The professional has the best of both worlds: he is attached to an organisation, yet is free to serve his clients in his own way... As a result, professionals tend to emerge as responsible and highly motivated individuals. Professional bureaucracies are not integrated entities. They are collections of individuals who join to draw on the common resources and support services but otherwise want to be left alone.

(Mintzberg, op.cit.)

From the original research, certain problems of the professional bureaucracy appear to find much in common with development organisations. The main problems include those of co-ordination, especially with the presence of professional autonomy. Another is the problems of discretion, where the professional bureaucratic structure cannot easily deal with professionals who are either incompetent or unconscientious. Overall, there was much relevance of the characteristics of a professional bureaucracy to development agencies.

Another organisational typology of relevance is the 'adhocracy'. This type of organisation is associated with sophisticated innovation and creativity in complex environments. Structures are highly organic with little formalisation of behaviour. There is a tendency to group specialists in functional units for housekeeping purposes, but to deploy them in small project-teams to do their work. The adhocracy uses a team-based approach to many of its operations and functions, where the teams can mix various levels of staff seniority. Again, like the professional bureaucracy, power is given to the experts and professionals. However the professional bureaucracy relies on a standardisation of skills by profession to achieve co-ordination, whereas the adhocracy treats existing knowledge and skills merely as a foundation on which to build new ones. Adhocracies are also characterised by multi-disciplinary teams, and an abundance of managers - whether functional managers, team managers or project managers. Mintzberg's typology of an adhocracy has much relevance to agency structures and approaches found in this project. Again, summarising the problems of adhocracy structures illustrates their relevance. Adhocracies are not comfortable with doing simple and routine tasks. They are designed for extra-ordinary tasks. Adhocracies also run into

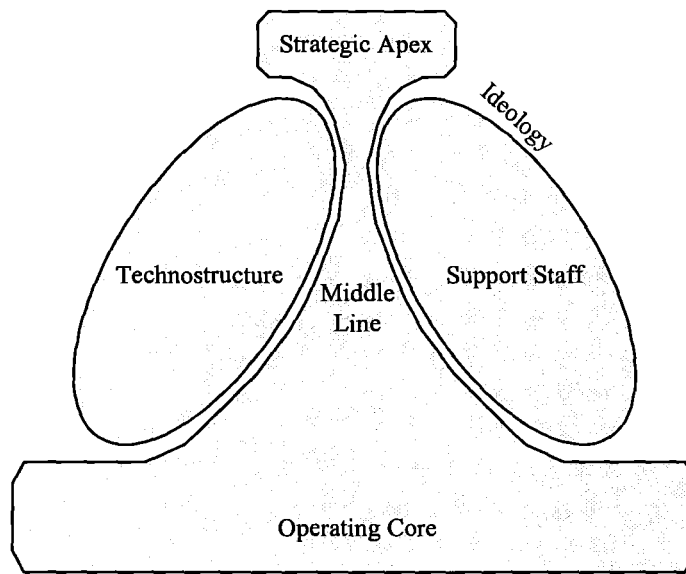
difficulties when they succumb to the pressure to bureaucratise. Lastly, constraining the ability to innovate and be creative can eventually destroy the organisation itself.

As with many management and organisational issues introduced in this research, deeper, more detailed understanding and discourse are warranted. Mintzberg's 'Structure of Organizations' (1979) is an excellent source. Moreover, it reveals that structure should not be considered as a static construction or monolith. The discussion is more about the systemic processes within an organisation rather than group, subunit, functional or departmental positions and relations. The rationale of organisational design and its impacts are also important. A number of examples of organisational re-design were encountered in the original research. Several agencies had recently undergone restructuring. It is illustrative to briefly consider the reason for, and nature of these changes.

Some agencies from the fieldwork had in place structural groupings determined by market, or a combination of functions and markets influencing structure. In fact, there were some trends in reorganisation towards a more market-oriented determination of structural groupings. This is evident in figures 7.2 and 7.3 which demonstrate the structural reorganisation of AZTEC, and is also evident in NWLTEC's new structure in Figure 7.4. This is further discussed in relation to technical design in chapter 8. Other key features included the high levels of informal communication and liaison devices throughout the agencies. 'Work constellations' where people work in cliques or small peer groups based on horizontal relationships (Mintzberg, op.cit.) seemed apparent in many agencies. In terms of centralisation or decentralisation, this varied in agencies. The most common expression of centralisation was in the determination of organisational goals, values and strategies. Flows of decision-making, however were mixed at all levels, and hierarchic or bureaucratic decision-making structures seemed largely absent. What these examples of structure and restructuring do illustrate in figures 7.2 to 7.4 is the movement away from functional divisionalised forms to divisions based on operational levels. For example, AZTEC had three functional divisions prior to April 1997. Now it has one. The strategy and development division deals with emergent new areas of provision. As well as reducing the number of divisions, AZTEC also embarked on restructuring for less hierarchical relations,

producing more horizontal relations based on cross- functional teams. NWLTEC's structure , which also underwent change in 1997 reflects a similar pattern.

Figure 7.1 Mintzberg's six basic parts of an organisation



Operating Core
where basic work is produced

Strategic Apex
where the general management of the organisation occurs

Middle Line
all those managers who stand between the strategic apex and the operating core

Technostructure
staff analysts who design the systems whereby the work processes of others are delivered and controlled

Support Staff
those who support the work of the operating core - e.g. secretarial, clerical, technical, catering

Ideology
the paradigm consisting of the organisation's values and core beliefs

(source: Mintzberg, 1979)

Table 7.3 Mintzberg's six organisational configurations, plus network organisations

	SITUATIONAL FACTORS		DESIGN PARAMETERS	
	Environment	Internal	Key part of organisation	Key co-ordinating mechanism
SIMPLE STRUCTURE	Simple/dynamic Hostile	Small Young Simple Tasks CEO Control	Strategic Apex	Direct Supervision
MACHINE BUREAUCRACY	Simple/Static	Old Large Regulated Tasks Technocrat Control	Technostructure	Standardisation of work
PROFESSIONAL BUREAUCRACY	Complex/Static	Simple Systems Professional Control	Operating core	Standardisation of Skills
DIVISIONALISED	Simple/static Diversity	Old Very large Divisible tasks Middle-line control	Middle line	Standardisation of output
ADHOCRACY	Complex/dynamic	Often young Complex tasks Expert control	Operating core Support staff	Mutual adjustment
MISSIONARY	Simple/Static	Middle-aged Often 'enclaves' Simple systems Ideological control	Ideology	Standardisation of norms

(Source: Johnson and Scholes, 1993)

Figure 7.2 AZTEC's old structure pre-1997

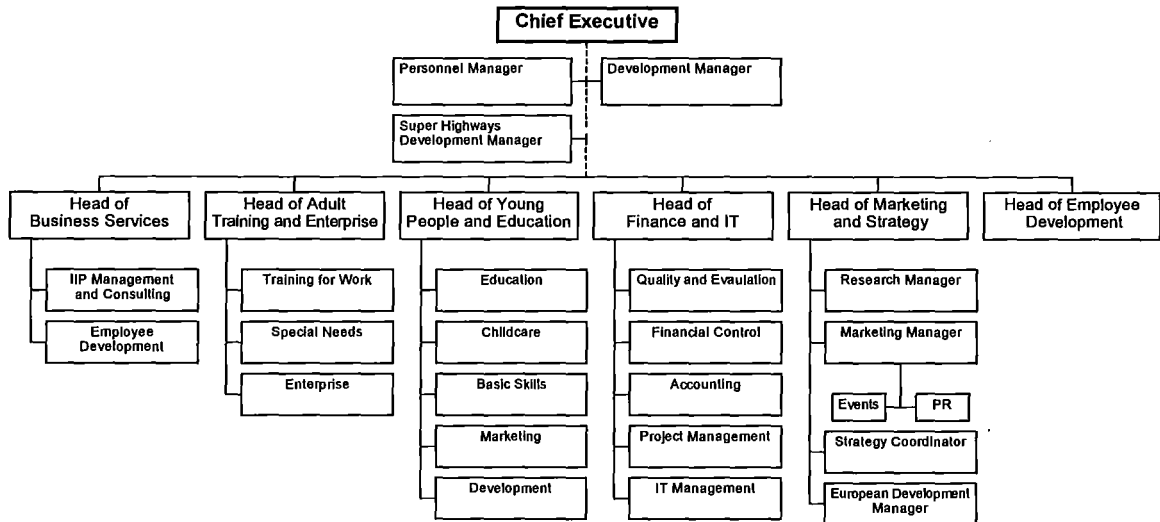


Figure 7.3 AZTEC's new structure post-1997

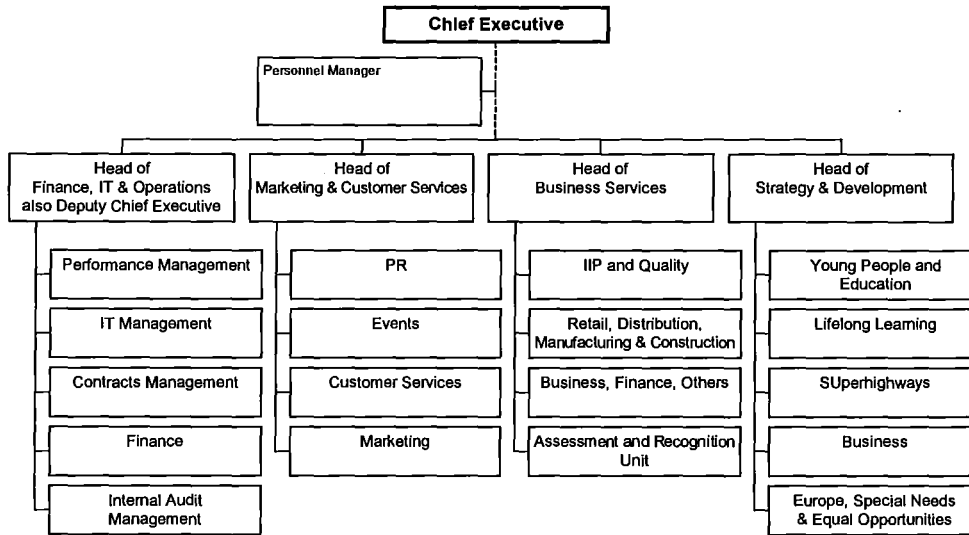
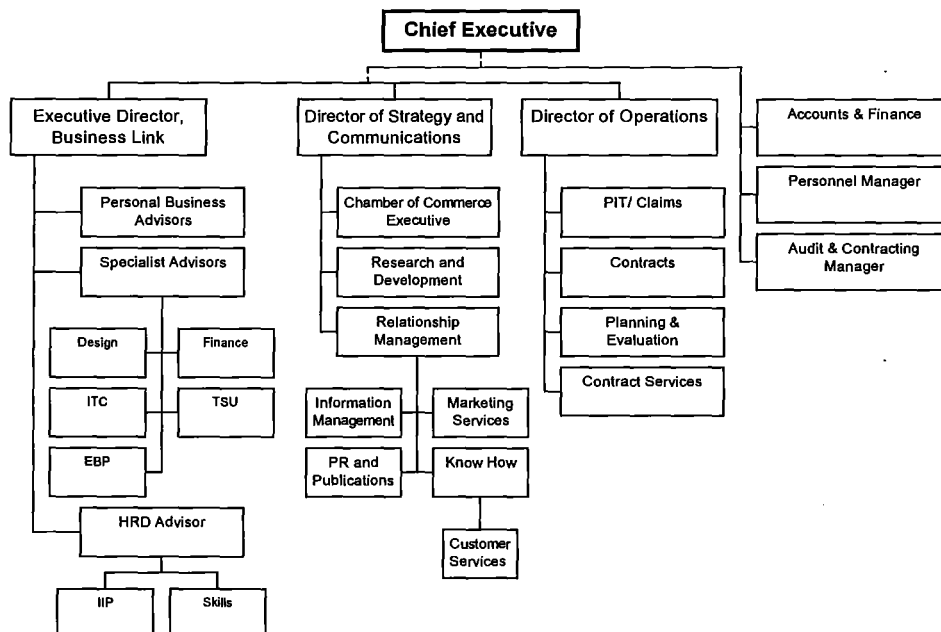


Figure 7.4 NWLTEC's structure post-1997



A major feature of economic development agencies was the size and nature of the operational delivery capacity within the agency. Many sub-regional and local organisations contracted out the delivery of functions, particularly business and HRD support. Thus the operating core of many agencies was small, and involved the negotiation and management of contracts more than the delivery of services. In addition, many agencies operate within a system of other institutions in the provision of development services and functions. Attempting to place a structural analysis within the established frameworks from management and organisational specialists is difficult, as these more commonly deal with single organisations, and businesses rather than a conglomeration of institutions.

Overall, there was much differentiation in the functional remit, size and resources of agencies. Putting agencies into structural 'types' is therefore difficult. In addition, making associations between structural configurations and actual organisational networks and interactions is difficult. Simple structural diagrams are not representative of the flows of authority, information and relationships between members of the organisation. In addition, many of the factors discussed in structural analysis are common to organisational analysis, strategic analysis, and market analysis, for example. Therefore, many of the areas discussed in this chapter are essentially relevant to the discussion of structure, for structure essentially describes the flows of information, communication and power between people. Structural designs and charts represent an attempt to formalise and simplify these relationships, groupings and sub-groupings amongst people. In addressing the elements of organisational design as described by Johnson and Scholes earlier, it is clear that such decisions about organisational design can only be addressed with a full understanding of existing configurations and processes, as well as a thorough understanding of the agency's business. This is best left to the concluding chapters of this project. What can be stressed at this point, though, is that the necessity for internal and external communication and information exchange seemed paramount to interviewees. In addition, the need to provide an effective interface to clients also seemed important. Integration appeared to be the unifying process behind these two features. It is another purpose of the concluding chapters to also consider which organisational characteristics and configurations facilitated effective integration.

7.6 Staff and Human Resources

The presence of appropriately qualified, experienced and motivated staff in a development agency was an area of prime concern for a majority of respondents, especially when questioned about the 'essential ingredients' for agency effectiveness. In discussions about problems and barriers to effective action, staff were often quoted as a prime factor. In terms of development agencies, staff are a crucial aspect of the agency's organisation and performance. They are a core factor. Many of the comments on staffing and personnel issues were made in negative contexts. Criticism is probably more often reported than praise in the situation and context of qualitative research interviews. However, the amount of reporting does demonstrate the significance of this field of investigation.

The significance of staff and HR was demonstrated by a number of interviewees' comments. One Chief Executive claimed that having the right staff and the right approach to human resources was the key to having an effective agency:

"People come down here and say 'how do you account for your success? ... The answer is... at the end of the day it's about people... If you distil management down to its essence, its core what is it about? And it's about people. Why is that?... Good staff give you good ideas, good staff who are well motivated give you good ideas. Good staff, good ideas gives you good resources. Good staff, good ideas and good resources gets you good implementation.

That's what the secret is – it's all about people, and all you need to do is bring in good people. And if you bring in good people and you look after them, they will look after the company and the company can look after the area. I mean, maybe I'm the Bill Shankly of bloody economic development, but it's as simple as that!"

(Chief Executive, LDO D, Glasgow)

In a similar vein, another interviewee claimed "I don't care how the agency is structured, it's the people!" (Executive Director, Business Link 'B', London).

The economic development role is diverse, and the nature of activity complex, as discussed in Chapters 2 and 3. The diversity of staff backgrounds and functions reflects this diversity of what economic development involves in practice. This places huge demands on the personnel working within an agency. In some agencies there were a number of professional groups demarcated along specialist lines. These specialisms were

on the most part divided between property/environmental functions, skills and HR, and business development. There were further specialisms in technology, marketing and research evident in some agencies. Staff backgrounds are a further differentiating factor, with the mix coming typically from the private sector, central and local government, and other development agencies. One theme to emerge from the interviews was the pressures and demands placed upon staff for having both specialist technical expertise and being able to have generic 'economic development' expertise and understanding. This theme is illustrated by a number of respondents' comments:

"To fulfil vision, we need people who are multi-talented."

(Chief Executive, London Interest B)

"The economic development profession is not a uniform profession. There is much diversity of people, with both public and private sector backgrounds."

(Manager, National Agency C, Scotland)

"The staff here come from a variety of backgrounds. In property, there are people with a local authority background in evaluation, planning and policy as well as private sector people experienced in development, management and estate agencies... Our business finance staff come from merchant banking, clearing banks and accountancy. In small business services they come from banks, enterprise agencies, or local authorities. Our international team comprises of people from enterprise agencies, multinational organisations or banking. Our European team comprises of people from local authority and European Commission backgrounds..."

"In staff, we need flexibility, the right tooling, to be analytical and interplay the socio-economic fabric with commercial entities - to keep ahead of dynamic change. Staff need to grapple pro-actively with this. To work in this job, you have to be humble, wise, cynical, an optimist all at the same time. For example, the civil servant people we had involved in training prior to TECs were wholly inappropriate to the role of economic development... as are most civil servants generally. They are too inflexible and too narrowly skilled. Asking Civil Servants to become economic development specialists is to ask a baker to be a nuclear physicist."

(Executive Director, London Interest A)

This mix of staff was, in some cases in the research, made evident in internal conflicts and clashes in the development agency. This seemed apparent along professional lines, such as the difficulties in establishing good working relations between property professionals, and say, skills specialists. However, it did positively lead to combining the best attributes of all backgrounds in advantageous ways in the experience of many interviewees. Conversely, some interviewees claimed that the staff mix was not diverse

enough. An overriding impression gained was that the established cultural and value systems in the agencies could play a key part in unifying both the attitudes of staff and the motivation for their work. A significant part of achieving this is by increasing levels of education and understanding of economic development as a general concept, and another significant part is due to the leadership and management of staff. Overall, it is critical that staff with disparate professional backgrounds have some common basis for performing their jobs and understanding other employee's roles. The mission and the vision of the agency is important in this. However, the right steps need to be taken in the first place order to establish a vision that has the ownership of all the staff.

Experience and understanding at particular levels was put into question by a number of interviewees. However, this tended to reflect their position. For example, one Glasgow LDO chief executive complained of a lack of practical understanding of delivery issues amongst executives in Glasgow Development Agency and Scottish Enterprise. However, this may be related to problems of communication rather than of professional expertise, or maybe the greater proximity and exposure of staff to companies and communities in LDOs. Commentators in Berlin were especially critical of staff qualities there and in eastern states in general. These criticisms were especially strong in the case of one respondent:

"If you see the problems at hand, and of the resources available, and of the human resources capacity, the human resources capacities that are actually available in terms of know-how in the respective agencies that are responsible for regional development - you see that there's an incredible gap. Many of the people who are involved in regional development are hopelessly under-qualified, very limited in their outlook, don't have the know-how to get projects going, have no strategic feeling, no real capacity for management of processes... You have the mismatch between jobs, jobs and the people who are actually involved in economic development. I shouldn't use words like these, as they are emotional, but a blockhead is a blockhead, and there's so many blockheads that are so ignorant really."

(Senior Researcher, Research Institute C, Berlin)

The recruitment and selection process was put under criticism in some agencies. One criticism was that a lack of selection based on organisational objectives was occurring - that there was a lack of attention to the question of "what skills do we need to drive the strategic objectives?" (Manager, LEC F, Scotland). Another respondent commented that "too many agencies practice nepotism and recruitment in their own image" (Executive

Director, Business Link C, London). This is arguably a problem if there is the goal of filling gaps in staff expertise, experience or values. There were, in some interviewees' experiences a lack of rigorous evaluation of needs in terms of staff, and a subsequent lack of implementation of these considerations in recruitment practice. In contrast, some agencies claimed they did practice comprehensive evaluations of recruitment requirements and put stringent recruitment selection processes into practice, as commented on by a number of interviewees:

"We engage a rigorous recruitment process... Our personal business advisors face a rigorous process of screening, a day long... We use an external agency... We think through this that we have the cream of the cream here in our staff."

(Manager, Business Link 'B', London)

"We're getting better at the recruitment process here. At [our organisation] it is rigorous. For our recent recruitment of general managers, we had interviews and then a whole assessment day."

(Executive Director, LEC N, Scotland)

Overall, the impression was that in most agencies, the overriding problem was not in current recruitment practices, but those staff selected in the past in the absence of such considerations. Basically, this has a lot to do with the vacuum in operational management and strategic management considerations in development agencies that seems to have occurred in the past (this issue is mentioned in more depth in section 7.8). Strategic human resource considerations were found to be lacking according to many interviewees.

There was some evidence of a growing trend towards more selective staff recruitment processes, and a recognition of the need for the right staff tailored for the particular role they play. This seems especially the case in terms of bringing in private sector expertise for certain functions. A good example of this is the change in the way business support is delivered. Most agencies interviewed in the UK followed the account manager or personal business advisor model for business support. The failings of past support initiatives were attributed by many to the nature of the people involved in giving business advice and support services. In particular, the use of public sector civil servants or officers in this role was seen by many to be a relic of the past. A key requisite for today's business advisor or councillor is now direct business experience, at the relevant level for the targeted business population. In the case of SME support, great emphasis is

given to hiring advisors with direct experience of employment, management or ownership within an SME previously. This is seen as essential both in terms of giving effective advice and counselling, as well as gaining the confidence of SMEs (i.e. credibility). A particular criticism of past business support has been directly attributed to the staff involved in direct client relations. The criticism was that staff in the past had insufficient understanding of and empathy with SMEs. For example, in one interview, past practitioners were criticised for being either public officials with no business experience or secondees from large companies or multinationals with little small business experience (Executive Director, LEC M, Scotland).

As mentioned in Chapter 3, training and personnel development is associated with staff retention, the development of human resource capacity and building expertise. Such are the demands on economic development staff in terms of their expert knowledge and their generic knowledge, one would expect great emphasis to be placed on this in many development agencies. However, the responses from interviewees were mixed. In some agencies, there seemed to be a lack of formal mechanisms to audit staff capacities, to identify current gaps and needs, and to systematically plan for their development. One respondent summarised this issue:

“A big limitation in support is when you don’t address the question of ‘what skills do we need to drive the strategic objectives?’ - which means asking if we have the right resources, tools and staff to implement the strategy. This isn’t seen [here], where staff are largely in training or administration backgrounds.”

(Manager, LEC F, Scotland)

The rewards and values placed on staff achievement were an issue with some interviewees. There was felt to be some absence of even the most basic reward systems and mechanisms to inculcate good management- personnel relations in some agencies. Many interviewees agreed that staff were an agency’s most valuable asset, and that this asset needs to be maintained and enhanced, yet there appeared to be an absence of appropriate mechanisms for this. Training and development programmes appeared on the surface to be under- developed in some agencies.

In summary, it is apparent that personnel issues are a critical element of what makes an agency effective. In most cases there appeared to be some recognition of the value of staff and staff development, with an associated sentiment that not enough attention nor action was being devoted to this. There were, in some agencies, an overall lack of

strategic human resource development and capacity considerations. The requisites mentioned by interviewees in terms of staff and effectiveness are included in table 7.4. The demands on staff are high, as development agencies operate in complex, changing environments. The nature of the economic development activity requires a combination of technical skills, as well as analytical skills. Staff must also have the capacity to deal with a variety of disciplines, and to absorb and process large amounts of diverse information. Interpersonal and negotiation skills are crucial. Much agency work involves communication with external institutions and organisations.

Table 7.4 Commonly mentioned positive attributes for economic development agency staff

Attributes used to describe agency requisites in terms of staff
“commitment”
“understanding”
“communication”
“good people”
“expertise”
“flexibility”
“analytical ability”
“mix”
“need staff development/care”
“qualifications”
“abilities”

7.7 Values and Culture

In examining development agencies in the study, and in discussing many issues with professionals from these agencies, the underlying theme of individual and organisational values seemed to be an important factor to include in the analysis. This concept of values is very closely related to that of organisational culture. A formal summary of the common meanings associated with organisational culture include:

- Observed behavioural regularities when people interact.
- The norms that evolve in working groups.
- The dominant values espoused by an organisation.
- The philosophy that guides an organisation’s policy toward employees and/or customers.
- The rules of the game for getting along in the organisation.

- The feeling or climate that is conveyed in an organisation by physical layout and the way in which members of the organisation interact with customers or other outsiders.

Schein (1985) offers a comprehensive summary of his interpretation of 'culture':

A pattern of basic assumptions - invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration - that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.

Culture and values form an essential part of explaining the behaviour of an organisation. This section will attempt to illustrate the relevance and importance of values in shaping an economic development agency, its approach and activities. One problem is that examining values in an organisation in depth is difficult without a long-term relationship between the researcher and subject. The values present can only be accurately ascertained with in-depth, comprehensive and long-term organisational research. The credibility of reporting is also difficult to determine without substantial knowledge of the organisation and staff. In addition, there may be a difference between the actual values operating, and the values that are reported. The latter relate to what Argyris and Schön (1978) have termed 'espoused values', which predict what people will say in situations, but which may not concur with what people will actually do in situations where those values should be operating. For example, a development agency may say that staff development is valued, but may not actually be able to support this with its record of dealing with this issue. In addition, there is a distinction between the values that are related to the underlying practice of the organisation, and those which are aspirations (Schein, 1985). However, despite the shortcomings of the approach in this research, a discussion of observations made about values present seems appropriate. During the research, there were some particular common values in agencies and their staff that were associated with performance in negative and positive ways. Some values in particular were reported strongly and often.

Openness, defensiveness or insularity?

The position of the agency in terms of its openness both to external interest groups and economic development activity and innovations in other agencies was an interesting area discussed in interviews. In terms of openness to external interest groups, there were also

associated issues of accountability and consultation. If these factors are related to the discussions on local institutional relations in sections 6.3 and 7.9, they become important, as almost all respondents reported that local institutional relations and working in partnerships were important to realise effective economic development activity. However, it must be noted that, as with all interviewee reporting about organisations external to their own, there will be a bias in criticism perhaps reflecting their own frustrations with this agency or their own position.

Some agencies, and in particular the statutory agencies in both Northern Ireland and Scotland were criticised for their lack of openness and accountability. In Section 6.3, in the discussion on local external relations, the perceptions of some respondents of defensiveness and insularity were made in reference to institutional networks in Scotland. Indeed, this appeared to be a prevalent cultural aspect of Scottish economic development practice and organisation. Overall, the Scottish system did appear to be insular and closed. In Northern Ireland, insularity was present and further related to the reported general ignorance by some, of what goes on outside the region. The problem of the insularity and closed nature of Northern Ireland statutory agencies and the Civil Service was perceived by many respondents there, including civil servants themselves. This is partially linked to the centrally controlled nature of the Northern Ireland Office and its agencies, and the history of a political vacuum at the Regional Level there. Indeed, one respondent commented that it was difficult to shift the Northern Ireland Civil Service Mentality from 'Helicopter Rule' (Oliver, 1990), that is - administration under 'siege' (Managing Director, Community Interest D). Various other examples of metaphorical language were used to describe the values of the Northern Ireland Civil Service, such as a 'Mandarin Culture', for example (Senior Researcher, Research Institute A). Another interviewee reported that the most significant barrier to effective action in economic development there was that "there's too many people out there protecting their own turf, who don't like change, are insular and complacent" (Chief Executive, Private Sector Interest A, Northern Ireland). In Scotland, Scottish Enterprise was criticised by a few interviewees for its lack of accountability and accessibility. The insularity of the Scottish Enterprise Network as a whole was put into perspective by one respondent:

"I feel that in many of those organisations there's a wee measure of arrogance in there, that they're the true believers, that they've been spoken to by God and they know

actually what it's all about. Everyone's a lesser in their eyes... what really compounds the felony is that in my view, a significant preponderance of those people who are employed by SE and by GDA tend in their hearts to be top-down, tend in their hearts to be prescriptive, and tend to feel that they know the solutions and that their approach is to impose those solutions upon an unsuspecting and often unwilling community."

(Chief Executive, LDO D, Glasgow)

A few commentators also associated some insularity and perhaps complacency within Scottish Enterprise with the loss of market awareness and knowledge of what goes on elsewhere in terms of economic development. Similarities are obviously relevant here to Northern Ireland:

"I think that in the Scottish Enterprise Network, SE doesn't discriminate or research enough, and the LECs are getting a bit insular, and are losing their market awareness. This may be because SE thinks it is cutting edge at the moment, and that it doesn't need improvement."

(Executive Director, LEC B, Scotland)

The importance of openness for an agency was emphasised by several interviewees in London. There may be some link between this and the fact that there are many more agencies and institutions operating in London and its localities. One TEC Chief Executive reported that openness and consultation were a prerequisite in their area. However, this area did have a large number of local authorities within it, and a significant number of other interest groups. In spite of the perceived need for openness, there were instances where some institutions operating in London (in particular the local authorities) were criticised for insularity and parochialism. The values and culture of defensiveness, insularity, complacency, or even elitism influence the nature and behaviour of an agency. They also significantly influence constituency, stakeholder and user perceptions of the agency. They are not the values which an agency needs in order to have effective external relations or openness to change. They are also not conducive to effective communication and information flows.

Values as drivers for economic development practice

An important and interesting theme to come out of the interviews were the culture and values relating to an agency's economic development approach. Of great significance was the value of 'market driven' development action, and associated with this the need for high levels of customer/client understanding and interface. There appeared to be a

sound basis for dividing the 'philosophy' of the agency interviewees along either 'product driven' or 'market driven' lines. A 'product driven' approach is characterised by a concentration on the tools, programmes or projects that an agency delivers. The focus is on economic development activity through what the agency provides operationally. Practitioners in this situation often concentrate on 'doing things right' without questioning or attempting to analyse the rationale behind them. A 'market-led' approach takes its starting point as an analysis and understanding of what is relevant and feasible in the market-place, or socio-economic environment that the agency is in. Its focus is upon 'doing the right things'. Further discussion on these approaches is made in Chapter Eight. Several interviewees expressed that in reality, it was not a simple matter in making this division. For example, some respondents commented that you couldn't simply give the market what it says it wants, because this may be simply public money, or be biased by short-term concerns. However, the strength of reporting on this issue suggests that many practitioners regard market-led values as important, especially expressing the sentiment that 'you cannot prescribe a product that no-one wants - that this will simply not work'. It is an interpretation from the interview data that the values of being 'closer to the market' were both real values and espoused values. Even if these values were not necessarily representative of what respondent's agencies performed in practice, the level of reporting did highlight their significance. A further clarification is necessary here. One interviewee pointed out that what they do is try to sell products to potential and existing clients, but that it was important that 'the market' should lead their nature and development. Overall, there seemed to be a value-shift towards more recognition of the values of market knowledge, knowing client needs, and gaining client feedback in informing project and service design. The reporting of these values was the strongest in London, and weakest in Glasgow and Berlin.

This can further be discussed when contrasting between what tended to be 'traditional' and more progressive approaches. A product-led approach was linked with a more traditional, prescriptive approach to economic development. A link can also be made here to one aspect of economic development practice that received several comments. There was some underlying sentiment that all too often, economic development practice in the past had been developed with an absence of sound market understanding and consideration of practical implementation. Several interviewees' comments illustrate this:

"There's too many wafflers and dreamers in economic development."

(Manager, Business Link B, London)

"I think that people can strive a little bit too much and waste time in looking for the holy grail of economic development."

(Executive Director, LEC D, Scotland)

"There's too many thinkers in [here], too many visionaries - as opposed to doers, or people doing things."

(Manager, LEC E, Scotland)

There was some sentiment opposing this point of view, claiming that there was too much preoccupation in certain agencies with systems, management, structures and processes. Clearly there must be a balance between creative thinking and management concerns with the organisation. However, an interpretation made here is that in some cases, creative thinking, innovation and 'vision' are not based enough in sound market understanding. The debate is also very relevant to the design of tools and mechanisms for intervention as discussed in Chapter 8.

Table 7.5 Reported values in interviews

<u>Values associated with <i>positive</i> outcomes</u>	<u>Values associated with <i>negative</i> outcomes</u>
"openness"	"insularity"
"support"	"fiefdoms"
"no blame culture"	"blame culture"
"customer-oriented"	"defensive"
"add value"	"complacency"
"market-driven"	"arrogance"
"accountability"	"product-driven"
"accessibility"	"unaccountable"
"implementors"	"inaccessible"
"customer-focus"	"dreamers"
"quality"	"parochial"
"co-operative"	"inflexible"
"innovative"	"prescriptive"
"objectivity"	"little empires"
"professional"	
"business-like"	

In summary, The influence of values on performance is difficult to measure. However, it is felt that they do shape the organisation and approach in economic development

agencies, and are significant. There were numerous values given positive and negative associations in interviews. Table 7.5 summarises these. According to many commentators in organisational and management disciplines (for example Schein, 1985; Dopson and Stewart, 1989; Drucker, 1974; Johnson and Scholes, 1993) values and culture are very important elements in shaping the structure, management, processes and operations of organisations. They can be instrumental in explaining both negative and positive aspects of performance. In reference to this research, it was evident that cultural aspects and values existed that did constrain performance and effectiveness. There were also some indications of which values were associated with both positive and negative outcomes.

7.8 Management and Leadership

The subject of 'management' within economic development agencies was commented upon at length by interviewees, along with the implementation of management systems. A critical question is 'what is management within the context of an economic development agency?' Much of this research project concerns applied management - the management and design of economic development agencies and their activities to maximise their effectiveness. The purpose of this section is to illustrate how salient management issues are in agency performance, and in particular reflect on what aspects of management were important to those interviewed. Closely connected to the issues of management and senior management in particular is leadership. This will be addressed in this section also.

Management

Management was referred to in a critical manner as well as in talking about good practice in development agencies. Bias in reporting may have occurred, one may argue, as there is a tendency for most people to complain about their managers, just as managers may complain about their workers. However, there were some consistent views between interviewees across all the case studies. There were also some other distinct individual views that are illustrative and informative.

Local economic development is a complex task involving a number of disciplines and professions, and it was realised by many respondents that as a result of complexity, it is inherently difficult to manage. As one interviewee commented, 'good management is

very difficult in very diverse areas. It's very difficult to find all the right management skills. It is an impossible portfolio.' (Executive, National Agency A, Scotland). However, even the most basic management issues of human resource development and operational company management are realisable in most agencies. Yet there was a perceived lack of company basics including management in a number of organisations. In one or two agencies, there seemed to be a total lack of effective management of staff, systems and structures. The very nature and qualities of economic development staff must also be considered. There was a preponderance of experienced development professionals in senior positions. However, being a professional 'expert' does not necessarily imply that the individuals in question have the necessary management skills or experience. This, in reference to Section 7.5, would appear to be a general quality of professionally-dominated organisations. There was much opinion from those interviewed that basic corporate management was essential. The significance of this was emphasised by a number of interviewees:

"I once did the job here as the operational manager... I didn't like it, but I could do it and knew how important it was... you've got to do these things if you are going to make the show run."

(Chief Executive, LDO A, Glasgow)

"A better managed organisation is better, and good management within an organisation is better. There is a barrier if you don't have the fundamentals. They are more important than the resources. You could do so much more if you improved these fundamentals, such as management... We haven't got some of the fundamentals. On some management issues we have problems."

(Executive Director, LEC A, Scotland)

"Within these development organisations, effective management, leadership and staff are overlooked, yes. We need incentives to change this."

(Chief Executive, Private Sector Interest A, Northern Ireland)

(Interviewer) "You stated that the management and organisational basics are often overlooked in economic development."

"Undoubtedly, there's no clear direction."

(Manager, LEC J, Scotland)

The number of professionals in economic development agencies is typically high. This means that a large proportion of the workforce are in effect managers - of contracts, projects, programmes, initiatives, relationships, inter-agency working, people and the

agency itself - in one way or another. Much of this fits in with Hales's definition of management as entailing,

Responsibility for a work process, from which flow the processes of planning, decision-making, allocation, motivation, co-ordination and control... an extended management is carried out as a distinct function, dispersed amongst different managerial jobs.

(Hales, 1993: 15)

Much of the reporting in interviews was about company management more than management at the technical, project and individual level. This reflected the nature of the interviewees - who were mainly senior managers or executives. In their attempts to describe what management qualities were needed, and which caused the most concern, company management and general management of the organisation came under much scrutiny, particularly in reference to the role of senior managers. It is interesting to explore the role and nature of the chief executive in this respect. One chief executive explained their role:

"Its not just knowing about management, it's doing it... At certain times I've gone into certain parts of the company as a dictatorship, because we had to go from nothing to 200 people in eighteen months... If you ask some people, you'd think that I was a dictator working to a script, but talk to others and you'd be told that I was actually a hippie more or less. The answer is that there's a whole different set of circumstances and approaches at different times... In terms of structure and management style, it's what you're trying to do, and what suits it."

(Chief Executive, LDO A, Glasgow)

There was a diversity in the nature and role of the senior executives as individuals within their agencies. The following respondent's comments illustrate this. In comparing one Chief Executive's approach with their own, this interviewee commented that,

"Every organisation needs its creative geniuses - the dreamers - the people that put their finger in their mouth and just think about things. [This Chief Executive] excels at that stuff. But I bet you if you were to ask [them what their job is they] wouldn't give the same answer as me when I say 'look I just run a small business.' because I look after the company - and if I look after the company, I've got other people around here that can dream, other people around here that are strategists, other people around here... I just look after the company. And there's nobody up there at [that] organisation, I bet you, nobody would say that that's their responsibility - just running the show, making sure that there's high morale, that they are meeting their obligations. They would say 'oh, its

shared', but nobody would actually have it by the throat. In here you know where the smoking gun is – it's in my hand."

(Chief Executive, Development Organisation)

The features of this organisation's management that this interviewee was referring to were confirmed during interviews within it, as another interviewee commented - '[our Chief Executive] is no general manager... there is a vacuum, which a few of us between us try to fill' (Executive Director). What this situation highlights is that there needs to be sufficient management capacity at senior levels. Another question is whether this role is best realised by one executive or between executives. It also brings up the issue of the exact nature of the Chief Executive's role.

Another feature raised by a number of respondents was whether good organisational management was the same as project or programme management. The general consensus was that project and programme management skills and practice did not fulfil all the management requirements of the agency and its activities. One organisation in particular was criticised internally and externally for its lack of organisational management capacity in this light (note that all these comments refer to the same agency):

"There is an issue in projects and programmes, that good management in economic development tends to be thought of in terms of project and programme management, and not in general management. This tends to be ignored."

"It is a problem that people are project oriented and not management oriented."

"Often, it's thought [in here] that if you are not working on a project, you're not working. Generic and day to day management skills are not recognised."

"A project delivery bias is encouraging project managers and not people managers."

"We don't do the basics very well in [here]. People are project oriented and not management oriented. [This agency] could be better managed."

However, in balance to these remarks, this situation in this certain agency reflects a generic tendency toward project-orientation and the fact that most of the senior management have come from project-management backgrounds. But the reporting of difficulties or vacuums in management can nevertheless be perceived as problematic in this case.

The concept of management in an economic development agency is basically what binds the organisation, its structure, staff and activities together. In terms of senior

management, it is what drives the organisation and holds it together. This can also be expressed under the banner of 'leadership'. The dividing line between management and leadership is not a clear one. As one interviewee commented,

"I'm busy writing a seminar on leadership. I thought it would be straightforward, but it isn't. Do leaders need to be managers, and do managers need to be leaders? The more I've thought about it, I've been asking 'is leadership good management or not? can you learn leadership? which is leadership mode and what is the management mode?"

(Managing Director, Community Interest D, Belfast)

Referring back to an initial question in this section, 'what is management in the context of an economic development agency?', some issues have been covered that can help to answer this. Basically, individuals in management positions contribute to:

- Strategic corporate management - ensuring that business under their control is contributing to company goals. Communicating and implementing company goals.
- Operational management - ensuring that effective operations are executed in line with corporate goals and high standards of professionalism and quality.
- Human resource management and development - dealing with strategic issues, and implementing staff care and development.
- The management of information flows - the freeing up of information bottlenecks and monopolies. This includes communicating corporate objectives as well as providing a conduit for information flows horizontally and vertically across the organisation.
- Leadership - especially in the development and maintenance of corporate culture and values that enhance the organisation's performance.

Management is important, and was reported very strongly by a majority of respondents. There appeared to be a lack of appreciation that a management role involves these many responsibilities. In some agencies, there was an overall lack of capacity for the very important responsibilities of strategic corporate management, information management and leadership. Managers make the organisation work as a whole. They need therefore

to take an organisation-wide view. Too many managers concentrated solely on operational management. This was detrimental to agency performance.

Leadership

Leadership was a common area of discussion with interviewees, and was often mentioned in response to the question of 'what are the essential ingredients for agency effectiveness?' Both leadership and vision were quoted as essential drivers to the economic development organisation and staff. A respondent from a national association for development agencies observed that 'the quality of the chief executives and senior executives really matters in determining agency effectiveness' (Executive Director, National Interest B, London). They are also important in establishing the values and culture of the agency, which are important - as discussed in section 7.7. Some interviewees' comments are illustrative of this:

"Leadership is the key. A strong leader provides the drive to the organisation."

(Manager, Business Link B, London)

"The twin focus of leadership and clarity of objectives is important. If you have those, then the organisation will come from that... The personalities of the senior people in agencies will influence greatly the balance of resources."

(Executive, Regional Agency A, Northern Ireland)

"I think that there's a key element to all of this you are researching as well that's to do with the culture of the organisation and leadership."

(Executive Director, LEC D, Scotland)

"The culture and values here are ones of support... there's no blame culture. These values are driven by the Chief Executive who is very influential in this."

(Executive Director, TEC B, London)

"All these TECs are different. It's really down to their Chief Executives."

(Executive Director, TEC C, London)

It follows that leadership is an important aspect of shaping a development agency's approach, and influencing the people who work there. This was graphically demonstrated by a comment about one agency in particular, where the qualities of the senior management team drove the organisation:

"A huge proportion of the senior and middle management here came from property, physical and project backgrounds. Of the Senior Management Team, four out of seven were from one division of the Scottish Development Agency, the special projects

division, which means that they are all property oriented. If you include middle management, another six are from that same division of SDA. So our management is heavily property and project oriented. The first years of [our organisation] saw a natural bias towards physical and property oriented regeneration. [Our organisation] found it difficult in dealing with skills and business issues."

(Executive Director, LEC B, Scotland)

So here, we have an agency with a wide remit for economic development run by professionals with most of their experience in property and development projects. Several interviewees within business development complained of the lack of profile for their particular function within this agency and reflected that the bias of senior management towards property was the cause. Incidentally, this may be representative of the problems and incidence of 'recruitment in your own image' as mentioned by one interviewee in section 7.6. In addition, the personalities of senior people will affect resource allocation and profile in any agency. Certain individuals leaders or senior executives may often find empathy with others due to personal connections, friendships or convergence of views and approaches. As one senior executive mentioned during one interview:

"The personalities of the senior people in agencies will influence greatly the balance of resources, even if we look at personal contacts with a minister."

(Senior Executive, Regional Agency C, Northern Ireland)

What is the role of the Chief Executive or Managing Director and the Senior Management Team? There are clues as to what it is not. One problem associated with leadership was where senior managers were too 'hands - on', that they were involved in projects, programmes and services in more than a strategic and guiding manner. This is best illustrated by several comments:

"Leaders should not be projects or operationally biased or involved in this side of things. They should be kept on strategic issues."

(Executive Director, London TEC C)

"Getting people to give up pet projects is difficult. I am training myself not to be too hands on. My job is to sit in the back room and send other people forward."

(Chief Executive, London Interest B)

"The Chief Executive here is hands off, and it is the same with directors. Senior managers are delegated the running of the functions."

(Executive Director, TEC B, London)

"Two dimensions of [our] structure evolved last year. One was the detaching of managers from hands-on involvement with clients."

(Chief Executive, LDO C, Glasgow)

Now this reinforces the notion introduced earlier in the section, that the Chief Executive's role is about looking after the organisation and managing people to do their jobs rather than taking a hands - on approach themselves. There is also some justification that senior executives who involve themselves too deeply and directly in decision-making run the risk of deteriorating staff morale and effectiveness. True delegation and individual or team responsibility cannot develop if it is not allowed to. In some cases, senior figures were instrumental catalysts for change. There were a few instances in organisations interviewed where leadership had produced a real change in the way the agency was organised and managed. In one case, a new Managing Director brought the advantage of good personal connections within the institutional system in Berlin:

"Our first Managing Director was from Hamburg, and had no real depth of connections within the network here. There were problems getting established. The new Managing Director has been in Berlin for twenty to thirty years, and is a former Senator for Culture and for Economic Development. He is totally in the power structure of Berlin. He brought direction and legitimacy, leadership and an established track record... The organisation's identity has changed with the new MD. [The organisation] is now not the same as it was eighteen months ago. Part of the new image was created by the MD."

(Manager, State Agency E, Berlin)

This may be indicative of one of the leadership qualities needed in the early stages of an agency's life - ease of access to the established network and legitimacy within it. However, it is argued that this is only one quality required for long term organisational development and survival. This role was also questioned in context by one Berlin interviewee. When asked if having a managing director with many connections was advantageous, they responded:

"If you look at the political role - yes, but if you look at economic objectives - forget it, because we have a network, and the network relies on the fact that the participants get something from you in terms of meeting or developing economic development objectives. If you don't have something to offer then you aren't involved."

(Senior Manager, State Agency A, Berlin)

So there is a situation here where networking capacity may be more contingent on the ability to develop and meet economic development objectives rather than as an end in itself. The best combination may be to combine both excellent political connections and influence as well as contribute significantly to economic development objectives.

Economic development agencies tend to be 'flat' organisations - i.e. they do not, typically have many levels of management. They are highly professionalised, and lack large hierarchic structures. This structure means that leadership exerts a large influence on the organisation, because there are fewer levels between leaders and workers, and also less distance in terms of job status. As one interviewee commented, "In a non-hierarchic organisation, leadership style is influential as there's less distance from top to bottom" (Manager, LEC I, Scotland). So leadership is instrumental, and good or bad leadership can mean the difference between success or failure.

Non-executive leadership, governance and accountability

The issues connected with non-executive leadership, governance and accountability have been well documented for many organisations performing publicly funded services but which lie outside of central and local government (See for example, Ridley and Wilson, 1995; Plummer, 1994). The objective of this section is to investigate some of the interview data in reference to how these features influenced the effectiveness of the agencies, rather than to examine the implications for democratic representation and accountability.

Many development agencies recognised that with public funding, comes public accountability. It was further recognised by some that this was a necessary part of their functioning. However, where openness and accountability were poor, this was interpreted as a negative influence on credibility with communities, businesses and other institutions. This seems especially crucial for inter-organisational relations at a local level. However, there were also limits to accountability in some cases. For London Boroughs, one interviewee thought that the fact that their accountability stopped with the local authority boundary introduced a barrier to partnerships, strategic development and activities at the sub-regional level. It was felt by some London interviewees that a number of local authorities were not interested in certain issues outside of their boundaries.

Public accountability was most lacking in Belfast. The whole statutory apparatus of the civil service and the executive agencies was widely criticised for its historical lack of accountability, openness and consultation. However, this has been a problem that is particular to Northern Ireland's historical context. In Berlin the coalition by the two main political parties (made as a gesture of political solidarity during the cold war) had led to a situation where there was an obscuring of traditional democratic behaviour. Both the SDP and CDU, traditionally rivals, were locked into coalition for a long time, and remained so into the 1990s. This led to a certain amount of insularity and exclusivity which many interviewees found frustrating in respect to plans for development and property regeneration. In terms of accountability and expenditure, most development agencies underwent significant levels of auditing and financial reporting. Whilst the principal of these activities was acceptable to all respondents, the mechanisms were not so satisfactory, as discussed in section 6.2.

Many development agencies interviewed had a non-executive board. The membership mix did not receive much attention in the interviews. The quality of the board members, their proactivity, expertise, profile and networking skills appeared to be more important than whether they were of public or private sector origin. Many development agencies were originally conceived to be private-sector led, through a built-in bias in board representation. However, the nature of the board's contribution to the agency varied greatly between agencies and over time, as one respondent demonstrated:

"The first board was philanthropic and their philosophy was one of giving 'time for the community' rather than for the economy. The second board comprised of private sector people who saw [this organisation] as the public sector and wanted to show us up... to show us how to run [this organisation] as a private sector organisation. This was symptomatic of the Thatcherite ideology of 'private good, public bad'. In our current board ... I'm glad that the confrontational view has now gone. The view now is that the board and SMT need some sort of greater dialogue."

(Executive Director, LEC N, Scotland)

In this study, some agencies had boards which were influential in shaping their approach, whereas others had boards which were inactive. It was the case in most agencies that their activities were overwhelmingly executive-led. That is, the staff of the organisation were more significant than the board in deciding on agency objectives,

structures, mechanisms, processes and management styles. Overall, boards appeared to contribute little to many organisations.

The qualities of board representation were interesting. Public sector representatives were thought of as having more capacity for the understanding of economic development objectives relative to private sector board members. In a number of cases, boards dominated by the private sector had successfully installed their own management and operational mechanisms which had led to much innovation, efficiency and effectiveness, but had not compromised some of the more socially-oriented activities. It seems that board governance can be very influential and positively contribute to how the agency is run as exemplified in a number of interviewee agencies, such as Govan Initiative, LENTA and GLE, for example. The issue appears to be one of how to structure and compose the board so that it does make a positive contribution, giving additional benefits to the agency. In one interviewee's case, this involved seeking certain types of member who had a great deal to contribute and who brought strengths to the agency combined with seeking a balance of constituency representation.

However, it is also the case that a strong, influential board can conflict with other constituencies such as central government politicians. It was felt that the new Regional Development Agencies' proposed boards were too skewed towards fitting in with central government doctrine than truly meeting local needs. As one respondent described:

"The best result will be a very high calibre board for the shadow RDA. But at every turn, the government has downgraded its representation and powers."

(Manager, London Interest C)

This illustrates of the dilemmas of the board's role - that they must be sensitive and responsive to both local constituents and national government, whom they overwhelmingly rely on for resources. However, this point also demonstrates an area of potential weakness for some forms of NGO - that appointees are made by, and therefore have some relationship with central government.

The exact role of non-executive leaders was also an area for discussion in the interviews. Many interviewees complained when non-executive leaders became too involved in executive decision-making. One case where there was an agency chairman whom also had a partial executive role appeared to cause problems. Another issue was when

politicians became involved in the executive affairs of economic development. There were many cases of this in Berlin, where politicians were given executive positions. According to a number of interviewees, this further mired agencies in political conflicts too directly. One example from Berlin was in the case of a major business park development, where one interviewee was especially critical of the political role in this:

"Its this political issue. in an Anglo-Saxon country projects like Adlershof would be left to a manager. A manager who is not really a political Figure. He's an executive, but he's a manager... The people involved in management would contract private investors, an architect... to realise the project. And the participation of the city as far as that was required would be dealt with on a purely managerial kind of basis and not a political... one where all sorts of party politics come in. And that's the problem of Adlershof - its been targeted as a model of restructuring and modernisation of Berlin... Adlershof, I guess could've been just as good as any other project. But it was the way it was managed, the way it became a political issue within the greater urban development context."

(Senior Researcher, Research Institute C, Berlin)

Many other commentators in Berlin were equally critical of the political role in executive matters. It appeared that the board's role should be to monitor and 'steer' the organisation rather than become embroiled in operational decisions. In summary, the board role is another factor influencing the effectiveness of the agency. In some cases, it was apparent that the supposed advantages of private sector representation were not realised. It is argued that this is due to the choice of members. In some agencies there was perhaps a lack of effort in searching for the best representatives from the private sector both in terms of their influence within their constituency and their potential influence on the effective running of the agency. The ideal situation would appear to be one where there is a combination of constituency representation and additionality to the agency's effectiveness. The weakest situation is one which fulfils neither of these criteria.

7.9 External Relations

A large area of debate during the research fieldwork was that of institutional relations, networks and partnerships. As discussed in section 6.3, an agency's relationship with the other institutions in its locality are a prime feature of its existence and operation. In particular here, there is an interest in what qualities an agency needs to make the best out of its institutional and inter-agency relations. In addition, many interviewees

discussed the relationship with their communities, clients and businesses. To a large extent, recalling the facilitators and barriers to inter-agency relationships in table 6.2 is helpful in examining the requisites in terms of agency qualities. The area for discussion is enormous. As alluded to in section 6.3, a full investigation of inter-agency working cannot be done real justice here. The most appropriate form of coverage in this chapter is to be reflective of the key features that emerged from the interview data, and to examine the most important factors influencing agency effectiveness. Therefore, the details and conclusions will reflect the agency's point of view, and may reflect the bias in the interview sample.

Much of the discussion in interviews centred around 'partnerships' - perhaps overused as a catch-all phrase which does little for conceptualising the true meaning and nature of inter-institutional relations. It is better to break down the exact definition of these relations, and a starting point is to make the distinction between networks and partnerships as described by Lowndes et al (1997), where the main distinction is that partnerships are more formal, stable and agreed forms of relationship. Networks are interpreted as looser, less formal modes of interaction.

Another feature of inter-institutional relations is that there is much differentiation in the nature of interface. A brief list in table 7.6 summarises some of the main modes of interaction. It is apparent that there are many rationales, roles and forms for institutional relations. All interviewee organisations had high levels of contact with other institutions. It appeared that working relations between less senior managers and officers were usually good across a wide range of institutions. These were usually less formal relationships. As one respondent claimed, "networking is part of day to day work" (Executive Director, LEC D, Scotland). This largely reflects established organisational research that, to put it bluntly 'Most work just cannot get done without some informal communication... Life is simply too complicated to regulate everything' (Mintzberg, op.cit.). In fact, the necessity for informal contact between individuals within the same and different organisations has been proven to be substantial by other researchers elsewhere (for example, Conrath, 1973; Aguilar, 1967, Dalton, 1959). In the field of regeneration and economic development, this is no different. However these relationships are described, a key is understanding the dynamics of these relationships, however they are defined - as one interviewee clearly commented,

"In addressing partnership, you've got to understand what the group dynamics are and what makes them work in certain situations, and perhaps not to work in others."

(Executive Director, LEC D, Scotland)

Table 7.6 Some of the rationales, roles and forms in institutional interaction.

Nature of inter-organisational interface

Formal
Informal
Strategic
Delivery
Resource Procurement
Area representation
Consultative
Policy making
Consensual
Voluntary
Coercive/imposed
Stable
Fluid
Between individuals
Between organisations

How inter-institutional relations are relevant to agency effectiveness

Most agencies are not the sole players involved in economic development and regeneration in their areas. Other institutions include local government, private sector associations, voluntary sector bodies, and many others. Institutional relations were recognised by many as crucial in facilitating effective economic development and regeneration. As one interviewee exclaimed, "bad partnerships can really hold you back" (Executive Director, National Interest B, London). There were a number of opinions expressed by interviewees about what is needed for effective working relations with external organisations, and causal inferences were made between poor agency performance and poor institutional relations.

One of the most fundamental features is the clarity and role of any relationship with another institution. Many respondents reported that the nature of the partnership relationship with another organisation should be shaped by the rationale for this interaction in the first place. There was much criticism of partnership or inter-organisational structures as 'ends in themselves', with much criticism of 'paper partnerships' and 'partnership for partnership's sake'. There were many important reasons for inter-organisational working. For example, many inter-agency relationships have been established to increase the complementarity of projects and services by

reducing duplication and conflict. There are also reasons of client interaction behind this, so as not to confuse or discourage existing and potential clients by having a multitude of similar services or providers. However, there were also instances of the wrong kinds of rationale behind partnership development. In terms of rationales, bidding for funds was seen as a problematic basis for partnership formation. Resource-driven partnerships were much criticised, as one interviewee demonstrated,

"Any resource-driven partnership is doomed...The millennium trust, which I worked on is the worst partnership I have ever seen. It was just a mechanism for winning money. Once the money was won, the negotiations and conflicts for spending and allocating the money began. The strategy or programme document goes out of the window in cases like this."

(Executive Director, TEC C, London)

This issue really concerns the founding principles for forming more formal relations between institutions. It was widely felt that these principles should be those of development and regeneration rather than resource procurement. A lack of clarity of objectives in the establishment of a formal working relationship was also thought to be problematic. It was felt by many that any kind of collective arrangement was best facilitated around definite objectives, whether these were to reduce duplication, strategic formulation and complementarity, specific projects, or other objectives contributing to more effective economic development and regeneration. Many respondents were critical of wide membership inter-institutional bodies as decision-making bodies, especially where participation is too broad. This, according to a number of respondents, slowed the decision-making process and diluted the effectiveness of the work. This may reflect the fact that interviewees were predominantly agency professionals, and may have become frustrated with being over-burdened by committees and bureaucracy. However, it was the case that many agencies were involved in partnership bodies with too many members, and that without clarity of objectives initially, there was a lack of focus. Another criticism was that, on occasions, decision-making was too consensual. One interviewee reckoned that the lack of debate and conflict over decisions in order to maintain consensus relations led, all too often, to the lowest common denominator in terms of decision making. Indeed, a number of agencies reckoned that inter-organisational tensions were healthy for the development process. Two interviewees in particular emphasised this point:

"The idea of pulling partners together is very healthy, as you get different perspectives on many areas. The idea of monopoly leads to exclusivity of views. Inter-organisational tensions are healthy for economic development. Centralisation and monopolisation breeds insularity."

(Executive Director, TEC B, London)

"In partnership beforehand, you should agree what skills are needed for the board or forum. Too often, the board chooses members in its own image. You need a good mix of skills and people at the beginning. Creative tensions are good."

(Executive Director, TEC C, London)

There were a number of lessons for partnership structures or inter-agency mechanisms apparent from the whole research. Overall, there needed to be clarity between participants as decision makers or consultees. Combining the two roles appeared to lead to problems and was time consuming in decision-making and conflict resolution. It was felt by many that there was a need for lead organisations to take the key decision making roles, but to have inclusion in the form of consultation with other groups. In addition, a smaller number of partners was thought to facilitate the development of better relationships between them and contribute to the establishment of a more stable, sustainable relationship. Another lesson was that the people involved in building and sustaining inter-organisational relationships were important. It was largely felt that they needed some decision-making capacity, and that they needed a good insight into their own organisation's business as well as their partner's. The argument here is that inclusion based on representation (of interest groups) alone is insufficient - members must bring additional benefits or skills to the relationship.

Another form of inter-agency working is one of the principal-agent relationship. This is in reference to the relationship between organisations and the bodies that they contract out delivery and implementation to. In the case of areas like Glasgow, this relationship was problematic. The LDOs in Glasgow are agents contracted to deliver certain services and meet defined objectives and targets, yet they were also 'partners' in the development and regeneration process and area development organisations in their own right. Other difficulties were found in London, where TEC and Business Link quality management and auditing requirements were a barrier to contracting to organisations which did not fulfil their quality criteria. Overall, the hierarchical relationship between institutions is a dilemma at many levels. Regional agencies such as Scottish Enterprise attempt to relate to their contracted delivery agents, the Local Enterprise Companies as part of a

network, yet tensions remain between these roles as partner and contractor. It seems that these tensions and conflicts between the principal and agent will remain, yet clarity, openness and communication would do much to reduce inter-organisational friction.

One conclusion is that it is unwise to promote certain structures as the 'best' for partnership. Every area is different, and the context and history of institutional interaction are both important factors. Perhaps most importantly, the structure and nature of institutional relations should reflect the purpose of this interaction. As with the structure of development agencies, the organisational form should be designed to match the purpose or remit as far as possible. This is not simple in practice, but is very important in most areas, because poor institutional relations can significantly constrain effective development action. In addition, these relations are crucial in informing the agency of how its peers and 'market' perceive its effectiveness, and represent an important conduit for continual feedback about the agency's activities. Business representation would seem crucial in this case. The nature of interaction need not always be formalised and regulated either. Substantive informal networks are always in existence and should be both maintained and promoted. There is a danger that the formalisation of these relationships can be damaging if some of the inter-personal dynamics and exchanges are eroded.

Unfortunately, as mentioned initially, the scope for discussion on issues of inter-organisational relations remains perhaps insubstantial due to the constraints on time and content in this project. Further enlightenment on these issues and processes is readily available from a significant body of very relevant organisational and public sector management literature (see, for example Mintzberg, 1979; Alter and Hage, 1993; Huxham, 1996; Webb, 1991; Kraus, 1980; Arblaster *et al.*, 1996; Goss and Kent, 1995; and Mayo, 1996). These references are a valuable source of conceptualisation of inter-organisational processes, and do offer insight into affecting better forms of inter-organisational relations. Urban regeneration and local economic development literature has given this area of interest much discussion under the 'partnership' debate, and is a substantial source of descriptive information. However, it is less adept at causal explanation and prescription for effective and ineffective inter-agency working, and in fact many commentators make a naive exposition of the dynamics and rationales for

partnership (for example, Mackintosh, 1992; Bailey, 1995) in the light of the more expert dissemination mentioned earlier.

7.10 Summary and Conclusions

This chapter has examined the organisational issues relevant to agency effectiveness. This discussion has been led by the findings from the original research in this project - the interviews with practitioners and interest groups. The areas discussed are wide, yet illustrate the importance of organisational and management issues in effectiveness in economic development. These issues had direct relevance to organisational and management disciplines, where a ready source of concepts and ideas were found which were an invaluable and substantial addition to the analysis. It was felt that existing urban, local and regional research could benefit from the consideration of some of these themes and concepts.

The key points from this chapter will be re-emphasised. In terms of *size, scale and scope* there appeared to be a case for stating that there was some relationship between the size of an agency and the capacity it has for action, and the returns to scale it may enjoy. There appears to be a balance to be struck between being too small and too large. Agencies that are too small have problems with both strategic capacity and the ability to develop effective systems for intelligence and understanding about their own socio-economy and business base. However, some smaller agencies appeared to enjoy the benefits of better community and business relations, whereas larger agencies have tended to become more distant from these groups. A proliferation of small agencies also significantly increased the incidence of competition for resources, duplication of services and confusion for existing and potential beneficiaries. There is a case to suggest that larger agencies are far better disposed to having the strategic and operational capacity needed to facilitate more effective economic development. In all cases, there was a need to prioritise action and resource allocations. Agency sizes and resources mitigate against involvement in every potential aspect of economic development and regeneration. Attempts to spread activities and resources too far across a wide remit lead to ineffectiveness and inefficiency.

The *organisational status* of an agency was criticised as a basis for making assumptions, in particular if certain 'labels' were used. Certain types of agencies had common aspects of

their legal and political constitution that were facilitating or constraining with respect to achieving the aims of economic development. However, it has been a major feature of this research that there is much differentiation between all agencies in terms of how they are internally arranged. It is argued that it is not so much the legal status of a development agency that is important as it is how it is organised, staffed and run.

The *functional specialisation* issue in development agencies leads us to several conclusions. Firstly, there appeared to be a movement towards forms which were increasingly multifunctional and integrated, both in terms of interviewee' perceptions of 'effectiveness' and in developments actually occurring. Some specific criticisms of both single- and multi- functional agencies were largely unsupported from the original research. Many of the problems thought inherent in either of these organisational arrangements were found not to be restricted to either single- or multi- functional bodies. Integration was thought to be very advantageous in terms of client and user interface. It also appeared to be important in facilitating the most effective establishment of 'complementary services' - that is, services which were appropriate and common across more than one function of economic development. Co-location and physical proximity between organisations and functions is another factor that enables greater integration and communication. So overall, multifunctional agencies or multifunctional conglomerations of service providers appeared to be the most effective forms, and reflected and reinforced the holistic and integrated nature of economic development.

In an investigation into the *systems and structures* of economic development agencies, an important issue, again, was integration. This was an issue largely concerned with the communication and flows of information between divisions and individuals within organisations. The contribution of senior management in this respect is crucial, and it was argued that the senior management team has the role of taking a strategic view of the whole company's business and ensuring that divisional and individual activities are feeding into company goals. Monopolisation of information is a particular inhibitor to effective communication and the internal flow of information. The 'one stop shop' is a particular configuration which applies to the systems and structures prevalent within an agency. It is an established facet of good practice, although the values which are needed to underpin it are important, as will be made apparent in Chapter Eight. In terms of organisational re-structuring, there was a trend emerging in some agencies of re-

structuring to a more 'market-facing' or 'customer-facing' organisation. Agencies demonstrated the structural traits of many categories of organisation - from those of the 'professional bureaucracy', 'divisionalised form' and 'adhocracy' as summarised by Mintzberg.

Staff and human resources were an essential element of agency effectiveness, yet it was felt that the reality often did not meet the rhetoric of respondents' comments. This occurred because staffing and human resource development was often quoted as one of the most important factors for effectiveness, yet few examples of practical manifestations of staff care and development were mentioned. The demands on staff appeared to be particularly heavy. Another issue was that of feeding in staffing and human resource policy to the needs of organisational and strategic objectives. This should be a prerequisite. The need for business experience and understanding is also a crucial factor in effective staffing, it seems. This should not overshadow the need for empathy, understanding and interface with communities and individuals, however. The work of an economic development agency overwhelmingly relies on effective and motivated staff. Recruitment, development and reward systems should operate to maximise staff performance and match staff attributes to occupational demands. Many agencies would do well to have comprehensive and strategic human resource development approaches in place.

The underlying *values* of an agency were examined in section 7.7. Some organisations were criticised for insularity and defensiveness. There also appeared to be some incidences of arrogance and prescriptiveness. These values are very dangerous. They contradict, what is argued here, to be the necessary values of openness, credibility and market awareness. Such is the nature of the task in economic development, that external relations and market sensitivity are essential to achieving excellence. Lack of openness and awareness will lead to the perpetuation of bad practice, or the missing of opportunities for future growth and development. No practitioner could, or should ever claim that they are 'best practice' or experts in what they do. The economic and policy environment changes at such a pace as to render accepted and ingrained orthodoxies quickly out-moded. So this infers one other value on an agency - the need to constantly 'learn' and to accept change as a fact of life.

Management is perhaps a wide all-embracing term, that was nevertheless strongly reported in interviews. Many comments were expressed about company management. It appeared that in some cases, more effective managers and management systems would have increased the effectiveness of economic development agencies. This is not to espouse the principles of 'managerialism', as this implies the imposition of mechanisms of control. What is needed is appropriate and effective management for the task of economic development - which largely involves the ability to manage people and information to get the best out of them and the organisation. What is crucial, it seems is that effective company management is essential - that the development agency must be run as an entity, a company. This essentially needs one, or a handful of executives who have a deep understanding of the company business, the staff, and the systems and structures in place to ensure that the 'whole' runs smoothly and effectively. However, it would seem that they also need excellent management skills and experience. Closely associated with management was *leadership*. Leadership was also an important factor in shaping the agency's systems, structure and approach. Lessons from the research indicated that leaders should 'steer' organisations and people rather than involve themselves in operational matters, which is also relevant to the points made about company management above. In addition, there should be clear demarcation between the roles of political, non-executive and executive leadership. They should not overlap. Most development agencies were found to be horizontal and non-hierarchic organisations, making the influence of leadership and senior management even more important. The role of non-executive leadership could be very advantageous if board members brought in some additional influence and attributes that contributed positively to the agency's operations. Being a constituency representative alone is an insufficient basis for board membership. Agencies should think hard about who would make the most suitable board members in this respect.

In terms of *external relations*, these are an extremely important feature of both the operating environment and the delivery of effective economic development action. Most interviewees reckoned that inter-agency relations were crucial to the success of an economic development agency. One lesson from the interviews and relevant management research, is the necessity and strength of informal relationships within and outwith the organisation. Care must be taken not to reduce the effectiveness of these relationships if more formal modes of interaction are established, for example along the

lines of urban partnerships. Good external relations increased the effectiveness of development provision in an area through reducing duplication in provision, and concentrating resources into more integrative forms of provision. This is also important from the end-user's perspective. Clarity of roles and objectives between institutions are also necessary. Consensual forms of decision making need to be approached with caution. Solutions need to be found which are the most effective, and the dilution of this can occur in consensual forums. Agencies must be prepared to convincingly argue for the best solutions amongst the institutional network, whilst at the same time maintaining credibility and minimising alienation. This requires negotiation skills. It appeared that forums for institutional interaction and improving relations are better if membership is kept to a low level. There must be a division between participants as decision makers or consultees. Having a wide membership of the decision-making process leads to time consuming and sub-optimal decisions and solutions. However, extensive consultation should inform decision-making as far as possible.

The next chapter discusses operational matters in more depth. There are many links to this chapter. These matters include the more 'technical' areas of intervention design, strategy formulation and integration in practice. There will also be a further exploration of how values underpin the operational design of an economic development agency.

CHAPTER 8. AGENCY PERFORMANCE -
OPERATIONAL AND DELIVERY ISSUES

CHAPTER 8. AGENCY PERFORMANCE - OPERATIONAL AND DELIVERY ISSUES

8.1 Introduction

The purpose of this chapter is to investigate how issues of delivery and the technical design of economic development implementation and activity contribute to the agency's effectiveness. This chapter will investigate delivery issues generically, with some specific illustrative examples. It will draw heavily on the interviewee data. The interviews were very revealing in exploring what delivery meant to agencies in practice, and how delivery mechanisms were designed. Some revelations here will contradict and transcend established academic discussion on these issues, and will also critically evaluate established practitioner and agency values and approaches in some cases. There is a plethora of sources of dissemination on the tools and mechanisms for economic development provision (see for example CUED and PHH Fantus Consulting, 1996; Department of the Environment, 1987, 1988a, 1988b, 1990, 1996; EKOS, 1996; Ernst and Young, 1996; Finn, 1996). This section does not seek to critically evaluate these in detail in the light of the original research, as even evaluating one functional element alone is a significant task in itself. The purpose of this section is to examine the underlying rationales and values that drive development in delivery, explore the organisational dimensions to delivery mechanisms, and investigate the trends in delivery practice and the innovation process. The interview data was very helpful in this analysis. Certain references were also very useful, in particular a number of Greater London Enterprise Policy Papers (Greater London Enterprise, 1997a, 1997b, 1997c, 1997d) which offered a conclusive source of critique in reference to past mechanisms and also outlined emergent innovations and good practice.

8.2 The State and Mode of Current Provision Philosophies and Mechanisms

During the interviews, and in the analysis of secondary information sources, a definite transition in the approach to delivery and implementation of economic development activities was noticed. This transition represents:

- Changes in modes and rationales for provision.
- From little market or client differentiation to increasing market and client differentiation and segmentation in services and activities performed.
- From product-led activity to market-led activity.
- From activities as a set of often separate projects to activities as services, with implications of complementarity and continuity between areas of activity.
- From development agency as creator and intervener, to development agency as enabler.
- From highly defined and delimited strategic approaches to reconciling long term strategic goals with short-term opportunities and threats.

Placed within the overall research project, these points represent the trends and the future of economic development provision. The purpose of this section is to briefly expand upon the elements of 'transition' as listed in the bullet points above. This section is meant to be illustrative of what changes are occurring in the field of economic development. It is also relevant to the reference made to 'All Our Yesterdays in Business Support' (Grayson, 1996) in Chapter Three.

Changes in modes and rationales for provision

To a large extent, the changes in the modes and rationales for provision include the following developments described further in this section. It is evident from the nature of past provision that many modes and types of intervention and activity were unsuitable and unsustainable. An excellent summary of the faults of past provision has been made by *Greater London Enterprise* in relation to the activities of its former incarnation, The Greater London Enterprise Board:

The origin of the GLEB was based on the assumption that direct local government intervention in the economy both was possible (i.e. sustainably affordable) and would produce the desired results. The commercial performance of GLEB itself was of little matter... it encountered difficulties because of the interventions pursued. In summary, these:

- concentrated too much on saving declining industries and not enough on generating or enhancing sectors with a growth future

- concentrated too much on symptoms and not enough on the underlying dynamics that influence company behaviour
- despite being driven by strategic goals, often manifested themselves as direct assistance and subsidies to individual businesses
- did not engage enough the private sector as a partner in economic development
- failed to address relationships and linkages between firms in sectors and clusters
- ultimately proved too expensive in revenue terms to be sustainable in the long term

(Greater London Enterprise, 1997a)

Similar sentiments were expressed throughout the interviews. Indiscriminate grant distribution, and the idea that local institutions could plan and intervene significantly in their economies, especially in the absence of consideration of and working with the private sector, were widely recognised as out-dated and out-moded concepts. A prevalent operational philosophy to emerge from the interview data was that the problems and opportunities at hand need an implicit understanding and a tailored approach. This transformation has largely been charted elsewhere (Blair, 1995; Clark and Gale, 1992; Porter, 1997; OECD, 1997). The emergence of more interaction with interest groups and beneficiaries of economic development activity also reflects the reduction of both the value and incidence of economic development activity as an undertaking done in isolation.

The movement towards increasing market and client differentiation and segmentation in economic development provision

There was much evidence of this movement in the interviews. Traditional modes of provision that were not differentiated, typified by blanket grant-giving approaches, received much criticism. Differentiation and segmentation of existing and potential recipients of economic development provision appeared to be widespread and increasing. Overall, there has been, amongst interviewee organisations and others, a movement towards selectivity, conditionality and market segmentation. In some areas, 'market failure', 'growth areas' and the issue of 'tailored provision' to individual people's and business' needs were unifying values behind selectivity, conditionality and segmentation.

Selectivity largely involves narrowing down recipient groups to those that have needs or development potential that will maximise the impacts of activities and realisation of

agency objectives. Examples include the selection of particular unemployed groups for training and development or work experience. Another example is the increased focus on SME's with the most growth potential. Selectivity is also a response to the funding environment, where the biggest impacts for expenditure are often sought. It may also reflect the fact that agencies cannot be effective if their activities and resources are thinly spread over a large base of activities.

Conditionality further reflects the desire to maximise impacts, and also reflects greater market awareness in some agencies. Many interviewees were against the funding of failing businesses, or businesses that were poorly run and unlikely to recover or even grow. Similarly, funding for start-up businesses is increasingly being made conditional on levels of equity that the new entrepreneur is willing to invest in the business themselves. It is also important to emphasise the influence of the governmental and EU frameworks and treasury rules with regard to the use of public money in development activities. These often constrain expenditure to activities demonstrating additionality and non-interference with the market. Some reference to this was made in Chapter Six.

Market segmentation involves the realisation that different client groups and development activities require tailored approaches and tools. Examples from business support activities are very illustrative here. For example, at LEDU, the business support agency for Northern Ireland, business support was segmented into pre-start-up, start-up, established businesses, and growth businesses. These are further segmented - for example, start-up is divided into self-start, home-start and export-start schemes. There is also functional differentiation in LEDU's activities - between marketing, exporting and business planning. Similarly in most economic development functions there is segmentation along sectoral and market lines.

To a certain extent, this division of activities along the lines of selectivity, conditionality and segmentation could be said to reflect a maturity of experience and understanding of the local economy, its needs, and the market. It is a result of the complexity of the task and the increased sophistication of provision. This was summarised by one interviewee:

"As the infrastructure matures, and tools for assistance and evaluation become more mature and sophisticated, the level of knowledge about impacts matures. So we can see where the deadweight, etcetera is. And we can more clearly see the results. As sophistication increases, the target audience becomes more differentiated. As action becomes more sophisticated, impacts are greater."

(Manager, LEC I, Scotland)

However it is also in part instigated by more stringent funding and auditing procedures, in an environment where the utilisation of expenditure must be explained in more depth and the funding levels available to development agencies are decreasing. The same interviewee confirmed elements of this point of view:

"This increased selectivity and restrictive nature of provision is there to maximise the effectiveness of resources, and to cater for the greater sophistication of both business and support infrastructure that now exists."

(Manager, LEC I, Scotland)

To a large extent, this increasing differentiation and segmentation of client, customer or recipient groups sits best within the established 'marketing' philosophy and discipline (Comprehensively covered by Kotler, 1975, 1984, 1987, 1993, 1994). It reflects increased awareness of the market and how an agency must design responses that are closer to the market and consumer. However, in all but a few agencies, direct reference to marketing concepts were not made. As will be discussed in the next section, 'marketing' is a very useful framework from which to analyse an organisation's business and relations with clients, customers and recipients of services.

From product-led activity to market-led activity

There is a definite trend towards market-led activity in development agencies. This definition is interpreted here as engaging in modes of provision that are more informed by market processes and how the economy works. It is argued here that development activity in the past has been too 'product oriented' - that is, services and projects have been delivered and made available on a basis that is too biased towards the product itself, and have lacked both market awareness and attractiveness. There was perhaps in the past too little market research and testing that took full account of the potential and actual recipient's reactions and opinions to the development tools and approaches. It is further argued here that in the past, economic development practitioners have imposed solutions on economies and communities according to their own mental models and theories. From the original data, it was apparent that there were and still are too many inaccurate and outdated orthodoxies held amongst practitioners and professionals. The gap between the practitioner's theory of the market and the actual market itself needs to be closed. As Greater London Enterprise suggest:

Earlier waves of economic development thinking were tempted to prescribe problems and cures for the private sector rather than with the private sector. GLE agrees with the London TECs when they say "policy must start from an understanding of the dynamics and needs of the different forms of economic activity". That understanding cannot come just from data analysis. It requires the insights of the businesses which themselves are the focus.

(Greater London Enterprise, 1997a)

The occurrence of a mismatch between what's on offer and what is desired or demanded is especially problematic in national programmes for economic development. These have been proved to be insufficiently flexible or effective according to past reports (Regional Policy Commission, 1996; IPPR, 1997) and in the opinions of the interviewees' in this project (refer back to Chapter 6). Locally grown responses to produce more flexible, relevant and attractive (to the participants) schemes and services have been evident in many localities. For example, the failings of government programmes and the employment service in helping the long-term unemployed back to work led to the development of the WISE group in Glasgow, and a similar scheme, 'Glasgow Works' (see respectively McGregor *et al.*, 1997; PACEC, 1995). To some extent, the common-place expression of the need to engage in partnerships and consultation with interest groups is a method of formulating more flexible and tailored provision. However, 'sounding out' the market, detecting latent demand and market reaction is often not made an explicit objective of these arrangements. These modes of external relations typically relate to strategy formulation and finance-seeking activities as their main purpose. This is not to say that the sole purpose of these modes of organisation should be to increase market awareness in the agency. To some extent this will occur as a result of dialogue, and there is evidence that interest groups will eventually start to exert some feedback and proactive input into economic development policy and practice with time. Evidence of this was presented by a number of respondents in reference to the Operatives Network in Glasgow, where the original purpose was to create a network and facilitate smoother working of private sector interests related to inward investment, transforming into a situation now where members are exerting constructive feedback and ideas into the development agency.

The occurrence of over-reliance on the product for organisational success is an established area of research and discourse in business and management studies (Egan, 1995; Porter, 1974). The key point here is that the product is useless unless it satisfies

some need, whether conscious or unconscious, that the customer has, and that product design in the absence of the extensive consideration of the customer is disastrous in the long-term. In the case of provision of HRD assistance to small businesses, one interviewee illustrated this danger:

"Investors in People is product-led. It has targets. The danger with large-volume schemes like this is that you must thrust schemes like this on firms to attain volume of provision and to achieve output targets. For some businesses this scheme may not be suitable, yet they have it forced upon them in a package of other assistance which may be more useful to them."

(Manager, Business Link B, London)

Another interviewee reflected the danger of mismatching products with what was required in economic development terms by criticising TECs and Business Links in London for not fulfilling manufacturers' skills shortages (Manager, London Interest C). Training provision in the past came under criticism by several interviewees as being too product-oriented. This was further related by some, who commented that many training schemes were a means to an end in themselves, without adequate considerations of the individuals undertaking training, and the labour market that they would re-enter. One interviewee summarised this by stating,

"The issue of training as a means to an end is now disappearing, We're not any more the Training Agency or the Manpower Services Commission, training people just to improve skills. These skills have got to have relevance to the economy... The idea of training people to sit on the shelves waiting for the economy to pick up... or training in yesterday's jobs is in the past."

(Executive Director, LEC D, Scotland)

The transition to more market-sensitive and market-aware values and modes of activity were well exemplified by some inward investment activities in Scotland. One interviewee summarised the new market-driven approach to inward investment recruitment in their agency:

"Inward investment is fundamentally a marketing service. It's not about brochures or ads, but it is more about product design for customer's needs and delivering a product to the customer's advantage. It's about identifying needs and satisfying them. In the public sector, marketing doesn't sit easily."

(Inward Investment Unit Manager, LEC J, Scotland)

This quote illustrates the consideration of customer's needs in designing and presenting a product - i.e. a market-led approach. In summary then, consideration of the client base's needs is becoming increasingly important in economic development provision. Providing standardised grants and services with little consideration of their impacts prior to design is now inferior practice. This supply-side ideology is now being balanced with an equal or greater concern with the demand side of development activity, both from the local economy's and the client base's point of view. This examination of the market guiding development action is further explored below. From this research, this emerged as an important source of good practice in both technical and organisational design, and is worth further exploration with the use of established literature on the subject.

The place of the market in designing intervention

What is meant by the 'market' in economic development and regeneration? In order to conceptualise the role of the market further, it is useful to draw on past work on Marketing as a tool for the public sector's use. Walsh (1989) provides a comprehensive guide to marketing and its usefulness as a concept and tool in local government. Walsh made the definition that marketing is 'more a management approach and process than a set of specific techniques'. He further emphasises that marketing is a philosophy that implies a recognition of the relationship between consumer and organisation, and also recognises the complexity of this relationship. In addition, he makes the distinction between strategic marketing and consumer marketing. Strategic marketing is closely related to corporate planning, and the whole strategy process. It involves a method of analysing the market and designing responses to it strategically, organisationally and in terms of service design. The decisions that are made in a marketing strategy are the fundamental decisions about the nature of the organisation's business and how it goes about conducting its business. This really translates (in the case of development agencies) into the market with respect to the local economy, the economic base, businesses, residents, local government, and other factors affecting social and economic development. Consumer marketing recognises that products need to be designed from the consumer's point of view, and not the producer's. In addition, consumption is a process that involves a long-term relationship between consumer and producer, and in most cases transactions between consumer and producer will be on a continuous basis. So the consumer perspective implies an analysis of the relationship between the

consumer and producer, and is associated with the attempt to maintain good relations between the two.

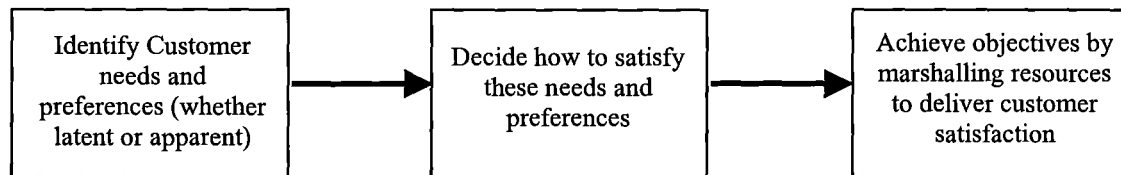
A significant revelation from the interviews and subsequent analysis was the position of intervention and delivery design with respect to the market. It is argued on the basis of the interview analysis that agencies cannot operate nor design delivery mechanisms in the absence of market considerations. Crucially, services, projects and economic development functions are of little use or value intrinsically if they are not valued in sufficient levels by the market. The market here refers to the existing and potential clients, companies and stakeholder institutions that the development agency serves. Some stark illustrations of this were made in the case studies. For example, in Berlin and the former GDR states, massive infrastructural upgrading and the establishment of advanced factory units have been made in the absence of subsequent market demand. One interviewee described this feature,

"I really wonder what the hell these guys are doing. These advanced factories and industrial estates... they get called 'the cathedrals in the desert', illuminated cathedrals in the desert, because you go through the desert and see these perfectly well asphalted streets, lamps... the infrastructure is all in place... and its still empty... and some communities have gone heavily into debt to finance this."

(Senior Researcher, Research Institute C, Berlin)

Another issue raised in interviews is that of not necessarily giving the market everything it wants. Many interviewees commented that in some cases, such as business support, there are many requests for grants, and that there is often little developmental rationale to giving out grants indiscriminately. There appeared to be some kind of balance to be struck between the extremes of 'giving the market whatever it wants' and 'imposing economic development services and products on an unwilling or untested market.' A useful concept in understanding the notion of providing services valued by the market is that of latent demand. Latent demand is demand that exists but is not expressed consciously by the consumer. In a similar vein, economic development professionals are aiming to demonstrate the value to the community of their services, but that this value may not be realised until businesses or individuals take them up. To a large extent, this discussion mirrors contemporary thinking on marketing concepts. This is summarised in Figure 8.1 below:

Figure 8.1 The market driven strategic process.



(source: adapted from Egan, 1995)

The agency itself expresses perceived needs and preferences for the local economy, but these further operate within the needs and preferences of potential and existing individual clients and companies, whether local or extra-local. A mismatch between agency needs and preferences and those of other market actors is problematic, and can reduce effectiveness. Insufficient attention to gaining extensive market awareness by development organisations has been noted in other studies. For example, Ernst and Young (1996) cited English local authorities' self-awareness that they lacked enough knowledge and understanding of the inward investment market which severely hampered their operations.

Another relevant concept from marketing is that of customer and client satisfaction. The aspirations of realising business growth goals, for example, depend to a large extent upon the relationship between the agency and the business in receipt of assistance. It is apparent that in the past this agency-client relationship has been regarded as too one-way - i.e. more in favour of the agency's activities and domination of the market place than in consideration of the client base. This point of view is dangerous, as the agency can quickly lose support and credibility by being market insensitive.

The philosophy and mode of operations in an economic development agency is partly rooted in the culture, structure and tradition of the organisation. Certain organisational configurations will be more conducive to market-led and customer focused activities and functions. This is clearly illustrated if the worst elements of local government performance and organisation are considered. Walsh (1989) mentioned a number of relevant points relating to the 'product led vs. market led' debate in his analysis of the application of marketing philosophies and methods to local government activities and organisation:

- The organisational culture developing in local government post war was internally focused, concentrating on systems and procedures to deliver uniform services efficiently.
- The public sector culture is largely professional, and service systems are normally designed by and for the professionals. It may suit them, but not the service user.
- “The professional domination of local government, with professionals deciding what is best for people, is coming to be questioned’ (ibid.).
- The relationship between clients and public sector professionals has been largely passive. This gives little attention to the role of the client and is likely to be more inefficient.

From the research evidence and other sources (GLE, 1997a, Dopson and Stewart, 1989), these points seem very relevant to past practice in economic development agencies, and existing practice in a minority of agencies encountered during the research. Many respondents had come to these conclusions themselves, and recognised the past weaknesses of designing approaches in the absence of market considerations. Perhaps this reflects the decline in the traditional dominance of economic development activities by central and local government apparatus. In addition, the emergence of a new conceptualisation of what the agency does is relevant to the increase in appreciation and use of marketing concepts. Some agencies had managed to significantly change the nature of provision with the use of extensive market research. One interviewee’s comment demonstrated the lack of market understanding as a factor in the perpetuation of grant-based provision:

“When we first came into the area, people said that you ‘can’t change for services instead of grants’ - that businesses wouldn’t want services. But this claim was not based on market research. We did research the market and tailored services to fulfil some of the demand out there. We found that people weren’t totally happy with receiving a grant and no advice or follow up or anything... And we proved that this change to services could be done. Understanding the market is crucial, and you need to live in the market place.”

(Manager, Business Link B, London)

In summary, marketing provides some very useful concepts and methods for developing strategy, organisation and action in economic development. It conceptualises many of

the related comments from respondents and methods currently in use in economic development agencies very well. It is not, as some would interpret, simply confined to publicity, and other 'selling' activities. It is about sound market analysis and the design of products and services that meet the needs and wants of communities and companies. It is also about having effective mechanisms for monitoring changes in market and economic conditions. The methods of analysis used in marketing are also very useful, and could be more fully applied to economic development activities.

Economic development activity as a service

An observation from the interviews was that few references were made to the functions an economic development agency performs as being 'services'. The most common adjective used to describe activity was a 'project'. In terms of established management and organisational disciplines, there may be a lack of conceptualisation here by interviewees of what the agency delivers. It is argued here that what most agencies deliver are services, and not products. This relates to the argument made by Levitt (1960) that customers buy solutions to their needs, and not products. For example, an individual may sign up to the concept of starting their own business, rather than to receiving a grant, or receiving sufficient technical vocational experience to gain employment rather than an NVQ course. One interviewee pointed to the importance of this concept:

"[This organisation] has found that selling the concept of self employment rather than the scheme involved works better. This is true for other functions. We have found that often scheme titles mean nothing. With decent, continuous branding or image of services or concepts - you can change programmes easily."

(Chief Executive, LDO B, Glasgow)

There is also a case to argue that solutions can be designed which do not coalesce around a grant as the prime focus. The service could be the focus for the client. From the research, it is argued that economic development activity should be conceptualised and developed as a range of services. Projects imply that activity is discrete and time-limited. The key to the analysis of a service is to determine what is the core product or benefit and which characteristics of the service produce that benefit (Walsh, op.cit.). In this way, the organisation is forced (and quite rightly so) to focus on the benefits provided by a product, so causing the organisation to think about the service from the user's point of view. In addition, development 'services' bind in the participation of the agency and

staff with the recipient's experience of the service. This leads to increased emphasis on customer interface, interaction, care and management as well as enhancing the understanding of the local economy and 'market'.

Many agencies are establishing a service culture of operation. The service culture implies that there is a relationship between agency and service-user, and that this relationship is a long-term one. In business support, for example, most clients are offered a portfolio of services that the agency and partner organisations can provide over a period of time. Even in property development, perhaps an area of activity that typifies the project-approach, agencies offer developers and occupiers a service. Essentially, the inward investment function is offering potential investors a range of services such as, for example reduced planning permission times, labour market analysis and selection, property search and selection, or aftercare services.

Development agency as enabler.

The idea of the agency taking some kind of 'enabling' or 'catalytic' role was mentioned in Chapters Two and Five, and also found some credibility in reference to the original research. Many development agencies were involved in development activities and capacities that did not implicitly involve the actual delivery of programmes and services. The role of many agencies such as LECs and TECs was often remarked upon in terms of their abilities as the 'bridge' between the government and the private sector. Several interviewees' comments highlight this role:

"TECs are in an ideal position to deliver through the government's agenda. They are the only body which can work across organisations and agendas, i.e. in the new policies of New Deal and Upskilling."

(Executive Director, TEC A, London)

"The intended impression is that we are a quasi public/private body that is expected to be professional and has business-like credibility with private sector counterparts. This is not the case for local authorities... An issue for RDAs is that TECs play an essential bridging role between public and private sectors... Without a TEC, West London Leadership wouldn't have emerged - as it is over and above government programmes."

(Executive Director, TEC D, London)

These two comments illustrate the role development agencies can play as a central influence in the local institutional network. However, these comments should not be taken as an indication of the effectiveness of these particular TECs in this role, given

their source. There were many other instances, however, where respondents thought agencies played a role as an honest broker, or facilitator in their localities. There were also cases where agencies became involved in areas of activity that did not fall neatly into their functional or operational remit.

Another area of activity that falls into the 'enabler' category is that of acting in the interests of economic development or stakeholders within economic development in identified gaps of provision. One Scottish LEC illustrated their role in this with an example:

"Business development has embarked upon an innovative project "the learning journey"... This took some companies over to San Francisco and companies toured around companies, and were introduced to a number of gurus. The companies paid for this themselves, but [the agency] organised it. It involved a heavy schedule. Companies encountered radical thinking by Californian companies, and were very happy with the experience. This is an example of the movement away from consultative help."

(Executive Director, LEC N, Scotland)

Now this is an area where the agency is developing activities that clients have a demand for, and are willing to pay for, but have no-one to organise them. The agency stepped in after testing the idea in the market-place. The revenue expenditure of the agency on this project was small. This is an example of a revenue-neutral mode of provision - an area of provision that is argued here to be an important source of future economic development activity and advantage. This theme is expanded on further below.

Some of the agencies encountered in the UK were legally barred from owning assets, or retaining returns from activities, from which to fund economic development activities. There is much potential for using such funds to develop new areas of activity, cross-subsidise activities, and sustain others. There are a number of development activities that have been performed on such a revenue-neutral basis in the UK and elsewhere. That is, they are funded by returns to assets, equity or charges in property, finance or other services, and do not depend on (or have very low dependency on) any form of annual or revenue funding from governmental or other sources. It may be argued that these forms of activity are market-sustainable, and therefore do not need to be the subject of control or administration by an economic development organisation. However, it is equally arguable that this may be justified if these assets or services are managed at market rates

and on a commercial basis. It may also be the case that these services are currently not provided by the market because there is market failure.

It has been made apparent by organisations such as Greater London Enterprise that there is much scope for addressing areas of market failure in revenue-neutral ways. This is because the approach is to create a market-sustainable area of activity, rather than support it through long-term public intervention and investment. There is also the scope for provision of collective services to businesses that are valued by businesses, but yet would not exist if left to business to set these up themselves. This is one of the reasons why ERVET, Emilia Romagna's regional development agency, is so successful. It provides a wide range of sectoral and collective services that are paid for by businesses at significant, yet competitive rates. However, there is the condition that the nature of the service on offer must be eventually market sustainable and valued by the client base. This does not, however preclude public investment to seed-fund these activities and institutions to perform them. An analysis of the key lessons from the ERVET experience by a Department for Education and Employment commissioned report highlighted the market relevance of ERVET's activities:

The "ERVET" system is heavily dependent on two factors. Firstly, the spatial patterns of the region's industry... Secondly the regional culture, which has a tradition of working together... and co-operation. Local businesses expect to work together and to offer complementary skills and services. *It would be wrong to suggest, however, that competition does not exist. Relationships are based on the belief that they will increase business, not in order to be charitable.*

(Meridien Projects Ltd., 1997. Italics added.)

Collective services can also be provided or instigated by development agencies that are not solely service or project based. A good example of this is Glasgow's Operatives Network. This forum brings together private sector actors who deal and benefit from inward investment brought into the city, such as property agencies and employment agencies. This network is very effective in co-ordinating private sector responses and activities for inward investment possibilities, as well as providing market leads to potential inward investors through national networks. It is obvious that development agencies are capable of 'plugging' some gaps in the market and transforming these initiatives into sustainable enabling mechanisms for enhanced economic development and growth. These types of services can form a significant role in the regeneration and development of an area economy. Effective economic development action need not

exclusively involve large projects and large expenditures. Agencies need to develop these sustainable modes of activity in addition to the more common forms of expenditure and intervention. Finally, development agencies must not be afraid of withdrawing or divesting from such activities if they do become self-sustaining.

8.3 Strategy Development

Strategy formulation is an interesting area for discussion, and from first impressions it would appear to form a central part of development agency role and activity. There was much sentiment expressed by interviewees that the most crucial part of strategy formulation is market information and knowledge about the economy at many scales. There was also the interesting dimension of the purpose of strategic frameworks, documents and statements. These can be broken down into the following types:

Implicit strategies: those strategies that are implicitly imbued through organisations and their divisions. These strategies may or may not be formally written down. The implicit strategies are crucial, as they comprise the basis for agency activity and staff functions.

Mission and strategy statements: these represent those statements that are largely circulated to the outside world, and summarise strategic intent. They are guidelines and loose frameworks for action rather than prescriptive manuals. They also often contain targets or objectives over an annual time period or longer.

Bidding documents and business plans: these have an amount of strategic content, but are heavily skewed towards an audience of existing and potential funders of activities. Often, past performance is described, and estimated future performance and expenditure is included.

As mentioned in Chapters One, Two and Three, effective economic development is about creating long term sustainable solutions and growth in the economy. A common theme running throughout this section has been the need for market knowledge to be embedded throughout the organisation and action of an economic development agency. This is no less in strategy formulation. In addition, consultation with stakeholder groups was found to be an important process in strategy formulation. This was

especially the case for some respondents who regarded consulting with delivery agencies and community organisations involved in development activities as very important. Such constituencies were felt to be closer to the client base, and the levels of implementation and impacts. They could also reflect more closely on community and individual perceptions more accurately. Several interviewees' comments supported this argument:

"Voluntary organisations are vital. The small and local neighbourhood organisations can dilute their credibility if they enlarge. They have a local community interface which is vital for us. King's Cross partnership has had a very low take up from the worst neighbourhoods. If there is a chance of involvement, it is the local community groups and representatives who can influence individuals. We need this local knowledge plus on the ground contact."

(Executive Director, TEC A, London)

"Strategic organisations can only be strategic if they know what's going on, on the ground... It is critical that strategy is driven by grass roots. This doesn't happen enough, and there is often a lack of communication and consultation."

(Manager, Business Link B, London)

Other methods of keeping in touch with the client base were apparent. For several interviewees, it was important to establish personal contacts with businesses in their areas:

"Business... It's about pressing flesh, reputation. It's all to do with putting yourself about, and networking. A lot of our workers will walk the streets and ensure businesses are on our database."

(Executive Director, Business Link C, London)

"We've got 10 outlets down here, we've got our finger on the pulse. Nobody can tell us that there's something about [our] economy that we don't know. We have a visit programme, where our staff visit every one of the 650 companies in this area. We have a complete database of all of those companies... do they propose to expand, do they export, do they have security problems?, do they want to take on staff?, do they have a strategic orientation?, are they interested in IIP?, etcetera, etcetera. We know all that stuff. So when we write applications which attempt to address the needs or opportunities which derive from those companies, we do it on the basis of knowledge."

(Chief Executive, LDO D, Glasgow)

So, the process of strategic monitoring and analysis would appear to involve a significant amount of pro-active market research, as well as the more formal methods and studies

used. One important aspect of strategy formulation is that it is not an end in itself. This means that the strategies expressed, and implicit ones in particular, are geared towards practically feasible and realisable goals and activities. The farther removed from implementation strategic intent is, the less credible the agency's analysis of the locality and the priorities for action are, both internally and externally. One causal factor for such a gap may also be the lack of internal ownership of the strategy or priorities, whether through lack of consultation, participation or justification with staff. A strategy 'team' or person may design strategic frameworks without sufficient appreciation of, or communication within, the agency as a whole. From fieldwork observations, strategy formulation as a process appeared to be an important activity in many organisations, taking significant levels of staff time and investment. However, there were a few cases where strategic priorities seemed questionable in relation to the opportunities facing an area. Strategic intent did not match actual opportunity very well - perhaps reflecting a bias towards 'prescription' rather than a true synthesis of strengths, weaknesses, opportunities and threats. In sum, one interviewee commented on the implementation issue, that:

"People often think that having a strategy is having a document. Well they are wrong, because its got to implemented, which many of them don't do."

(Chief Executive, LDO A, Glasgow)

Some anecdotal evidence is also useful here from discussions with a colleague. This colleague attended a Welsh Development Agency presentation of a 'Knowledge Economy' development strategy for Wales, which has been both hailed and promoted as best practice by the European Commission. This colleague further commented that this strategy was a piece of paper that had not been implemented in any form, nor included any substantive plan for implementation. One must question the usefulness and purpose of such an exercise if done comprehensively without any thought to implementation, and also query the credit given to this by the EU. Such is the danger of regarding strategic statements and the analysis behind their formulation as an end in themselves.

There is also the very important issue of economic and market analysis and understanding. For example, the Scottish Enterprise Network has engaged in much research and analysis work, both at the Scottish Enterprise and LEC level. There were instances of this directly influencing policy and service design and priorities. Some good examples of this include Scottish Enterprise's Business Birthrate Strategy (Scottish

Enterprise 1993a, 1993b, 1996a) and their 'Commercialisation Enquiry' (Scottish Enterprise 1996c). This process of enquiry also involved substantial recommendations for implementation. Local Enterprise Companies also commissioned research themselves, although little was done in-house. It appears that there are some benefits of having a well-resourced regional agency such as Scottish Enterprise to undertake research and analysis of economic opportunities, weaknesses and threats. In addition, Scottish Enterprise has the policy and resources to link this analysis directly with practice both in the formulation and application stages. This is a strength. However, it was felt by a number of interviewees in Scotland that Scottish Enterprise could do more economic monitoring and analysis than it currently undertakes. Another important issue is that this process could be more of an inclusive process amongst staff. This would aid both a more informed level of feedback at the implementation level, and the level where client interface takes place. It would also increase the staff ownership, identity, and familiarity with new strategic approaches.

In an organisational sense, analysis and understanding of the economy and community the agency operates in must not be performed solely by contractors or organisational units in isolation. Too often in development agencies, it seems, research staff are located 'out on a limb' from other people and the rest of the organisation, or research is performed in another organisation altogether such as a consultancy. The key is that understanding and intelligence about the socio-economy needs to permeate every member of the organisation. Many agencies have a tendency to externalise this 'learning function' into a separate unit or consultancy. This does not enhance knowledge through the corporate body as a whole, and nor does it enhance both the practice and culture of learning and information management. There is another role for senior management here to ensure that this is taking place. Again, 'insularity' may prevent information being valued and distributed. The design of information and the methods of dissemination require as much consideration as the content. This is a key part of maximising the returns to information.

The strategy process is an important part of the development agency's operations. It influences more than operations, if done properly, however. It is about disseminating further cultural values and rationales for the work of the agency. In addition, it is not just a formal process of review, research or audit. It must involve those who are at the market-face of the organisation, and also those who deal with implementation. Many

agencies would do better to make strategy a more inclusive process internally. This further relates to the need to develop learning and knowledge management throughout the whole organisation. All of these factors would contribute to more implementable and realisable strategies.

8.4 Innovation and the Development of Delivery Mechanisms

The issue of innovation was often raised in the qualitative interviews. Innovation was often used in relation to the tools and mechanisms designed by the agency in implementation, or the solutions created for particular problems. One interesting theme to emerge from many interviews was the need to be pragmatic when dealing with innovation. According to some respondents, there was a predisposition in development agencies towards creating new ideas and approaches at the expense of the development and improvement of existing mechanisms of delivery. One of the perceived problems of innovation mentioned by interviewees is that it is easy to have many ideas, and many ideas are put forward, but only a small proportion of them will be viable and practical to implement. A few interviewees summarised this issue:

“I actually think that part of innovation is certainly having some ideas, but killing off 18 of your 20 ideas, and then focusing on one or two, and maybe you will get rid of one after that.”

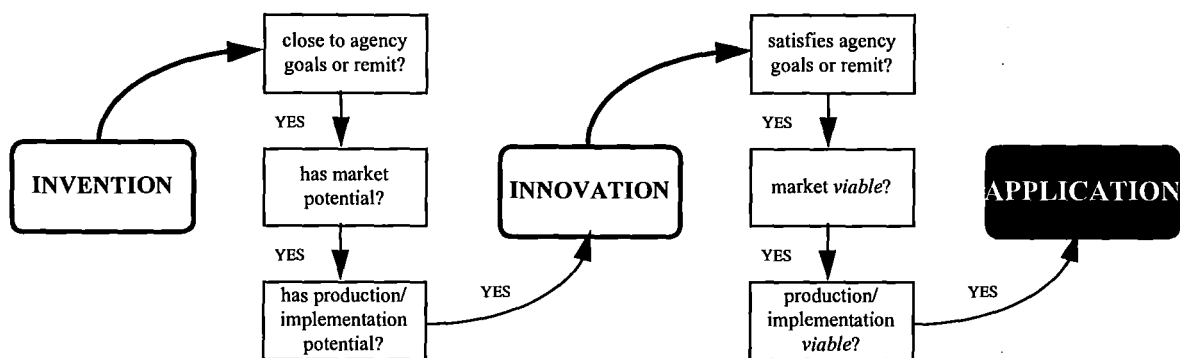
(Chief Executive, LDO A, Glasgow)

“We do have a lot of vision and ideas, but we have to step back and ask what’s deliverable.”

(Manager, Community Interest B, Belfast)

What is being discussed here by the interviewees is the difference between invention, innovation and application. Invention is the development of new ideas and approaches, whereas innovation involves transforming ideas into realisable forms. Not all inventions can be realised in practice. Innovation involves prototype design and market testing. If the innovation is not suitable for the market then it will fail. If it is suitable, it will move onto the application stage. It should also be noted that market and economy research should inform this process at all stages. These are basic criteria, and basic ideas, but add clarity to the process nevertheless. They are represented in Figure 8.2 below.

Figure 8.2 The process of innovation in economic development.



There will also be instances where innovations may falter on the path to being implemented and established as mechanisms for economic development. They must be costed and planned, and organisational structures must either be able to cope with this new mode of activity, or be able to be changed to accommodate this. New organisations to implement such services may be needed. One road a few development organisations appeared to take, though, was one of constant invention in the absence of analysis of market or operational viability combined with a lack of attention to continual improvement of existing mechanisms. This was summarised by one interviewee,

“There’s probably too much attention to innovation and pilot projects, and then we usually subsequently find that we don’t have the resources for widespread take-up. We should sometimes concentrate on improving existing operations.”

(Executive Director, LEC B, Scotland)

Another great issue for development agencies is keeping track of effective modes and forms of activity that have occurred in other organisations and localities. There are two extremes of bad practice in dealing with this. One is not being aware of practice externally at all, and repeating the mistakes that other organisations have made in the past. Another is in the prescription of external practice for the locality without considering its appropriateness. The latter was illustrated by one interviewee in reference to the spread of the Business Ventures Partnership scheme in Scotland. This scheme originated in Northern Ireland and involved bringing together individuals who could benefit from meeting partners with complementary resources of capital, skills and attributes to start a new business. The rationale behind this was enhancing the prospects for growth and development of these new businesses by combining people’s resources. This programme was replicated in some areas in a volume that was inappropriate to the number of suitable individuals in the locality. As a result, the scheme in one Scottish

locality was under - subscribed by over 500%. In the former case, of repeating mistakes of the past, this was much commented on in Northern Ireland, where new organisations were at times establishing business support functions along very unsophisticated lines.

Innovation, it would seem is another element of agency practice that has the danger of assuming a self-fulfilling momentum. Pragmatism must be practised in considering the underlying rationale, market-suitability and applicability of new ideas. In addition, when importing ideas from other localities and agencies, caution must be taken to understand both the contexts from which they came, and which they would like to be applied.

8.5 Integrating Tools and Mechanisms

One of the prime areas of discussion in interviews was the integration of economic development approaches and activities between different functional streams and organisations. This was discussed in terms of functional and organisational integration in Chapter Seven. These discussions in the interviews included elements of tools and mechanisms for provision. There were a number of elements to this. Firstly there were the perceived development advantages of integrated action. Then there were the advantages to the clients of having ease of access to development agencies and their potential services. This latter point refers to the concept of the 'one stop shop', 'single door', or 'first stop shop' provision of one single point of access and enquiry to the agency or area's economic development services and activities. Related to this there is the 'account manager' who is basically a guide or mentor who is directly responsible for a client, leads them through the organisation and help available, and also signposts them to other organisations.

Many benefits of integration were proposed by interviewees. It was largely felt that economic development was about providing holistic solutions to both social and economic problems, and that integrative, holistic action produced more sustainable impacts in the long term. From a client's point of view, the sheer number of schemes or initiatives and organisations involved in provision can be daunting. The bureaucratic maze that must sometimes be negotiated in these situations can reduce client satisfaction with the agency. For a number of years now, there has been established the principal of the 'One Stop Shop' - where potential and actual clients can make enquiries or visits to

single sites, enquiry centres or agencies in order to receive customised advice on what is available to meet their needs. In some cases, services or initiatives may also be available at a single site. The development of these single access points has been long prevalent in elements of business development provision, both in inward investment and SME support. In inward investment, the provision of single units to manage the process of enquiry to location is long established. EKOS (1996) reported that many of the leading agencies in the UK spent considerable energy, time and resources in attempting to create a seamless agency for inward investment with good integration into the economic development function as a whole. In business support, too, the single access point has been hailed as best practice provision. In certain areas, one-stop-shops are also being provided for training and HRD functions. However, simple as the concept may be, the actual integration and bringing together of the sometimes disparate elements of the development support and service infrastructure is not easy. There follows further examination of the rationale behind these concepts from the respondents points of view.

The confusion of who to contact for economic development support, and the additional bureaucracy that results both in dealing with the client and dealing between agencies is problematic. This is a rationale for single-point access and customer management. Also, single point access need not be simply an institutional one, through a customer relations desk for example. Personal points of access were also important. As one interviewee reflected:

"If you ask a client, they only want to go to one organisation. For example, for a young person's start-up business, you could potentially see six or seven people. So you really need this type of key account manager to deal with the process. Currently this doesn't exist. You could see one of many organisations and schemes such as LEDU, livewire, or ACE. I'm not so keen on the one-stop-shop idea. You really want one person to walk them through the whole process. The problem with many agencies and schemes is that whilst they have good advisors and good commercial advisors, there is no-one to link them together. These are the hurdles that exist."

(Manager, Regional Agency C, Northern Ireland)

The benefits of having a single point of access, either through a person or account manager, or a single unit or organisation found a good basis for agreement amongst interviewees. Some of their comments are illustrative,

"In terms of business support, in the past there were too many public organisations set up within Glasgow. We needed one point of contact agreed with all organisations...

Basically the Business Shop involved designing a 'front end' for enquiries and contact, to end the confusion over who to contact for what. Business Shops are a gateway to other services, and also have a signposting role to services and people."

(Manager, LEC F, Scotland)

"If you look at our business development... yesterday we brought together business start-ups, the business shop and business development under one roof in a new company development headquarters. We've merged all of these functions together."

(Chief Executive, LDO D, Glasgow)

One-stop-shops, single sites and account managers should not be looked upon as solutions in themselves, however. As a rule, caution must be practised in considering the popular and widespread 'best practice' innovations such as 'the account manager' as panaceas for increasing effectiveness in economic development agencies and provision. The underlying rationale behind the development of integrative forms of customer interface has often been the proper management of customers and clients to enable maximum response, accessibility, efficiency and customer care. For example, in the account management system, relying on one staff member to be the interface, guide or mentor to a client has pitfalls if this staff member is absent or leaves the job, as one interviewee highlighted:

"We use the account manager system here, which is best practice. This simplifies communication. One of the real difficulties we have is that we get a very fast turnover of staff. An account manager disappears, and we have problems - so we try to embed the system to prevent the loss of goodwill with the loss of people."

(Executive Director, TEC D, London)

So one single account manager is not necessarily the best for maintaining long term customer relations. Referring back to the importance of the rationale for integration, one innovative project in the Forth Valley demonstrated the widespread benefits of the single-access point approach. The reporting of one interviewee perhaps best describes this:

"Our ex-skills director had the vision of totally integrated learning partnerships - involving EBP's, colleges, etcetera. Three years ago, we had the Falkirk Adult Careers Information Shop which just didn't work. It appeared to duplicate the work of the Employment Service and Local Authority education department. We had a re-orientation, and asked what the common purpose of all the efforts by the institutions involved was - which was community access to information and guidance to promote lifelong learning. So we developed 30 electronically-linked access points in all manner

of places, including libraries and colleges. As a result we have had enquiries of 3-4,000 people per month. We've now abandoned the discriminative, specialist facilities such as 'women's learning centres', and integrated all adult provision."

[Interviewer] This appears as though it may also serve a function of sounding out the market

"Yes it does. We do get an indication of what the demand is out there in terms of adult education."

(Executive Director, LEC N, Scotland)

So, in this case, integration involved finding common purpose amongst providers, which involved increased access in adult education. An integrated, multi-institution approach led to the development of single access points of enquiry. An added benefit has been the ability to pre-emptively gauge the nature, scale and type of demand for adult education and training. Here integration is about increasing the ease of access, and the removal of institutional barriers and duplication simultaneously. It has also brought the agency closer to the market, enabling a more detailed and direct dialogue with, and understanding of, existing and potential clients.

Integration is important from the perspective of existing and potential users. It is a critical element of this constituency's perception of agency effectiveness. For the agency, it allows a more comprehensive and tailor-made approach to each client. To facilitate this, organisational structures and systems must be able to cope with such a system. Communication and information flows through the agency are important here. There are also many other additional benefits. These include better market understanding, closer appreciation of the impacts of operations and cost and efficiency savings from the removal of duplication in provision.

8.6 Summary

This chapter has sought to examine the technical element of economic development practice. It has taken a general view rather than a detailed analysis of the advantages and disadvantages of certain mechanisms. There has also been some discussion on what are, from the basis of the fieldwork and other sources, the emergent philosophies and modes of provision. The view was taken that there had been several elements of transition that were occurring in development agencies with respect to technical design and application. One of these was the general point that there have been, and continue to be, changes in

the modes and rationales for provision. This largely concentrated on the emergence of more entrepreneurial, market-based methods performed with wider awareness of recipients and other service providers. As part of this transition, there appears to be a move towards increasing market and client differentiation in provision. Economic development activity has increased in sophistication and customisation. Solutions are becoming more tailored to needs and opportunities. Closely associated with this trend was the transition from product-led to market-led activity. It was argued that in the past, too many economic development agencies have prescribed solutions in the absence of market testing and market considerations. Both the awareness of this shortcoming, and the increasing expertise in many economic development agencies has led to the abandonment of this product-led approach in favour of a more market-led approach. Thus, the mismatch between what the agency can offer and what is desired, demanded, appropriate or will succeed in the marketplace should be eliminated. This discussion led to further enlightenment on how marketing concepts are very useful in application to economic development practice. Another transition in philosophy was described. This detailed the need to regard economic development activity as a range of services. The notion that customers, clients or beneficiaries seek a solution to their needs rather than a product was described. The service philosophy also furthers the increased emphasis on customer relations and enhancing the understanding of the local economy and market.

It was argued that there was more scope in development agencies for providing services that that could correct market failures and be self-sustaining at the same time. The point was made that effective economic development action need not exclusively involve large expenditures. Overall, creating market-sustainable activity is a foundation for an agency's remit, and should not be forgotten. Strategy development was another area for discussion, and there is an apparent need to develop strategies whilst keeping implementation considerations to the fore. The danger of constructing strategies as an end in themselves was also illustrated. The point was also made that strategies should be owned and imbued throughout the organisation, and that there is a role for senior management to ensure this occurs.

Innovation in economic development practice was discussed. Key conclusions included the fact that continuous improvement of existing services should not be neglected, especially considering the prioritisation and profile that new inventions and innovations

receive. It was also reported that many new ideas are simply not viable, and that agencies should scrutinise inventions and innovations very closely.

Integration was seen to be a key factor in the provision of services. Many benefits of integration were proposed by interviewees. The benefits of integration were closely related to the increased attention being paid to customer and client interface. It was concluded that the removal of institutional and functional boundaries eased access and inefficiencies in the system of provision.

Overall, the guiding principal behind effective service and operational design is that it should be market-led. This does not imply the agency simply has to cater to the desires of recipients. It means that tools and mechanisms designed for economic development goals must be perceived of as beneficial by the groups or individuals receiving and interacting with them. It also means that greater attention must be paid to market opportunities, weaknesses, strengths and threats in designing provision. Further, this should be present throughout the agency. This chapter concludes the section of this thesis concerned with analysis of the original fieldwork. The remainder of the thesis is devoted to discussing what constitutes a model for best practice. This will include a synthesis of all the analysis and background research performed during this project.

**CHAPTER 9. CONCLUSIONS: BEST PRACTICE
AND ECONOMIC DEVELOPMENT AGENCIES**

CHAPTER 9. CONCLUSIONS: BEST PRACTICE AND ECONOMIC DEVELOPMENT AGENCIES

9.1 Introduction

The previous three chapters have been the central elements of this research project. The basic question of the thesis, as included in the introduction in Chapter One is worth re-stating at this juncture:

What organisational forms, operational characteristics and processes are associated with the effectiveness of delivering economic development services and activities?

The reported characteristics, factors and features of organisational life that were made in Chapters Six to Eight were included because they were reported strongly by interviewees in response to questions and discussions based around the basic thesis question. It is thus apparent that there are many characteristics and factors that are important for agency performance and effectiveness. More significantly, the original thesis title 'evaluating a best-practice model for an economic development agency' is put into question i.e. can a best practice model be constructed in the light of the massive scope for variation in the environment that an agency operates in?

Even if this were possible, there are other factors such as the purpose of the agency, the nature and size of resources it gets, and of course the internal characteristics of the agency. There is even much scope for defining what 'model' means. A 'best practice model agency' for instance, could be one that recognises, and is informed about, the environment that it operates in - and one that is aware of the constraints that this imposes, and thus attempts to find methods of minimising these. Overall, the term 'best practice model' creates an impression of a static, universal solution to local economic development - and this would contradict all that has been discussed and made evident in this thesis - that variation and diversity are the key features of both local economies and the institutions that perform economic development and regeneration roles.

Much has been learned from this research and it is the purpose of this chapter to summarise the research background and findings. At the same time, there can be some description of what an agency needs in order to succeed. Of necessity, generalisations and classifications must be made. What will be attempted, however, are classifications

based not upon descriptive characteristics, but on a judgement about the qualities and procedures that makes an agency effective at its task. The following sections will first attempt to summarise and conclude on the most important features for the operation and design of economic development agencies. Many of these are interpretations based upon what economic development agencies are actually doing in their field.

Variation was a key aspect in this research experience. There are many factors that influence performance. It is therefore inappropriate to make judgements about 'best practice' based on organisational labels. Whilst it is true that certain institutional types do suffer from advantageous or limiting conditions that are directly related to their terms of establishment (the classic case is Training and Enterprise Councils and their contractual and funding environment), making a case for arguing the merits of the question 'what's best, TECs or LECs?' would tend to focus attention onto issues of politics, policies and institutional structures. This has been precisely the focus of much past academic dissemination, and experience has shown that this approach has inaccurately portrayed the nature and work of development agencies. In the experience of this research, a significant number of academic approaches in the past have been too superficial.

What is performance in the context of an economic development agency?

It is evident that performance of an economic development agency is related to many factors. Handy's cautionary introduction to *Understanding Organisations* (1982) - that 'the multiplicity of variables impinging on any one organisational situation is so great...' can hardly be understated at this point.

Ultimately, performance is about improving the quality of life the residents of a locality, and of necessity implies the maintenance of a sustainable, competitive economy. In addition, an agency must 'perform' in many different areas in order to achieve its objectives (e.g. the maintenance of good relations and dialogue with the private sector and other institutions enables the agency to perform its task more effectively). In Chapter Three there was reference to several possible organisational goals, such as survival, environmental isomorphism and organisational legitimacy. Therefore, performance is driven by a wider range of motives other than the stated purpose of the organisation. For example, there was reference to the competitive lobbying that development organisations in London made immediately prior to and after the 1997

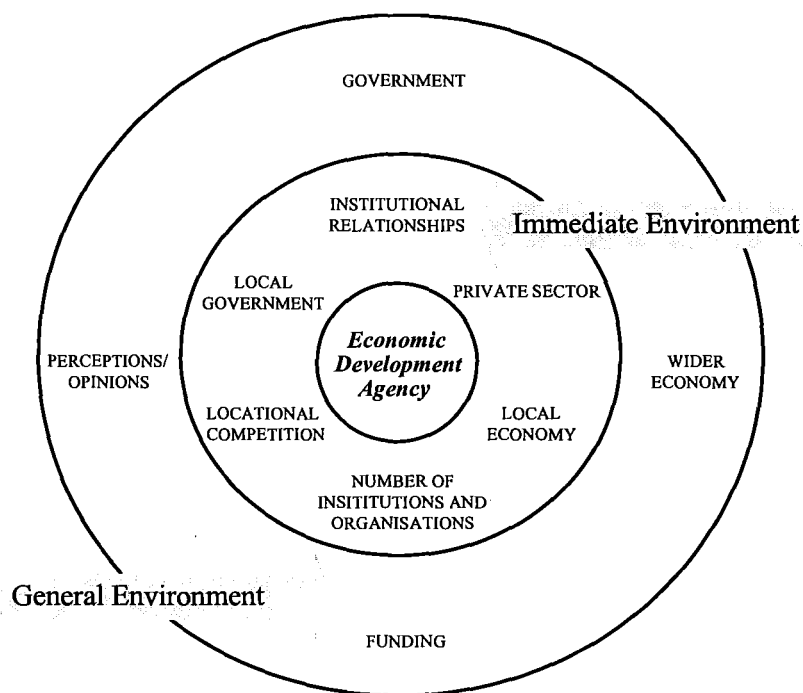
General Election. Organisational legitimisation and survival are strong contenders for explaining this activity. Further, the criteria for assessing performance are dependent upon who is doing the judging. Bovaird (1994) grouped constituents with an interest in performance into three domains (organisational, service system and community) in order to illustrate this. Kanter and Summers (1994) emphasised that multiple constituencies exist with converging and conflicting values and interests, with therefore differing interpretations of agency success. Reese and Fassenfest (1996) commented that if asked what 'works best', 'best' lies in the eye of the beholder and is a function of values.

One purpose of this research is to reach some conclusions about what factors are central to an agency's performance. This brief revision on the issues of performance serves to reiterate the overriding issue that agency outcomes are rooted in various multiple causal factors. Understanding the motives for action, therefore, is part of this causal investigation.

It is a fact of life that organisations and their members do not always strive for the purest aims of their institutions, and economic development agencies are no exception to this. In the past, performance has been judged largely in terms of the basic aims of economic development, with some reference to managing the environmental factors and the inherent pressures that economic development agencies face. Most of these factors are organisational in nature. Brief reference was made in this project in terms of tools, mechanisms and types of implementation, and there is much existing dissemination on this. From the experience of this research, the management, design and maintenance of the organisation contributes significantly to the formulation, delivery and improvement of effective tools and mechanisms. In Chapter Six, the environment that the agency operates in was discussed in much detail reflecting the volume of reference to this in the original research data. The main environmental factors were summarised in Figure 6.4 (included again in this chapter for ease of reference).

To a large extent, environmental factors relate back to the previous section's discussion on performance and, in particular, to different constituent views on performance. There is no doubt that government, other local institutions and the private sector all have differing requirements by which they will judge the performance of economic development agencies. In particular the methods of, and rationales for, performance measurement that the government uses are important influences on the agency.

Figure 6.4 The main environmental factors influencing an economic development agency



There are as many methods of performance measurement and definitions of performance as there are stakeholder's perceptions of what success is. These stakeholders include those internal to the agency such as staff, as well as those on the outside such as communities, businesses, politicians or civil servants. Overall, the criteria for performance that the government uses appear to be too basic and output-oriented. They tend to measure expenditure rather than results and, where some attempt at evaluating impact is made, the measurements used are often crude and sometimes inappropriate. What has been learned in this research about economic development activity is that it is diverse and not formula-based or prescriptive. It is possible that the measuring criteria that government's use are at odds with, and create environmental constraints on, the most appropriate *modus operandi* for effective economic development such as the 'market-led' model described in Chapter Eight.

There is one measure of effectiveness and success, however which is important if not readily quantifiable. This is the measure of organisational legitimacy, both internally and externally. The question of legitimacy involves several elements:

- Being regarded as a valuable asset to local development and regeneration by a broad base of stakeholders, including clients or users, other development institutions, and internal staff and directors.

- Being valued as a needed resource. A test of this would be the likely reaction to a threat of withdrawal or closure. Will the agency be lamented, or its demise welcomed?
- How valued the agency is vis-à-vis other potential operators of the services and role it provides. What are the pros and cons of other organisational forms of provision?

Overall, the test of whether the agency is valued in itself is a key question. Legitimacy, of course, brings in elements of organisational survival. It is also true that opposition to the agency may be based on political interests rather than those of what is best for economic development and regeneration. Similarly, other organisations may hold the opinion that they would make more effective service providers. However, finding answers to the question of legitimacy, if imperfect, would be a form of performance assessment that would span the disparate stakeholder groups in a locality.

Another important issue to do with performance is that of the thoroughness of performance assessments and evaluations as they are currently carried out. There is a tendency to assess projects and services that agencies perform in isolation and questions of causality for the failure or success of provision are rarely investigated in-depth. For example, if a particular project fails, evaluations usually point to a poor assessment of the local economy, national economy, or the poor design of the project. Very rarely are the many causal connections investigated. There is a predisposition to overlook organisational failure as a rationale for poor performance. Organisational failure can include one or more of the many processes, structures and characteristics that are internal to the agency. It is argued that behind failure or success is the organisation and staff who create it.

The next section charts the main features felt to be crucial for the success of an economic development agency. The features are rooted in creating the organisational qualities needed for success. As a result, it takes a critical approach to certain aspects of economic development practice. However, there is also a substantial element of recommendations and constructive debate.

9.2 Features for Success in Development Agencies

After the considerable and wide-ranging discussion and analysis in this project, there needs to be some rationalisation of the key features which are crucial to success (summarised below in table 9.1). These features are inter-related and do not all fit neatly into the 'boxes' as represented here. However, the key drivers for organisational success are factors which permeate the whole organisational and operational sphere, and so are included in their own category. The subsequent sections will summarise why these features are important, and also make suggestions for 'best practice'.

Table 9.1 The key features for organisational success in economic development agencies

KEY DRIVERS	
ORGANISATIONAL CULTURE AND VALUES	
MANAGEMENT AND LEADERSHIP	
HUMAN RESOURCES	
STRATEGY	
KNOWLEDGE	
ORGANISATIONAL	OPERATIONAL
ROLE/VISION	MARKET-LED
STATUS	SUSTAINABLE
SIZE, SCALE, SCOPE	INNOVATION
FUNCTIONAL SPECIALISATION	CONTINUOUS IMPROVEMENT
SYSTEMS AND STRUCTURES	INTEGRATED OPERATIONS
EXTERNAL RELATIONS	

The key to this section is simplicity. Whilst it is acknowledged that economic development and the agencies involved in promoting it is a complex arena, it is important to step back and emphasise the most important lessons from this research which has utilised many sources of information. Management and organisational research was perhaps the most helpful in understanding this subject area but for reasons

already stated, it is felt there is a need to avoid over-complex theories and abstractions which would serve only to obscure the true lessons to be learned from this research.

9.3 ORGANISATIONAL

Role

It is important to re-address the issue of the economic development agency role. In particular, the increased understanding of the environment that the agency operates in, as detailed in Chapter Six, is illuminating. As mentioned in Chapter Five, the agency role is a demanding one. In order to be successful, an agency must first come to terms with the fact that it must be a truly excellent in its field. Agencies need this quality because their role involves several demanding elements:

- In many cases, the governmental and legal framework for operations impose distinct constraints on the agency - whether directly or through funding conditions.
- Agencies are caught in a multiplicity of competing tensions. These can occur between political objectives, market objectives, constituency interests, employee interests, opportunities, threats, weaknesses and strengths.
- Most agencies are neither wholly public nor private sector institutions in status, role and characteristics. Individual solutions must be tailor-made to meet the organisational challenge that this represents.
- Agencies must simultaneously manage objectives that are political, market oriented, and socially oriented.
- Most agencies have relatively small budgets in relation to other public services. They are expected to realise quite significant objectives with such a small resource base.
- Many agencies are subject to rigorous performance review by formal means, such as several audits per year, or by less formal means such as peer review, reputation or external relations.

There is therefore much scope for failure, given the difficult conditions for operation. In some instances, it was found that considerable time is spent just coming to terms with these numerous, disparate, competing demands, and in some cases, it is a major achievement just to realise any economic development results at all. The implications for good practice in an economic development agency are that these numerous demands must be effectively dealt with, whether met, circumvented or transformed. They are an environmental, organisational and operational fact of life in the economic development arena in most cases. Where prevailing demands and conditions for operation can be changed, agencies must take a proactive approach and elicit education and transformation by demonstration. Agencies can be a force for change themselves. More negative approaches to the constraints on agency action such as political challenge or defensiveness are slow and tend to introduce tensions between participants.

Constrained as the role may be, once it is established, it is felt that a vision for the agency is crucial in defining where the organisation wants to go. Many agencies establish visions based upon the aims of developing their local economy. However, the question is open as to whether they actually set themselves an organisational vision. What is meant by this, is that there should be a vision that is concerned with how the agency needs to develop and improve itself in order to meet the aims of economic development.

Status

Organisational status is an influence on the performance of the agency a number of ways. In terms of organisational excellence and effectiveness, the organisational status did not appear to be a controlling factor. However, the origins and legal apparatus for the agency's creation did establish certain parameters for the agency's operations in some cases. The case of TECs was most illustrative. Their contracts with central government for the delivery of certain programmes constrained their ability to customise their services for local conditions and effective results. In the case of Scottish LECs, their inability to retain surpluses from assets or services dampens the rationale for diversifying into revenue-neutral or revenue-bearing operations.

Local Authorities were not the subject of this research project. Nevertheless, some insights were gained. Local authorities could provide a useful mechanism when working in partnership with economic development agencies. They could provide the ways and

means to design services and programmes that contained elements that agencies could not deliver due to policy, contractual and legal constraints. However, local authority economic development functions were also subject to political interference from elected members. This, on occasion, has led to activities which are more politically important than effective for economic development purposes.

Overall, the status of many development agencies provided a significant basis for them to effectively bridge the public and private sectors. They are in a position where they have staff from both public and private sector backgrounds. They also have substantive contact with the public sector as a source of finance, policy directives and complementary service provision. Agencies further aim to influence private sector decision-making, and also provide collective services and public good benefits for the development of private businesses. The bridging role is crucial. Communication and understanding between local government and the private sector largely remains underdeveloped in many localities. A development agency can help build effective dialogue and understanding between the two sectors. It can also be successful in demonstration effects for both sectors, giving successful examples of the benefits of increasing public-private understanding, working and communication.

Size, Scale and Scope

As discussed in Chapter Seven, there appear to be trade-offs involved in agency size, scale and scope. By necessity, small agencies do not have the capacity to fulfil a multitude of objectives and roles. Significantly, they do not have sufficient capacity to develop a detailed understanding of their socio-economy and market. As mentioned in previous chapters, and emphasised later in this chapter, the organisation must be imbued with such an understanding in order for it to design and perform effective operations. However, there is an equal analogy to large-scale organisations becoming over-stretched in their scope for operation. Agencies in this position tend to take on too many functions and become involved in areas of provision beyond their core remits. In addition, with size comes the need to develop wider corporate systems and policies. These can sometimes become over-bureaucratic.

In terms of scale and scope, one very important factor appeared to be the nature of boundary match to those of local authorities. Agencies with a large number of local authorities in their area or fragmented local authority areas within their boundaries

encountered difficulties. The significance of local authorities as partners and collaborators in the economic development process cannot be underestimated. They are crucial to realising effective development. If a large number of local authorities are within the agency boundary, then there is increasing scope for conflict, and much time and resources are consumed in developing working arrangements and agreements. This was illustrated by a number of London TECs, who developed relations with local authorities through negotiated bilateral agreements. Sub-regional strategies appeared to represent a more coherent method of defining agency-council relations. However, inter-authority rivalries and a lack of working relations between councils appeared to be a distinct problem for some of London's development agencies. Such sub-regional strategy formulation was made easier if a smaller number of authorities were involved.

Another negative factor associated with smaller agencies is that there is a tendency to require more agencies in total in order to attain sufficient service coverage. This leads to the increased incidence of competition between such agencies for resources, clients and recognition. This also creates a cluttered and confusing market-place for development services. Such competition becomes even more pronounced if resources are made available for short-term time-scales and on a competitive bidding basis. However, the inverse of this situation where a large organisation has a monopoly in development provision is not ultimately desirable either. This is especially the case if such an agency is inadequately serving its area, and there is insufficient pressure to improve performance.

The science of prescribing ideal areas and scales of operations for economic development organisations is very underdeveloped and imprecise. However, from the research, several points about size, scale and scope can be summarised:

- An agency needs to be a sufficient size to have the capacity to support activities such as intelligence, research, and strategy formulation comprehensively. As explained further in this chapter, internal capacity and activity in intelligence and research contribute towards organisational effectiveness.
- A sub-regional body makes sense from a strategic point of view. However, whether it can, or should, be the sole implementation body in the area is questionable.

- Local and community organisations have an interface with their communities which larger agencies find difficult to attain.
- Too many small agencies cause problems for an area. However, an agency of sufficient size following the principles from this research would be ahead of the competition.
- The nature of local authority boundaries is a significant factor in the operating environment of any agency. Cotermious boundaries are better.

Functional Specialisation

The key to functional specialisation is to achieve excellence in functional areas without compromising the benefits of integration and the complementarity of certain services. This is from the perspective of the agency implementing or providing services and programmes, as well as the potential clients or recipients of those services. As mentioned in the previous section, some larger multifunctional agencies may end up with perhaps too wide a remit and involvement in economic development. Concentrating on core functions is necessary. The benefits of providing a portfolio of services to existing and potential users is the key. A single point of access to this range of services would appear to be important for both integrated provision and effective client management. A single department or agency with some role as a clearing-house, single access point or client management base would be an effective approach.

In the discussion of single- purpose bodies and multi- purpose bodies, some of the arguments for and against each type were not upheld. Some of the failures and weaknesses were found to be applicable in all types of organisations although a multifunctional agency is arguably the most appropriate form. However, there are dangers of monopoly situations, and the emergence of over-bureaucratic structures. Another idea mentioned was that the co-location of organisations with some functional specialisms aided integration.

Systems and Structures

Some agencies appeared to match the characteristics of professionalised bureaucracies, divisionalised forms and adhocracies. The key characteristic of agencies in this regard is their staff. Agencies are largely comprised of experts or professionals in the field of

economic development generically, and functional or market specialisms individually. What was also striking is that this situation was not conducive to effective corporate management if management control was solely left in the hands of professional economic development practitioners who were biased in their concerns with operational matters. Company or corporate management, in some agencies, remained underdeveloped. Similar organisational systems have been popularly detailed in the higher education and health sectors, which have both found the implementation of effective corporate management systems and structures difficult. However, there was much evidence from the original research data that corporate management could be improved, and that there would be positive implications for performance. In addition, for an economic development agency to be an excellent organisation that understands the modern public and private sector, it needs to practice what it tries to impart onto other organisations. For example, much assistance is given to private companies to develop effective marketing, management and information systems. Also, quality models are promoted for application by businesses. A development agency must demonstrate that it practices excellence in these areas itself. Therefore if there is potential for organisational and management improvements, as identified by many respondents, this potential must be realised, as it would increase the performance and effectiveness of agencies.

Economic development agencies are highly information - dense organisations. So communication and information flows between all levels of staff must be maintained and enhanced. Monopolisation of information by an individual or any particular grouping must be kept to a minimum, and as mentioned earlier, integration of services is desirable in development agencies. A trend appeared to be the integration of services and restructuring to enable better customer or client management but, overall, development agencies need systems and structures which are more horizontal than vertical. Strong hierarchies and vertical relations are not appropriate as they contradict the conditions needed for the effective working of professionals and experts in integrative and team-based ways.

External Relations

As mentioned earlier in this Chapter, inter-organisational relations are a crucial element in the operation of an economic development agency. Much stock is put into the formal

relations enjoyed in 'partnerships'. However, it is argued that informal networks and relationships are just as important as formal ones. It was stressed in Chapter Seven that the formalisation of inter-organisational relations may damage or constrain informal relations that already operate effectively. Care must be taken to avoid these negative effects if formalisation of working relations becomes a necessity. Another important reason for maintaining a good external interface is the funding environment. Many programmes, services and projects are resourced by more than one source. Also, some government funds are made available on condition that certain institutions act in concert to implement programmes. Several lessons about partnerships in practice were made evident in Chapter Seven:

1. Partnerships need clear and reasonable rationales and objectives for their creation, maintenance and continuity. They should never be seen as an end in themselves.
2. Collective arrangements are more effectively constructed around definite and clear objectives.
3. In the initial stages of a partnership arrangement, a small number of lead participants can more effectively and quickly establish policies, strategies and operations.
4. The danger must be avoided not to be too exclusive in membership when establishing a working relationship or formal partnership. Parties that are asked to participate once the partnership is established or even has established policies and priorities can often resent this, or even interpret their position as one of being forced to fit into existing arrangements. It is important that research is done to identify key organisations and constituents at an early stage. Consultation may be enough to give them some ownership of the partnership arrangement in early stages.
5. A distinction must be made between participation of a partnership as a decision-maker or leader, and as a consultee or constituency representative. Combining these roles with a large number of partners in addition makes decision making slow and cumbersome.

6. Inclusion based on constituent or interest group representation alone is perhaps insufficient. It is more beneficial if members can bring additional benefits or skills to the relationship.
7. Consensual decisions are not necessarily the best decisions in the interests of the local area and its development and regeneration. There is a danger of reaching the 'lowest common denominator' in consensual decision-making. The 'common denominator' can be made even lower as the decision-making membership is increased in number.
8. Inter-organisational tensions are healthy and educational for participants. Development agencies can be kept informed by listening to the opinions of other groups. This process may improve the implementation process, fill gaps in knowledge and expertise and provide feedback on the effectiveness of programmes and services.
9. Inter-agency working requires certain skills and attributes to maximise its potential. Careful thought, and personnel development need to be made in the agency prior to, and in the process of, external relations and inter-organisational working. Managing a relationship with another organisation is not simple nor straightforward. It requires much appreciation and knowledge of other organisations as well as requisite skills. It must also be recognised that experience is a necessary part of building up this expertise.
10. Partnership relations represent an important conduit for feedback about the agency's performance and reputation amongst its peers. They are also a forum for establishing favourable reputation. Importantly, it must be also remembered that they can also sour the agency's reputation in a very public arena.

Further, relations with private sector interests appeared to be underdeveloped in most of the development organisations encountered in this study. The failure to incorporate the private sector in economic development organisation and activity was one of the single most important areas of deficiency. Many agencies have yet to enjoy good relations and involvement with the private sector despite an original intention for many of them to be private-sector led. Private sector involvement must go beyond board membership.

Fundamentally, the private sector is the biggest source of jobs and economic growth. It is the key to the successful development of any area. There was much reporting of difficulty in establishing constructive relations with the private sector and this failure appeared to have occurred across the board. Of course, the blame does not solely lie with the development agencies. However, after a substantial number of years operating, this problem does not look any nearer to solution. Part of the problem of generating good agency-private sector relations is the failure by many agencies to clearly communicate and demonstrate the business benefits of participation in the economic development policy making and delivery process. These business benefits can include enhanced profitability, stability, growth or performance through the provision by the agency of direct assistance, collective goods (such as improved infrastructure, environment, labour market efficiency and capacity) or enhancing overall market activity, for example. Many agency functions and operations do have positive implications for businesses, yet these are not clearly stated enough. In addition, increased business participation and input in the development process would further tailor efforts into more effective forms, as well as introduce opportunities which an agency may be able to help realise. If more effort were put into the task of demonstrating business benefits from the agency's activities and private sector participation, there would be significant progress. The failure of many agencies to do this may be due to a poor understanding of this relationship themselves, poor marketing, or some reluctance or lack of communication skills on the practitioner's part in dealing with the private sector.

Another environmental factor for development agencies is the high political salience of their activities. It was a typical experience for many agencies to spend a number of years building reputations and external relations. Much time and resources have been spent on this. There must be sensitive and professional management of public relations and inter-organisational relations in order to maintain this position.

9.4 OPERATIONAL

A market-led operational philosophy

Both 'market-led' and 'marketing' were much used phrases in Chapter Nine in reference to operational and delivery issues. In summary, there were several arguments used to promote the idea of market-led philosophies in economic development agencies:

- i. A market-aware approach involves increasing client and market differentiation and segmentation - which is in response to the realisation that development aims are more effectively met if different client groups receive tailored approaches and tools.
- ii. A market-led approach is about maximising the opportunities in the local economy.
- iii. There are occasions where certain development activities in their current form become unsustainable. Public support for these activities is only a solution if it can change these activities to make them sustainable.
- iv. The public sector has a poor track record of managing enterprises in the market-place in the long-term. Divestment should be emphasised once market failure is corrected or modes of intervention become self-sustaining.
- v. Effective economic development involves working with the private sector. An understanding of the dynamics and needs of different forms of economic activity requires the insights of the businesses which are themselves the focus (GLE, 1997a).
- vi. There are many examples of a mismatch between programmes and services on offer through the economic development institutional infrastructure, what is best for development, and what is actually demanded by potential and existing clients
- vii. Close relations with the 'market' inform policy, strategy and operational design. This further enables services and programmes to be designed in such a way as to fulfil development aims whilst being attractive to potential clients or users.

Overall, it is argued in this research that many development agencies in the past have been predominantly product-led. That is, the service or programme on offer occupies too large a proportion of the agency's efforts in management and development. The starting point should not be past practice or by claiming 'that's the way its always been done', 'its best practice at the moment', or 'its an improved version of our previous provision'. The starting point should be the 'market', encompassing the following stages:

1. Strategic market analysis. Both analysing the local economy and the requirements and demands of potential users, beneficiaries or clients of the development agency's remit and role.
2. Design services and programmes that consider both the economic development aims and objectives, and what users or clients are likely to take-up and gain satisfaction from. Services and programmes designed with the best intentions and effort can perform poorly if no consideration is given to the user's perception of value or demand for these as well as their ease of use and access.
3. Establish organisational structures so that there is a visible interface with the 'market' and there are feedback mechanisms into the wider organisation.
4. Acknowledge that transactions between agencies as producers of their services and clients or users as consumers is a long-term relationship. A consumer perspective implies excellent customer relations and management, that will further benefit operations by improving provision based on market feedback and enhanced market intelligence.

Using a common framework for categorising the 'market management' philosophy in firms further illustrates the relevance of this discussion. The 'market' doesn't just refer to the business world, or the world of buying and selling services. It refers to the funder, client or beneficiary base in the case of economic development agencies. Further, applied marketing is a management philosophy and approach that is very useful in designing effective organisations. The applications of the principles of marketing to non-profit organisations are made evident by Kotler who states that,

The basic reason a non-profit organisation should be interested in formal marketing principles is that they will enable the organisation to be more effective in achieving its objectives. Organisations in a free society depend upon voluntary exchanges to accomplish their objectives. Resources must be attracted, employees must be stimulated, customers must be found. The designing of proper incentives is a key step in stimulating these exchanges. Marketing is the applied science most concerned with managing exchanges effectively and efficiently.

(Kotler, 1975)

Are you production, product, selling or market oriented?

Some very useful concepts come from marketing literature, as discussed in Chapter 9. One neat way to characterise companies, and in this case, economic development agencies is to define them in terms of their marketing management philosophies. Companies will be either production, product, selling or market oriented. Being market oriented is the most advantageous position to be in, as will be discovered. Each orientation will be dealt with in turn.

Being *production-oriented* represents a focus on 'doing things right'. It is motivated by the notion that customers will favour products that are widely available at low cost. However, the basis for activity is the improvement of the production process. The company has, however lost sight of the market. Drucker (1974) characterised this focus as one of 'doing things right' rather than 'doing the right things'. This is applicable to economic development agencies. An agency that is production oriented would concentrate on improving existing tools, mechanisms, approaches and projects but without questioning the value, appropriateness and impact of them. That is, the intrinsic rationale for the services and products that the development agency provides would never be questioned. This is especially important if it is considered that the environments in which agencies operate are subject to increasing velocities of change.

Product orientation maintains that customers or clients will favour products which offer superior quality or best performance. The organisational driving force becomes continual product improvement and innovation. For example, a development agency may promote vocational training in college for unemployed adults in order to improve their employment prospects. However, both the unemployed adults and potential employers may not be seeking better vocational training, but another solution to their needs. Such an improved solution may include basic education and improved flexibility

in the range and type of potential job opportunities. Employers may wish to establish their own customised vocational training once they are satisfied the candidates for employment are capable of such training and will contribute to company performance. Another example would be in the field of business support. For example, information services may be established in the form of a resource centre, or even through computer network-based information. However, the company's needs may be better met through talking to an expert on a particular topic. Using a well stocked resource or reference library may be more inefficient and less effective in terms of time, resources and results relative to consulting an expert face to face. Product orientation leads to an obsession with technology because it is believed that technical superiority is the key to success. However, this may lead to 'Marketing Myopia' (Levitt, 1960) where the customers needs are interpreted as wanting better products, rather than interpreting clients as buying into solutions to their needs rather than products. An example used in Chapter Eight was that an unemployed person may 'buy into' a work-experience or training programme because their ultimate need is a certain type of job, rather than a certificate of achievement or a qualification. Overall, product - orientation implies that an agency associates improving the technical construction and sophistication of services with increased performance and take-up by the market. Again, this overlooks the true state of demand and intrinsic rationale for the services and products that the agency produces.

A *selling orientation* is one which proposes that consumers will not buy enough of the organisations products or services unless it undertakes a large-scale selling and promotion effort. It has much relevance to place marketing. This would propose that a particular location is an unsought good - that a company would not think of establishing facilities there. However, little attention is given to the satisfaction of the company once it locates there. A selling orientation focuses on short-term results and often ignores the fundamental needs and wants of potential consumers. Arguably, this could be related also to quality initiatives such as IiP or ISO 9000. These have been heavily pushed onto companies by some development organisation despite their questionable benefits. The targets set by government funding for these schemes also helps fuel this sales approach. Volume, or output related performance assessment leads to an emphasis on the volume of products and services provided rather than the demand for these or the satisfaction that users gain from them.

Market orientation transcends the shortcomings of the previous orientations of marketing management. The fundamental premise is that companies should make what customers need rather than directing their attention towards selling what the organisation is able to make. The guiding principles are embodied in the marketing concept, which holds that organisational goals should be achieved through determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors (Kotler, 1991). This has much relevance to development agencies. Many development agencies appeared to be geared to selling what the organisation was able to make. And these products have sometimes been developed with flawed preconceptions about the needs and wants of the potential beneficiaries or recipients. Similarly, markets may change. Products must either be adapted or abandoned in response. So, in the case of development agencies, a market-orientation means that the organisation is driven by the demands, needs, and wants of its market.

Overall, this discussion points to a necessity for the modern economic development agency: an understanding of its market - whether in terms of the unemployed population, employers, local growth opportunities, businesses or potential inward investors. Policies, strategies, operations and energies should be marshalled towards the action that is needed rather than based on what the agency can provide. That is not to say that improving the quality and cost of products is not worthy of attention in agencies. What is crucial is that agencies are 'doing the right things' first and foremost before they consider 'doing things right'.

Sustainable solutions

Business is the most significant element in economic development. In the words of Porter (1997), 'The necessity - and the real opportunity - is to create income and wealth, by harnessing the power of market forces, rather than trying to defy them'. Porter goes on to state that the private sector must play a leading role. This is crucial. The public sector, or not-for-profit sector (which remains substantially funded by government resources) cannot intervene in isolation to create economic opportunities. As mentioned earlier, development agencies' relations with the private sector could be improved, and one starting point would appear to be to clearly demonstrate the business benefits of working together.

Sustainable solutions can involve correcting market failures, helping the market work better, establishing new markets, or enabling projects that require reduced agency/public involvement in the long term. Not all development activity fits into this bracket, but a substantial amount does. Overall, creating a market for certain development services is one way of making them more sustainable, as well as working in and with the market environment instead of apart from it. When this issue was referred to in Chapter Eight, the example of ERVET, an economic development institution in Emilia-Romagna, was given. ERVET has been heavily praised as a model agency for regional economic development. Often, the attention of researchers has been focused on governance and structures in the search to explain this agency's success. However, there is the simple fact that businesses like and value the services that ERVET provides. Such is the value placed on ERVET's services, businesses are willing to pay competitive rates for them. And these services provided by ERVET improve business performance and competitiveness. To repeat the quote about ERVET from Meridien Projects Ltd. and the TEC Strategy Team (1997), 'Relationships are based on the belief that they will increase business, not in order to be charitable'.

The rationale for development action must move away from the philosophy that it will always involve heavy expenditure. This idea also brings in the agency role as enabler, catalyst or animateur. Quite often a collective service is not provided because there is a gap in the market, or market failure. Private sector concerns in the UK, it seems, have not been noted for their success in establishing collective services in order to increase their performance and competitiveness. There appear to be significant roles and opportunities for development organisations here. However, if development organisations are to maximise the potential of these types of services, they need the ability to manage and retain the income raised by such activities. In some cases, an adjustment in the operating parameters or legal framework for operation may be needed. However, it must be remembered that not all agency functions can be fulfilled by these kinds of activities. Nevertheless they could serve economic development in other ways as well as cross-subsidise more revenue-intensive functions.

Innovation

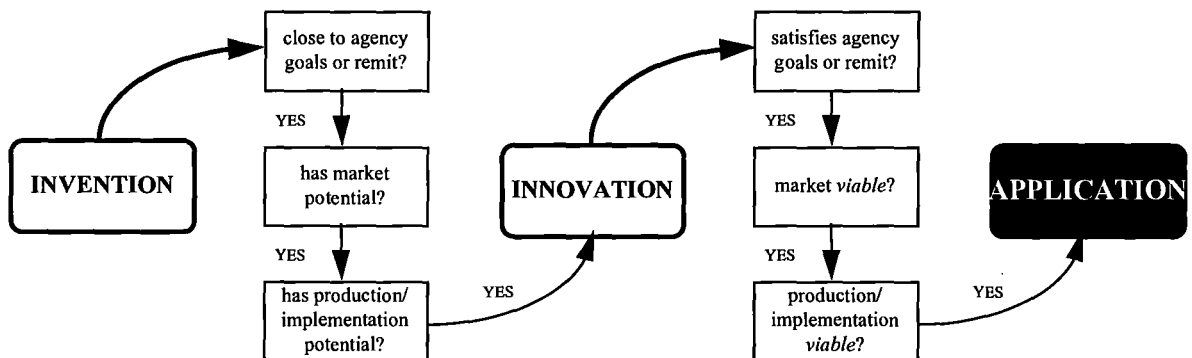
It was discussed in Chapter Eight that agencies need to be clear about the distinction between invention, innovation and application. This was summarised in Figure 8.2,

repeated below. Again, market research is an important stage in the innovation process. In addition, knowledge about practice in other localities is essential in order to inform this. However, care must be taken to realise that lessons and methods are not immediately transferable between localities. The nature of local economies, markets, environments and institutional systems has a substantial input into the origins, success and effectiveness of any tool or mechanism used in the delivery of economic development programmes and services.

Continual Improvement

One issue that must not be ignored is the continual improvement of operations. Innovation must be performed with a basis in existing operations. Programmes and services already in existence may have considerable scope for improvement. This is a continual process. The environment and market for such operations will change. The continual improvement process is part of the mechanism for altering operations to cope with this.

Figure 8.2 The process of innovation in economic development.



Integration

There was some discussion over the benefits and pitfalls of the integration of functions and services provided by an agency in chapters Seven and Eight. In sum, the benefits and challenges of integration are represented in table (ii) as follows:

Table (ii) The benefits and challenges of integration

BENEFITS OF INTEGRATION	CHALLENGES AND CONSTRAINTS
<p>Contributes more effectively to holistic solutions to economic problems and opportunities.</p> <p>Is more 'client friendly' if there is a seamless service and approach to customer relations. Makes customer management easier.</p> <p>Provides single cohesive access to client/user base, and also provides single conduit for market feedback.</p> <p>Duplication and competition reduced.</p> <p>More funding sources available, virement between functional budget heads is sometimes available.</p>	<p>Effective integration and holistic, multifunctional approaches difficult to manage.</p> <p>Needs an effective focus and commitment to customer management.</p> <p>Needs orientation of organisation towards market, or customer 'facing' philosophy and structure.</p> <p>Monopoly in provision is not healthy for organisational and operational development. Nor is it healthy for increasing efficiency of resource use.</p> <p>Danger of producing inter-divisional conflict over resource flows.</p>

In addition, effective management, structural and organisational mechanisms must be developed to enable integration. Senior management must take a lead by practising a strategic view of the company's whole business, ensuring that divisional goals and responsibilities are feeding into company goals.

Integration is very significant from the service-user's point of view. The ease of access to and use of the agency's services, programmes or resources can contribute much to customer management. In addition, the speed of processing enquiries, applications or claims needs to be enhanced with integration. Another benefit is the signposting possibilities of integrative systems, where an enquirer or user can be seamlessly referred to alternative or complementary sources of help or services. Integration also has the potential to make information and knowledge dissemination more effective.

9.5 Key Organisational Drivers

Included in this category are the key organisational drivers that influence and maintain excellence, quality and corporate management in the economic development agency. The factors are critical in creating, maintaining and sustaining an excellent organisation.

Culture and Values

Is there a paradigm of particular values associated with development agencies? There is a sound basis for assuming so. A value system was strongly reflected by staff in the original research. The values of economic development professionals and organisations are simultaneously a great strength and weakness for the task in hand. The strength is the commitment, professionalism, expertise and knowledge of people working in economic development. The weakness is the insularity and other negative values that the profession seems to be imbued with. Several features are evident if a 'worst case scenario' is considered, comprising:

- A predisposition to be prescriptive.
- Everyday familiarity with the locality breeds inability to identify change and new opportunities.
- An unrealistic appreciation of how markets and private companies operate and behave.
- A predisposition towards product innovation as a solution to economic development problems and engendering growth.
- A limited understanding that they are members of an organisation, that, like any other needs to be managed and run effectively and efficiently.

Table 7.5 Reported values in interviews

Values associated with <i>positive</i> outcomes	Values associated with <i>negative</i> outcomes
"openness"	"insularity"
"support"	"fiefdoms"
"no blame culture"	"blame culture"
"customer-oriented"	"defensive"
"add value"	"complacency"
"market-driven"	"arrogance"
"accountability"	"product-driven"
"accessibility"	"unaccountable"
"implementors"	"inaccessible"
"customer-focus"	"dreamers"
"quality"	"parochial"
"co-operative"	"inflexible"
"innovative"	"prescriptive"
"objectivity"	"little empires"
"professional"	
"business-like"	

In sum, it is argued here that a significant number of development organisations have retained value systems that are highly congruent with a traditional public sector profile. For example, many innovations and developments in provision are made in the absence of true market understanding and consideration. In addition, as mentioned earlier, this also fits in with notions of development agencies as professional bureaucracies. It is worthwhile repeating table 7.5 here, where the reported values in interviews were summarised.

Values have real impacts on the nature of development agency organisation and operation. For example, in Chapter Nine it was argued that a more market-led approach to economic development was emerging. This is partially a function of values. It was noted during the original research that those espousing a market-led approach realised that economic development should work with, and not in spite of the market. Another important value is that of openness and the culture of learning. Many interviewees complained of a general lack of these qualities in both development agencies and other institutions. In particular, local parochialism combined with insularity were seen to be occurring in many areas. This is not a progressive basis for sound economic development and regeneration policy and implementation. Two of the prime values and cultural aspects of success in economic development include both openness and learning. Associated with this is the need to accept change as a given parameter for operation.

Another negative value and cultural paradigm is creeping elitism. A small number of organisations in the original research appeared to regard their agencies as best practice. Yet it is the interpretation in this research that these claims seemed misplaced. As Schein (1996) comments,

Ultimately the real danger of elitism, when looked at from a cultural point of view, is that the members of the elite get caught up in their own mental models to such a degree that they cease to observe accurately what is going on around them. Success breeds a world-view and thought processes that comes to be taken for granted.

Overall, the cultural and value systems of economic development agencies are very important in shaping their organisation and operation. Leadership is perhaps the most critical element in creating and steering culture and value systems.

Management and Leadership

The requirements and demands placed on the management staff of an economic development agency are numerous. Senior managers should be fulfilling several roles. In sum, these include:

- Strategic corporate management.
- Operational management.
- Human resource management and development.
- The management of information flows. The freeing up of information bottlenecks or monopolies.
- Leadership - including the establishment and maintenance of appropriate cultures and values.

There is a distinction between corporate management and operational management. Corporate management should ensure that the organisation is working together as a whole. Operational management is concerned with decision-making about delivery issues. There must be a balance struck between the two. There were certain cases in the research where most senior management figures concentrated on operational management. There was a corporate management vacuum which was betrayed by symptoms of lack of communication and integration, and also by a lack of corporate cohesiveness. There needs to be one or several figures at the senior management level who run the company as an entity, yet who are also enjoy the same status as other executive board members whom fulfil more operational roles. Where possible, executive board members should not involve themselves in the minutiae of operational decision-making. Development agencies are composed of a large body of professional staff. This means that conflicts and frustrations are bound to occur if there is not true delegation nor empowerment in decision-making. Executive board members are also responsible for making systems work and establishing and shaping corporate values. Commitment at the most senior levels to initiatives regarding quality, inter-organisational working and human resource development are a prerequisite in order for them to work. Senior management officers are also responsible for ensuring that each part of the organisation is contributing to agency goals and policy. They are responsible for maintaining the cohesion of the organisation as a whole.

The personal attributes of managers and leaders are as important as the majority of development staff. There appeared in some agencies to be a concentration of experienced project managers at senior levels. The question was posed as to whether project management was the same as corporate management. It is argued here that they are not the same. This appeared to be closely related to the age of senior managers and the fact that their careers were established in a very different operating environment to the one found today. In addition, non-executive leadership was discussed. It is crucial that non-executive leaders bring more to their position than simply representation of a particular constituency. They must bring additional personal qualities to the table and be truly involved in corporate affairs. In addition, it was found that problems are introduced if clear demarcations do not exist between executive, non-executive and political leadership.

Ultimately leaders and senior managers are accountable for the performance and actions of their agencies. A leader or senior manager with sufficient control and knowledge of company operations should have the ability to steer the organisation and its employees. They should also have a sufficient grasp of the company to monitor performance and intervene to prevent major mistakes and organisational problems. A good leader and manager ideally would have a sufficient grasp of company business and have appointed such appropriate staff as to have confidence in the way the company operates. In some cases, though, leaders and senior managers appeared not to fulfil these criteria.

Staff and Human Resources

Staff and human resources are a key factor in agency performance. It is crucial to acknowledge that staff are not a static resource. They need developed and managed over the long-term. In table 7.4 in Chapter Seven, there were a number of commonly mentioned positive attributes associated with economic development agency staff. These are included again in this section.

There has been an emergence of professional qualifications for economic development professionals in recent years. In the UK, a professional organisation, the Institute for Economic Development has been set up. The IED has been instrumental in establishing professional qualifications, such as the Local Economic Development Qualification (LEDQ). Course content includes a wide range of subjects dealing with economic development. Whilst a substantial appreciation of development and regeneration issues

are very advantageous, staff in development agencies also need technical, professional and managerial skills. Expertise is needed in particular functions. A general course does not impart the detailed knowledge of say for example, SME finance or business accountancy, which is needed for business support strategies and operations. However there has, in the past, been some lack of general understanding of wide-ranging economic development issues and approaches which is being filled by such courses. Such training and education in an organisational sense should further coherence in company and staff values.

Table 7.4 Commonly mentioned positive attributes for economic development agency staff

Attributes used to describe agency requisites in terms of staff
‘commitment’
“understanding”
“communication”
“good people”
“expertise”
“flexibility”
“analytical ability”
“mix”
“need staff development/care”
“qualifications”
“abilities”

There have been other attempts at highlighting the skills needs of economic development practitioners. The Department of Education and Employment has published a comprehensive list of competences for economic development in the form of an occupational standards manual (Department of Education and Employment, 1996). This publication represents a comprehensive source for the evaluation and development of competences in a wide range of development activities. According to the authors, it is meant to be a guide, and not a manual. However, it is perhaps too comprehensive, detailed and cumbersome, being over 500 pages in length. It is argued that it is not suitable for application on a practical basis. It is a useful source of reference, and largely comprises of detailed and lengthy standards and criteria for their assessment. Another criticism is that it is a prescriptive manual. For effective human resource development, process is the key focus, whereas this competences manual is preoccupied with outcomes. Some real thought needs to be put into designing an implementable framework for the evaluation and development of professional staff. Questions need to concentrate as much on the ‘how’ and ‘where’ as well as the ‘what’ of staff development.

Such an example of this has been performed by a joint team comprising of Kent TEC, the Department for Education and Employment and GFA Consulting (GFA Consulting, 1996a, 1996b). This programme evaluated and recommended the skills and human resource capacities needed for economic development in Kent. This project and publication represents one of the few examples encountered in this study of a specific consideration of human resource capacity in economic development. Yet it would appear to be a significant step in highlighting the importance of this. Agencies really need to evaluate their own human resource capacity strategically. This cannot be emphasised enough.

There appears to be specific gaps in practitioner development that need attention. The skills needed for inter-organisational relations appear to be often under-emphasised. Yet these relations are crucial factors in an agency's, and an area's success in realising economic development and regeneration. A strategic overview of human resource capacity and development is needed for economic development agencies on an internal basis. Skills and capacity development need to be tailored, designed, marketed and delivered in a way that is conducive to uptake and is valued by the individuals concerned.

As mentioned previously, development agencies need to be truly excellent organisations. The demands on agencies are huge in terms of their operating environment, remit and minimal resources. This requires the best possible staff for the job. If Singapore Economic Development Board's recruitment practices are examined, as detailed by Schein (1996), this organisation actively sought, recruited and developed the best and brightest from the domestic and foreign labour market. Unsuitable staff were given their notice after a probationary period. However, such was the quality of intake, that such persons receiving their notice found excellent jobs with other top employers. The EDB created a demanding work environment for its staff. However, staff development was also actively pursued in order to increase the effectiveness of personnel. EDB alumni were highly prized by a wide range of employers. It is argued here that a development agency needs to set itself high standards of recruitment and staff development to be successful. In addition, there appears to be a preponderance of 'careerism' in economic development and regeneration. This has both positive and negative aspects. More positively, there is the establishment of a huge amount of experience and a rich density of networks over time. However, on the negative side,

there is the proliferation of generalists and the propagation of professionals whose development becomes static. Such is the economic development remit that a wide range of personal attributes and skills are needed. Economic development is a team activity, and the full range of skills and capacities required by a team need to be realised. However, it must be stressed that the commitment of staff to their profession and their localities was extremely high across all the agencies encountered. However, this is just one requisite for staff qualities and agency success. This again reaffirms the need for strategic human resource management and planning as mentioned earlier.

Aspects of human resources and their management can help solve the problem of private sector relations

If the flow of staff between an agency and the private sector were encouraged, then this would aid the development of many objectives concerning private sector relations. This would include legitimacy with the business community, the relevance of policy to the business community, the development of networks which aid the flow of knowledge critical to maintaining relevance, and the development of a sense of ownership in the business community of the agency. Establishing a long term strategy to enable this flow between the agency and the business community would help establish long-term relationships. Crucially, there would also be an excellent mechanism for market feedback, and networks to keep up to date with market intelligence. The staff involved would be selected because of the skills and abilities they can bring to their careers in both development and business first and foremost. This would further create a reputation for professionalism, legitimacy and credibility. This need not be restricted to the private sector. Other public and voluntary sectors could be included in this plan. Overall, agencies work with a wide range of other organisations. Why not create mechanisms for the flow of the best staff from these sectors into and out of the economic development field?

Strategy and objectives

Much effort is put into designing strategies by development agencies. This activity apparently fulfils a number of functions. One is to clarify agency objectives. Another is to demonstrate these to external audiences. Strategic formulation also seeks to clarify understanding about the environment and the context of the economy that the agency operates in. However, the effort put into strategic formulation often does not include a

substantive element of implementation. Implementation is not a sufficient consideration in most processes of strategic development. The prevailing syndrome present in many development and regeneration efforts is that a strategy is a means to an end in itself.

In addition, partners or other groups and organisations that the agency is involved with were found to be important in the strategy formulation process. They are crucial to providing an interface to the beneficiaries of their activities. In addition, many community or local organisations are involved in the delivery or implementation of agency programmes. They can therefore provide some insight into the delivery implications of policy and strategy decisions. Another issue is the mechanisms and processes used internally by the agency. Strategic and organisational missions and aims must be imbued throughout the organisation. It is important that ownership of strategies and policies is wide within the agency. Top-down imposed strategies, or those composed by dedicated units or consultancies do not always achieve this. The agency should have sufficient expertise, experience and knowledge to develop policies and strategies internally, involving most of the agency staff. Staff ownership is critical. Getting all agency staff involved in strategy formulation means that when strategy is finally established, they will have ownership and familiarity with it. Critically, this also serves to bring about input and feedback on implementation issues.

Strategies must also reflect a true synthesis of the strengths, weaknesses, opportunities and threats in the local economy and institutional structure. They must avoid the tendency to be prescriptive with a lack of substantive analysis and understanding of the local economy. Information management and dissemination is a key to effective agency operation. This must be performed with sufficient internal capacity. If internal information and knowledge is improved and managed well, then the benefits and dissemination throughout the agency are likely to be much greater than relying on external sources such as consultancies. If agencies are to truly become 'learning organisations', they must develop sufficient internal research and dissemination capacity and management. Overall, lessons for strategy formulation include:

- Strategies are not an end in themselves. Implementation must be considered at every stage of the strategy formulation process.
- Partner groups or contracted delivery organisations are an important constituency for involvement in the strategy formulation process.

- Policies and strategies must be imbued throughout the entire organisation. Ownership of strategies and aims is also important.
- Strategies must be based upon an accurate synthesis and analysis of the local economy and institutional structure.
- Agencies shouldn't be over-reliant upon consultancies and external agencies for research and information. This externalises part of the learning and knowledge-creating process, deprives staff of ownership, and so therefore constrains success.
- The design of information presentation and the methods of dissemination require as much consideration as the content.
- An overarching element to strategy formulation is practicality. Strategies should essentially be derived for the purposes of action.

Knowledge

As alluded to in this discussion on strategy, knowledge and knowledge management is important. To establish the foundation for a 'learning organisation', agencies must internalise their research, evaluation and intelligence functions to a higher degree. In addition, this type of work must be done by a broad base of professionals instead of being confined to a special unit or department. This develops both ownership and expertise in information attainment and dissemination. It develops a greater understanding of the locality and the actual and potential role that the development agency can take. It should also inform decision making to a better degree, and enhance considerations of practicality and implementation.

9.6 Theoretical implications of this research

Whilst much of the discussion in this thesis has been concerned with economic development practice, and has therefore taken a very practical bias, there are a number of theoretical implications and observations that arise. One of the foremost is that internal characteristics and systems within organisations such as development agencies are very important in explaining performance. Certainly, formal characteristics such as budgets, staff size, board structures, formal strategies are influential in policy implementation outcomes and the effectiveness of development organisations.

However, they do not represent the full picture with respect to performance and outcomes. In terms of theory, causality and the effectiveness of policy implementation are contingent on many factors.

Organisational and management theory have shown themselves to be eminently applicable to public policy, local economic development and regeneration by this thesis. In particular, both these disciplines can contribute much to the development of a more accurate and sophisticated understanding of organisational performance and inter-organisational relations, for example. The many proponents of 'partnership' would find further useful sources of concepts, debate and research in these disciplines. In addition, related disciplines such as applied marketing are very useful in conceptualising, understanding, and developing an agency's role and relationship with respect to its client and stakeholder groups.

Overall, the main theoretical implications for this research include the following:

- Organisational performance must be approached from a multi-constituency perspective. It is important to understand for whom performance is being judged. Different notions of performance, and therefore good and bad practice, will occur according to different constituencies.
- The performance of economic development agencies, and similar public or quasi-public bodies is contingent on a wide range of factors. Selectivity of a narrow range of factors for evaluation significantly restricts analysis and the ability to improve the effectiveness of policies and their delivery.
- In the case of economic development agencies, and therefore many other related organisations, the contexts and environment that they operate in are very influential in determining the nature of their composition, activities and performance.
- In the field of policy analysis, the implementation phase would appear to be a critical phase to the success or failure of a policy. In addition, policy and administrative constraints placed on the implementing agency reduce the impacts of policies.
- In theories of urban governance and institutional theories, it has been shown that the dynamics of inter-agency working need much further analysis and understanding. In existing discussions on the institutional aspect to urban and local development, too

often it is stated that institutional networks and relations are conducive to economic development and regeneration without an exposition of the causal factors and dynamics at work.

- The whole theme of 'partnerships' needs further research in order to validate some of the propositions and theories that are made by many commentators. The true dynamics and relations that operate between institutions and agencies need further researched. Organisational and management research and analysis can help further this understanding.

9.7 Summary

There is a multitude of factors that contribute to agency performance. Central to this thesis is that if the agency is organised, led, managed and run effectively, then it will be successful at its task. It will, in addition be more adept at managing environmental constraints. Economic development agencies can be characterised as adhocracies or professional bureaucracies. This implies that it is the expert or trade professional who is the dominant force in shaping the organisation. However, in economic development, generic organisational and management skills need to be recognised as equally important as trade expertise. Organisational and management systems need to be established to free the professional to do their job whilst still providing a sound basis for corporate management and the checks and balances on personnel. In sum, the features produced from this research comprise the elements represented in Figure 9.1.

What this chapter has really described are the ingredients needed to develop organisational excellence. Prevailing benchmarking practices and competitor profiles are not sufficiently developed yet in economic development. The approach and contents of performance review are symptomatic of a lack of appreciation of organisational development and corporate management. This is because they tend to focus on product and service development, innovation and implementation or descriptive agency characteristics such as formal structures, resources, size, or scale. Another observation from the research as a whole is that when agencies do contract consultancies with the ultimate aim of self-improvement, they tend to do so for researching the market or the products and services that the organisation already provides. In this researcher's experience, consultancy advice is rarely, if ever sought to evaluate and improve the

processes that the agency employs for understanding its market, and for designing and delivering superior or new products and services. This appears to be symptomatic of the cultural and organisational paradigm that agencies operate in. However, the argument here is that this paradigm is deeply flawed because it is in the intrinsic organisational features and processes that true performance lies. A systematic implementation failure is most likely to be due to an organisational and processual failure somewhere in the agency. This is one of the reasons why the importation of 'best practice' from outside agencies fails - because some of the critical success factors for the original policies or programmes were related to the organisational elements and processes in place at the time.

In retrospect, external relations and 'partnerships' would appear to be important to realising effective economic development practice. Whilst this research has focused on development agencies, typically at a city, metropolitan or sub-regional level, effective economic development would appear to be dependent on the system of providers and institutions in an area. This is even more pertinent if it is considered that many agencies, such as LECs and TECs, contract out a substantial amount of service delivery to other bodies. To further the understanding of good practice and effectiveness in economic development policy, organisation and implementation, a service - system wide view would perhaps be more appropriate. For example, a sub-regional agency may be organised and run very effectively, but the delivery organisation, for, say youth training may be doing a poor job. However, there is a further role for the agency in developing and upgrading the performance of its subcontractors here. So a significant conclusion from this research is that performance and effectiveness needs to be assessed and enhanced on a service - system - wide basis in an area. In addition, this discussion is further relevant to enhancing market intelligence and feedback. Local or community delivery agencies can provide very good feedback on the effectiveness of particular modes of implementation and the 'marketplace'. Development agencies would further their own understanding of market dynamics and market demands by establishing appropriate feedback mechanisms to take advantage of this local form of market - interface.

A lot of the content in this thesis, and this chapter in particular draws upon the concepts embodied in the subject of Total Quality Management. However, one lesson from this research is that static models and 'best practice' have limited transferability. The

techniques of TQM have been applied to service sectors increasingly. However, it is argued here that the principals find relevance to the debate in this thesis, but do not neatly fit into the remit and organisation of economic development activity. What is more pertinent is management excellence in a very diverse and complex organisational and operational arena. Management excellence will significantly contribute to providing the necessary people, structures, systems and processes to enable the best possible in a locality or region. However, it is hoped that the diverse range of factors and features discussed in this research demonstrate the fact that there are no simple models or answers. There is no 'Holy Grail' of economic development, as one practitioner put it. However, the nearest that an organisation can get to it is to be better managed and organised, and have a firm understanding of their market and the business they are in. Combined this with the cultures and values mentioned in this chapter, and an agency would be in a position to perform well.

Figure 9.1. A summary of the key features for organisational effectiveness in economic development

		KEY DRIVERS		
ORGANISATIONAL CULTURE AND VALUES	MANAGEMENT AND LEADERSHIP	HUMAN RESOURCES	STRATEGY	KNOWLEDGE
<ul style="list-style-type: none"> • Commitment • Quality • Excellence • Learning • Openness • Market-led • Change is constant 	<ul style="list-style-type: none"> • Sufficient capacity for corporate management in particular • Empowerment and delegation • SMT is responsible for, and contributes to company management and objectives • Non-executive leaders bring additional skills • Maintain, develop and enhance culture and values 	<ul style="list-style-type: none"> • The best people from public, private and non-profit backgrounds • Effective, comprehensive and relevant staff development • Overall strategic human resource capacity management 	<ul style="list-style-type: none"> • Utilise tools from marketing • Practicality, implementation and action are key rationales, foundations and drivers • Market-oriented strategic philosophy 	<ul style="list-style-type: none"> • Internalise research, analysis and evaluation to build knowledge capacity and create 'learning organisation'.
	<p style="text-align: center;">ORGANISATIONAL</p>		<p style="text-align: center;">OPERATIONAL</p>	
STATUS	<ul style="list-style-type: none"> • PLC or similar status with non-profit framework • Decentralisation of policy • Longer-term funding contracts • Ability to retain surpluses and own assets 		<p>MARKET-LED</p> <ul style="list-style-type: none"> • Match products and services to both market demand and economic development aims • Close market relations • Advanced customer management 	
SIZE, SCALE, SCOPE	<ul style="list-style-type: none"> • Sizeable enough for sufficient strategic, research and management capacity • Boundary match with local authorities 		<p>SUSTAINABLE SOLUTIONS</p> <ul style="list-style-type: none"> • Market sustainable • Divestment always an option • Portfolio includes revenue-neutral services 	
FUNCTIONAL	<ul style="list-style-type: none"> • specialisation • Multifunctional • Retain focus on core functions 		<p>INNOVATION</p> <ul style="list-style-type: none"> • Market-test at every stage of invention, innovation and application for rationale, goals, likely impacts and market viability 	
SYSTEMS AND STRUCTURES	<ul style="list-style-type: none"> • Integration, communication, intelligence, information, market-facing, market-sensitive 		<p>CONTINUOUS IMPROVEMENT</p> <ul style="list-style-type: none"> • Adapt, improve, alter existing operations to meet client needs and development objectives better 	
EXTERNAL RELATIONS	<ul style="list-style-type: none"> • The ten 'partnership lessons' • Private sector relations critical 		<p>INTEGRATION</p> <ul style="list-style-type: none"> • Integration both to increase impacts, improve client access, and improve service overall. 	

9.8 Concluding comments on the research project

This research has been rewarding. A greater understanding of the economic development process, and the agencies involved in this process, has been gained. Significantly, established discourse in the economic development and regeneration literature has been questioned. Upon reflection, many studies have not sufficiently analysed the causal processes and mechanisms at work. In this research project, organisational failure, and the potential for it, appeared to be an important factor behind the success or failure of economic development strategies, programmes, projects and services. It is hoped that this research has offered much in terms of constructive debate and practical matters concerned with improving agency performance. There is much material here that can be used by those involved in designing and maintaining policies, organisations and operations in economic development. This chapter has produced a set of critical issues and recommendations that most members of development agencies and organisations would do well to understand. The key element expressed in this chapter has been that economic development agencies need to be truly excellent organisations. Such are the demands and expectations placed on them. If economic development agencies are not performing as well as they have the potential to, then ultimately it is communities and businesses who bear the costs of this in the long term. It must not be forgotten that the whole rationale for economic development activity is geared towards improving the quality of life of people.

This project has not been easy. It has been a very difficult challenge. However, the results have been more than satisfactory. The multi-disciplinary nature of this project has demonstrated the value of applying organisational and management research to economic development as a discipline and activity. It has also demonstrated the value of looking 'in-depth' to gain knowledge and understanding of a particular field. In sum, it is hoped that the results and output of this research be used in a practical sense by practitioners and policy-makers.

APPENDICES

APPENDIX I. METHODOLOGY

Introduction

This section is devoted to a discussion of the methodological issues concerning this piece of Ph.D. research. The original research brief is included here overleaf. This original submission to the ESRC was made by the prospective supervisors to gain the funding for a studentship. It was in such a format as to leave much scope for development and refinement. This research proved to be very challenging and demanding, particularly in the need to gain a detailed understanding of economic development practice and the agencies involved. In addition, this research was multidisciplinary, which further added to the demands on the researcher. Much time was spent on developing a practical methodology for approaching this research question. An exhaustive literature search found no single comparative study that had been performed previously in the case of an economic development agency. The main crux of the original research remit was to investigate how various structural and organisational characteristics of development agencies related to the impacts of the role and operations they performed. The problem was that past research had concentrated either on structural characteristics of development agencies or the impacts of their operations in isolation. There have been few attempts to develop causal explanations linking the two. In addition, there were no sources of comprehensive or credible research and evaluation of the whole operations of one single agency.

The research, therefore adopted an investigative perspective. There was an insufficient precedent for establishing what factors or characteristics were appropriate for measurement or evaluation. Therefore, the research had to be performed with inductive reasoning - that is, the factors for performance in an economic development agency were subject to clarification themselves before their impacts could be evaluated. There is the case that a large body of academic research has suggested that certain characteristics are beneficial to an agency. However, it was found that the evidence for supporting these claims was unsatisfactory.

Evaluating a Best Practice Model for an Economic Development Agency

The Project

During the 1980s and 1990s there has been both growth and development in the agencies for the development of local and regional economies. The TECs in England and Wales, the LECs in Scotland, Urban Development Corporations, Integrated Regional Offices and a range of other mechanisms for economic development have been introduced and refined. Although this structure of support is well described in various places it has not been analysed systematically. This project will:

- identify the main models of economic development agency operating at local, city and regional level
- classify these models in terms of aims and objectives, powers, resources, private sector involvement, structures, activities and impacts (short and long run)
- isolate a small number of models for detailed case study evaluation.

There will be a strong emphasis on economic analysis in the project.

The project will concentrate on UK experience but will locate this within a comparative context to include North America and Europe. As well as using existing published studies, the student will be encouraged to use INTER-NET to progress the comparative analysis.

The Glasgow Development Agency will use the findings of the research to benchmark its current organisational imperatives, structures, and activities. It will be the basis for innovative changes to raise its effectiveness as an economic development agency.

Glasgow Development Agency and the Centre for Housing Research and Urban Studies hold a large volume of unpublished materials, evaluation reports, monitoring information, etc. These materials will be released to the student to assist in the evaluations of different economic development agencies.

The University and the Glasgow Development Agency are located close to each other and there are already good working relationships between the two institutions. We feel that although the student will have regular formal contact with the staff of Glasgow Development Agency quickly this will be taken forward on an informal basis once the supervisors have facilitated the initial entry to all parts of the organisation.

The Successful Candidate

Applications should have a sound training in economics as part of their undergraduate and/or postgraduate training. Ideally they should have completed a taught master's degree and/or have several years of cognate work experience.

The Supervisors

The student will be jointly supervised by Linda Anne Smith who is a senior member of the Glasgow Development Agency and Alan McGregor who is co-director of the Centre for Housing Research and Urban Studies and Director of the Training and Employment Research Unit at Glasgow University.

Developing an implementable thesis question

This research project started out on a broad footing. The aims and objectives stated in the original proposal submission seemed over-ambitious for a single Ph.D. student over three years. A quantitative evaluation of one single agency appeared even to be ambitious given the variety and scope of operations in addition to the methodological problems of such evaluative frameworks.

As mentioned previously, there was no specific basis in past studies for this research to be performed. The whole theme of this research appeared to refer to agency performance. The original objectives of the research basically referred to the determination of the key features and factors that influenced performance. Certain characteristics of development organisations have been surveyed and subjected to descriptive statistical presentation in past academic studies, but these have never convincingly been causally related to the performance of the agency. In some studies, certain characteristics are assumed to be synonymous with 'best practice' or model arrangements (for example, see Halkier and Danson, 1997). The weaknesses of these studies are that they are mostly descriptive of the institutional arrangements that exist and offer little convincing data or analysis referring to the causal relations between institutional characteristics and effectiveness. There is a considerable number of research and evaluation studies that have focused on the impacts of particular tools, approaches, policies and initiatives. However, little has been done to relate these findings to the significance of the agency's characteristics or part in implementing them.

Overall, what struck the student about the current state of research in the fields of local, urban and regional development was the absence of consideration of the implementation and delivery stage of the development process. The question of how influential the agencies who deliver policies and programmes are on the outcomes has been seldom addressed, let alone asking in what ways. Overall, there appears to be a lack of consideration of the process of economic development as performed by the agency. This is interesting, as a significant role of the economic development agency is to perform activities according to policies and desired impacts. Whether academic sources reflected a detailed understanding or not of development agencies and their work was therefore open to question. This was further challenged by an Executive Director of the sponsoring agency who commented that 'I haven't read an academic paper that gives a

true picture of what we do here'. So many past studies did not offer any real substance to guide the design and execution of this research. As mentioned before, they appeared to be descriptive and weak at causal explanation. So there was a task for this research to increase the understanding of causal factors and explanation. In addition, from a practitioner's point of view, it was felt that academic research had not demonstrated an accurate appreciation of a development agency's work. It would be an interesting part of this research to discover how the academic and practitioner interpretations of these organisations, their aims, and work diverged.

These conclusions were reflections from the literature found principally in the fields of urban, local and regional development. To some extent, the prevalent sources on economic development were disappointing in providing some guidance on how this Ph.D. should have proceeded at the early stages. An exploration of relevant sources in other fields and sources was both warranted and necessary. In fact, the dissemination of work and analysis on agency performance and structures appeared far more developed in other disciplines such as management and organisational research. These sources also provided some methodological guidance and examples of past studies into institutional performance.

It is illustrative to briefly restate the elements of the research question, and then to consider what methodological frameworks have been used in past studies in relation to this.

Initial Basic Thesis Questions

- Identify the main models of economic development agency.
- What characteristics do various economic development agencies have? How can they be classified?
- How do the agency 'models' and characteristics influence their activities?
- What is a best practice model?

What does this set of questions entail in terms of the study? It would require an analytical framework that provides the causal links between policies, organisational characteristics, methods of operation (tools and programmes) and impacts. It is useful to briefly discuss how past research methods from other studies were suited to approaching this project.

Past evaluative studies

There have been a significant number of past evaluation studies, performed both by academics and consultants. Foley (1992) provides a comprehensive analysis of the current state of evaluation studies in local economic policy. There are many inherent problems in the evaluation of local economic development activities. Turok (1989) provides 4 typologies of approaches to evaluation, which are briefly described here. One is internal review where organisational efficiency and administrative effectiveness is evaluated. These methods typically focus on agency performance. However, these types of evaluation frequently use targets and input measures (such as expenditure) to judge the impacts of the agency's activities. Some use output measures such as the quantification of assistance, for example in the form of grant aid distributed, the number of grants distributed, the number of enquiries dealt with, or the numbers of clients on a particular programme. The relevance of these measures to the actual impacts of activities can be very tenuous. Another form of evaluation is an external review which usually takes the form of an audit for financial efficiency. This involves relating policy outputs to resource inputs. The financial efficiency focus is reflected by the use of performance targets and indicators such as leverage and cost per job. Social accounting is another approach to defining the effectiveness of an activity in terms of the economic and social outcomes of policy rather than immediate physical outputs or direct financial costs. This approach requires a sophisticated range of indicators. A difficulty is finding indicators that have the same legitimacy as the 'harder' ones such as financial efficiency measures or volumes of assistance. Turok's final typology is understanding and explanation, which is an examination of the causal mechanisms linking policies and their outcomes, and the circumstances and conditions for their effectiveness. This approach goes beyond the measurement of policy impacts to explore how and why they are produced. The focus of this approach is the understanding of the causal mechanisms and processes at work. This also recognises the importance of local conditions. Whilst Turok's final typology is directly applicable to this research, he does not provide a detailed methodological framework. However, the aims and principles of this approach provided a welcome and relevant source of guidance.

To summarise Turok's typologies of evaluative studies, the main issues concern the quality and meaning of data. In terms of this research, the first two approaches would appear to be meaningful with respect to their concern for administrative effectiveness

and financial efficiency. However, a problem with the data from such approaches is that making causal links to agency characteristics is problematic. In addition, such data sources are often not comparable between agencies. Certain features of evaluation methodologies provide further opportunities to obscure the causal links between agency features and effectiveness. These are summarised below:

Features of evaluation methodologies

Empirical evaluation has limitations. Often time-scales for empirical analyses are too short, and involve small samples. These oversimplify the effects of policies and the dynamics of the economy. Usually causal issues remain unaddressed.

Impacts are often based upon estimation. Accurately predicting the outcomes of programmes and policies is inherently difficult.

The attribution problem. It is clearly inappropriate to attribute the whole change in an area to the impact of a single policy or agency. It is also difficult to attribute changes in the locality solely to economic development activity by an agency. This is further complicated if there is more than one agency or organisation involved in an economic development activity in the same locality.

Deadweight spending. This represents the extent to which outcomes would have been realised without public assistance.

Additionality. The amount of output from a policy as compared with what would have occurred without government intervention.

Displacement effects. The positive development effects on one area or group of clients occurs at the expense of others.

Contextual features. An important characteristic influencing the effectiveness of initiatives is the overall level of growth in an economy. Associated with this is the economic factors, cycles and structures present in national, regional and local economies. These will be influential in prevailing economic conditions and the impacts of economic development policies and programmes.

The evaluation of local economic development policy and implementation would therefore appear to be riddled with problems and complexities. However, the prevailing models and discourse on evaluation and research fail to include one significant influential stage of the economic development field in particular. This stage is that of

process and implementation. It is also significant that the agency is central to this stage. It is the agency that receives policy directives and attempts to implement practical means of realising them. This further requires some element of tailoring policy to the locality. It has been noted in many studies, particularly those in public sector management and policy analysis that policy outcomes are significantly influenced by the implementation stage (Baier, March, and Saetren, 1994). However, in the case of local economic development, there have been few comprehensive studies of the implementation process. Meaningful guidance on approaches to a study of implementation and organisation was found in a number of sources outside of the urban, local and regional studies field. In particular, organisational studies were found to be relevant.

An organisational approach to research methodology and design

Many sources from the literature on organisational analysis were found to have much application and relevance to this research project. Specifically, organisational research as a field held a certain number of attractions for this research. As Bryman (1989) concludes, organisational research is primarily concerned with organisational effectiveness. Organisational research specifically deals with the influence that organisational features, characteristics and processes have on the outcomes and output of the organisation. Studies related to economic development and regeneration such as those by Schein (1996) and Bovaird (1994) have demonstrated the value of applying aspects of organisational analysis to local economic development and urban regeneration. Organisational research and analysis can involve quantitative and qualitative methods. From the perspective of this research, it is important to investigate the relevance and applicability of these.

Several problems of performing quantitative research methods in order to address the research questions were made evident. Firstly, the parameters of the research were unclear from the beginning. There were no clear criteria for stating the factors which were important for agency effectiveness and performance. For effective quantitative research, the parameters of interest and investigation need to be established before constructing methods of data collection and eliciting the type of data required. In addition, quantitative studies tend to give little attention to context (Bryman, op.cit.). What appeared to be significant about economic development agencies was the importance of contextual factors such as the local economy and institutional structures,

past and present. In addition, most development organisations are significantly influenced by political and policy contexts. Quantitative research tends to deal poorly with the processual aspects of organisational reality. The scope for collecting and analysing data that could illustrate how various organisational features influenced performance seemed narrow. Overall, quantitative research appeared too inflexible and deterministic for the research, which was largely open and investigative.

Therefore qualitative research methods appeared to offer greater scope for investigating the research questions. As previously mentioned, there has been little research that has explored the factors and features for agency effectiveness. There is much relevant dissemination, but the actual data used in the research has largely been descriptive, including such factors as staff sizes, budgets, status and function. There has been a weak basis for making conclusions about whether certain organisational arrangements work better than others in economic development and regeneration. So this research had to gain some data which could firstly clarify just what features and factors of development agencies were important in performance. In addition, there needed to be further effort to find some causal explanation for why such features and factors were important.

Designing a qualitative research method

In designing the research method, there were a number of factors to take into account. One was the nature of the research question, which was open and subject to further clarification. This refers to the fact that little was known (in terms of credible research) about the factors and features of both the functions and organisations involved in economic development in reference to their performance. Certain factors became apparent from a literature review, as mentioned in Chapters Two and Three. However, it was felt that there was little past accurate and substantial research and analysis to preclude other factors from being discovered during the research. A number of features were hypothesised as being important, but would be subject to comparison and contrast with the findings of this research project. Another factor to take into account was the necessity for establishing causal links and explanation. If certain features of organisational life were to become prominent in terms of the research data, then it is important to ask how and why they were important. So, briefly, the methodology essentially involved asking:

- What factors and features are important in the performance of an economic development agency?
- How, and why are they important?

A useful method for this was found to be organisational research. In particular, performing qualitative organisational research facilitates a flexible and inductive approach. *Grounded Theory* (Glaser and Strauss, 1967) appeared to be a suitable concept and methodological perspective for this research. The advantage of such an approach is that initial categories that correspond to the data can be formulated, but also with an allowance for further data collection to refine the categories until there is some confidence about their relevance and boundaries. Grounded theory involves an inductive research process - where interpretation of the data and theorising emerge as the research proceeds.

Consideration must also be given to the sources and methods of data collection. One of the most appropriate methods appeared to be an interview-based study. This usually employs unstructured or semi-structured interviews and documents as sources of data. An advantage of this approach is that a flexible and open set of themes and questions can be produced. In order to go ahead with such techniques, the pros and cons of the approach must first be considered, as well as the suitability to the nature of the research project. First of all, a brief description of common methods used in organisational research is warranted.

Table (i) Chief research designs and methods in organisational research according to Bryman

Designs	Methods
D1 Experimental	M1 Self-administered questionnaire
D2 Survey	M2 Structured interview
D3 Qualitative research	M3 Participant observation
D4 Case study	M4 Unstructured interviewing
D5 Action research	M5 Structured observation
	M6 Simulation
	M7 Archival sources of data

(Source: Bryman, op.cit.)

Bryman (op.cit) lists the main research designs and methods used in organisational research, reproduced here in table (i). Experimental research involves the comparison of two or more organisations, usually with one or a small number of differentiating factors.

For this design to be appropriate, the focus of the study needs to be an identifiable factor or element that can be controlled for. Survey research design involves the collection of data usually by interviews or questionnaires on a range of variables. The objective is to examine the patterns of relationship between the variables. Qualitative research emphasises individual's interpretations of their environments and of their own and others' behaviour. The presentation of data is sensitive to what people say and the contexts in which their actions take place. The emphasis is usually on gaining an understanding of what is going on in the organisation from the participants' own terms rather than those of the researcher. Case study research involves detailed examination of a small number of organisations or organisational sub-units. Action research is where the researcher is involved in an organisational problem that is recognised by both parties. The researcher is actively involved in feeding back research data and recommendations for action to the organisation.

Within these research designs, there are a large number of methods and sources of data collection that can be used. Self-administered questionnaires are collections of questions that a respondent completes independently. Structured interviews are collections of specific and precisely formulated questions which an interviewer asks a respondent. Participant observation is where a researcher spends a period of time making observations in a particular organisational context. The degree of participation may vary. Unstructured interviewing involves the researcher interviewing respondents in an informal way, allowing them much latitude in what they say. Structured observation involves the researcher recording observations in a formulated schedule. It does not involve the participation of the researcher in much of the daily life of the organisation as with participant observation. Stimulation is a technique where individuals are asked to imitate real life behaviour in order to observe their reactions. Structured observation can be used here to record their behaviour. Archival information is more a source of data than method of collection. The researcher uses existing materials for analysis. This information may include sources such as historical documents, records, existing statistics, company reports, evaluations and accounts for example.

There are many designs and methods applicable to organisational research. However, the starting point for consideration should be the needs of the research. In sum, the requirements for this project were that:

- I. The question and themes of the research were open to interpretation and further development.
- II. The features and factors important for agency effectiveness required further evidence of how and why they are important.
- III. The subjects of study appeared to be heavily influenced by the context they were in. Building up an idea of how the agencies related to their environment therefore appeared worthwhile.

As mentioned before, quantitative research methods do not lend themselves to research situations where the hypotheses and subjects of study themselves are not clear. Literature reviews are a useful method of deriving hypotheses, but as also discussed earlier, the literature did not offer much basis for this exercise. In addition, surveys can be exclusive of the factors that may be considered important to organisations. A far better approach appeared to be one that could build up data on the perceptions of members and stakeholders of economic development agencies with respect to their performance. Either unstructured or semi-structured interviews appeared to provide a suitable method for the data collection, along with archival research. In particular, an interview situation with members of development agencies would enable the factors for effectiveness to be identified by respondents, and then further discussed in order to investigate the nature of their influence.

The design and approach of the research

Originally, it was thought that in-depth agency case studies would be an appropriate method of understanding these organisations. In addition, there is greater scope for finding validity and contradictions in reporting by interviewees. Schein (1996) undertook such an approach with a single case study, Singapore's Economic Development Board. Schein's approach was that of action research, as he was commissioned by the EDB, and also constantly gave feedback to the organisation's board and senior executives. However, Schein did use qualitative research interviews as his main source of data. Initially, in-depth case studies were thought to be suitable research design for this project. Through this, a close understanding of how economic development processes worked in certain agencies and their localities would be gained. However, several practical difficulties were encountered. Whilst the sponsoring agency

(GDA) was open to in-depth study and unrestricted access, some other examples were needed in order to include some comparative element in the research. However, during the course of arranging contacts with potential case studies, it became apparent most organisations were not willing to participate in full case studies. Some agencies were not willing to participate at all. The agencies who were willing to participate made one or two staff available for interview work. In addition, two case study organisations were selected on the basis of their reputation as exponents of 'good practice'. However, both of these organisations refused to participate in the research in any way. Problems of access are well recognised in qualitative and organisational research. Early problems of access meant that it was becoming difficult to establish candidates for in-depth case studies or even for building a wide sample of agencies as an alternative approach.

This meant that except for GDA, sufficient data and access to perform other valid case studies was insufficient. Another research design had to be considered. It was proposed that a sample of agencies in three other localities be approached and involved in the study. This new approach would fulfil several important criteria for the research:

- Provide a counterpoint to GDA by asking how distinct this agency was, and also exploring the validity and comparative experiences with respect to the features and factors for performance identified there.
- Provide a focus on environmental aspects of economic development agency operation by studying the effects of a common environment (i.e. that found locally, regionally and nationally) on a range of development organisations.
- Provide a breadth of agencies and sources of data in order to explore whether generalisations could be made about the features of organisational life in development agencies.
- Encompass a wider variety of stakeholders such as community and private sector representatives who would give another interesting perspective on economic development and the organisations performing it.

The strength of consulting a range of members of development organisations is that generalisations about the process of economic development in an agency are easier to make. However, there are also weaknesses in terms of the reliability and accuracy of

data concerning an organisation from the perspective one or a few interviewees representing each agency. In helping to solve the problems of access, the sponsoring agency introduced the researcher to prospective organisations for interviews. This gave the researcher the credibility of being associated with an existing development agency. This was a very effective method of gaining access to agencies.

The methodology adopted for this study can therefore be categorised as a 'pluralist evaluation' (Smith and Cantley, 1985). This approach emphasises both the complexity of the policy making process and institutional complexity within and between organisations. The approach examines the stakeholders in the policy process, each with a different perception of success or failure of policy or intervention (Lowndes and Stoker, 1992). Smith and Cantley further outline a framework for pluralist evaluation. The first stage is to identify the significant constituent groups involved in and affected by the policy process. Then data is collected with respect to these groups' interpretations and perceptions of success in policy delivery. The study should also take account of the groups' own interests and perspectives as well as their notions of success. The next stage involves an assessment of the extent to which success or failure is achieved in terms of the meanings attached to the criteria identified by each of the constituents. Therefore success, or in the case of this research, effectiveness, is a pluralistic notion and not a unitary or static measure. This reflects the discussion in Chapter Three about measures and definitions of organisational effectiveness being dependent upon the stakeholders or domains involved.

Operationalising the research

The organisations in each area were selected on the basis of meeting the members of key local agencies and also wider constituency members. The areas were selected themselves on the basis of the contrast in both environmental contexts and institutional arrangements. Evaluation of the features and factors important for agency effectiveness and performance was carried out by a series of semi-structured interviews. The interview method is very reliant on the skills of the interviewer. There are also issues of reliability and depth of reporting. The researcher must be constantly aware of the interviewee's behaviour, especially in situations where the respondent gives a socially desirable response to please the interviewer or omits information to hide something. To some extent, this can be identified and compensated for by asking supplementary questions. In

addition, avoiding the use of leading questions or asking respondents to confirm statements made by the interviewer reduces the chance of this. The interviewer must avoid expressing their opinions to respondents, or give clues as to the answers expected.

Interviewing gives an in-depth insight into the issues being researched. However, subjectivity is a problem. It is up to the interviewer what to research. The interviewer also interprets the answers. There is little that can be done about eliminating subjectivity altogether. However, awareness of subjectivity and minimisation of it can be achieved. Other data sources such as questionnaires may be considered as more reliable. However, these methods can be subjective also. The design of the questionnaire is made by the researcher, and often does not allow as much flexibility in response as an interview does.

In all, seventy-one interviewees were performed. These interviews lasted anywhere between forty-five minutes and two- and- a- half hours. Interviewees were briefed some time prior to the interview taking place. This briefing included a short overview of the research project and its aims, as well as a list of themes and questions for the actual interview. Examples of the briefings and questions sent to respondents prior to interview are included in Appendix II. Overall, most respondents were very interested in the research and, from the interviewer's impressions, commented candidly and honestly on the research themes. Much of the reporting was based on the interviewee's personal and organisational experiences. Some respondents proved to be a rich source of information on many aspects of economic development practice and process, and a number could also reflect on the changes in the arena over time.

Analysing the research data

All interviews were either recorded or notes were taken. These were transcribed into word processor documents. The transcripts of these interviews were reviewed in order to develop the main themes for subsequent in-depth analysis. Familiarisation with the data is essential before commencing any kind of analysis (King, 1994). This provided a template (*ibid.*) or codebook (Crabtree and Miller, 1992) in which to develop a more sophisticated analysis. NUD*IST, a computer application for the analysis of qualitative text data proved to be a very useful application. It allows the construction of a coding system for categorising text into research themes. These categories form 'nodes' in a tree system, and can be linked. Basically, sections of text that were relevant to certain research themes could be collated from all the interview sources. The structure of this

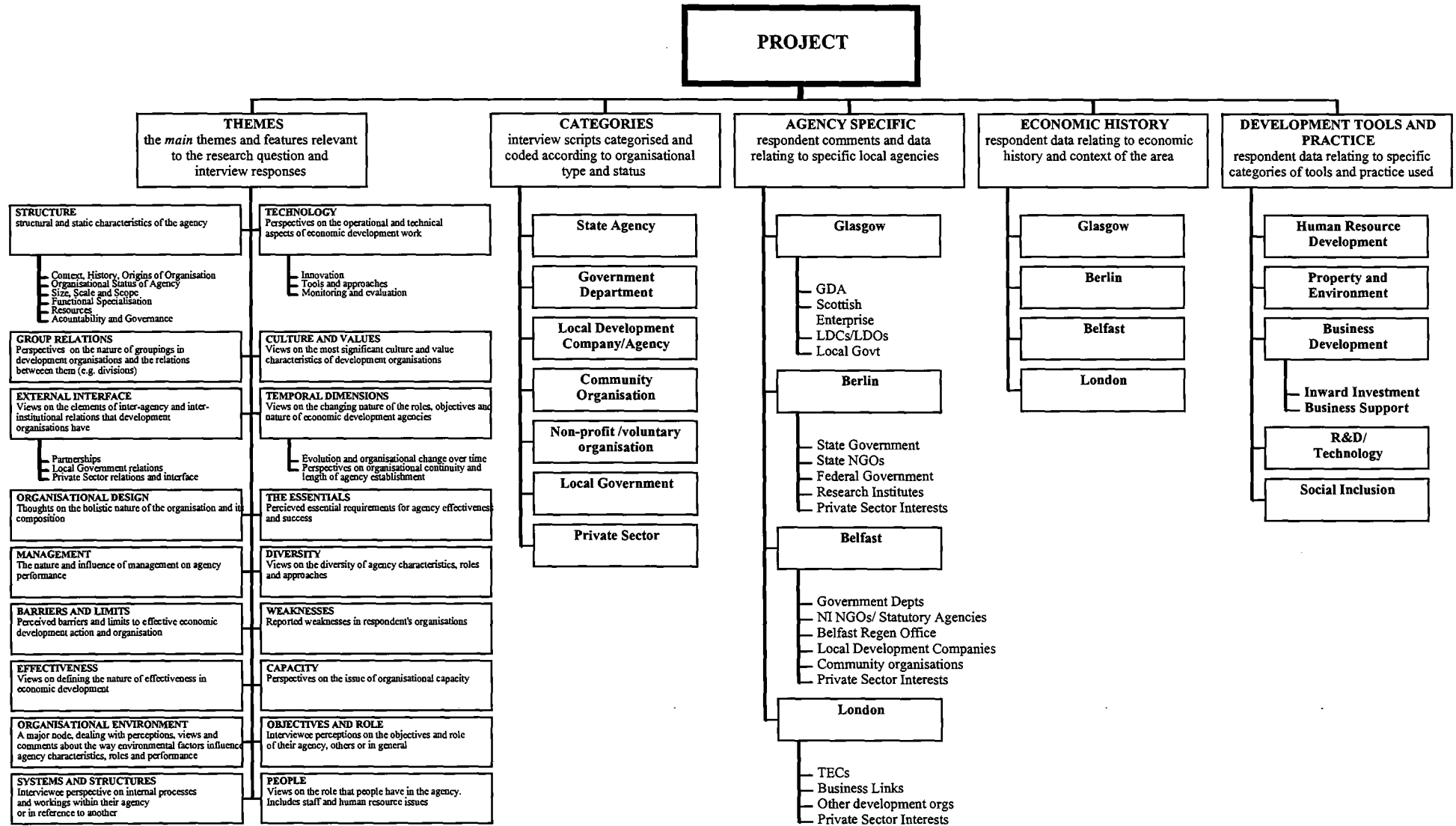
template, or node system is reproduced in Figure (i). In addition, NUD*IST is capable of providing statistical data on the volume of text and number of documents that each node has been coded with which is useful in testing the strength and level of reporting on certain issues. The node system was constructed from a review of the interview transcripts. Once the coding of interview transcripts was completed, each node could be analysed in depth. In addition, NUD*IST allows for further distillation of the interview data by type of organisation, locality, and staff status of interviewees for example. This allows the exploration of the nature and content of reporting in reference to the context of the interviewee. For example, it could be ascertained whether private sector interviewees had a common perspective on certain issues. Therefore it illustrated where certain perspectives correlated to the context and situation of the interviewee. Overall, use of this computer application proved very flexible and thorough in analysing the data. Traditional methods of coding interview scripts usually involved coding by hand. In addition, text search facilities were available which were useful in the analysis.

In addition to the interview data, substantial background and archival research was performed with respect to the local economy, institutions and other environmental and contextual features. The organisations encountered in the interviews were also subject to background research. The end result of the data analysis was a set of coded themes, which had been analysed with respect to the nature of reporting in interviews. The thesis Chapters Six to Eight deal with the findings and analysis of the interview data. The factors and features relating to agency performance presented in these chapters are included due to the strength and nature of reporting that respondents made.

Summary

Upon reflection, this research method was very effective in addressing the main questions, themes and issues that the project concerned. It was flexible enough to maintain an exploratory and investigative approach to the research question. Crucially, it meant that the original data collection exercise did not set out with a rigid framework and narrow set of hypothesised factors for agency performance. This was rewarded by the emergence of very strongly reported features for effectiveness that have been largely absent from other sources in economic development and regeneration literature.

Figure i. Coding and nodes template used for qualitative data analysis



APPENDIX II. EXAMPLES OF BRIEFING
DOCUMENTS USED PRIOR TO INTERVIEWS

Sample of research project abstract sent out with letters requesting interviews, and also in pre-interview briefs.

Evaluating a Best Practice model for an Economic Development Agency

Sponsored by the ESRC and Glasgow Development Agency

KEY RESEARCH QUESTION

“What organisational forms, operational characteristics and processes are associated with the effectiveness of delivering economic development services and activities?”

KEY THEMES

Understanding economic development in practice: exploring why particular organisational forms and approaches are taken in economic development. Questioning the legitimacy of academic interpretations and approaches.

Conceptualising good practice: defining organisational effectiveness for an economic development agency.

Understanding how agency characteristics, structures and modes of operation affect implementation.

Exploring how different institutional arrangements affect development implementation and activity.

Function, space and remit: how are they related and are there particular arrangements that work well?

Integration and synergy: investigating the relative advantages and disadvantages of different functional divisions within and outwith organisations. Structures of management, functional divisions and relationships with other key bodies in economic development.

Partnerships, alliances, delivery mechanisms: understanding institutional delivery arrangements as systems. Taking a critical look at the role of partnerships and delivery mechanisms, looking at subsidiarity issues and devolution of development responsibilities at different levels.

CONTEXTS AND ENVIRONMENTS

This project seeks neither to be overtly critical nor dogmatic in its approach. A key is understanding the operating contexts in which different organisational arrangements exist, and in the way things are done. A crucial perspective is looking at development agencies in practice and, realising that agencies operate within wider influencing and limiting environments.

The key is that if contextual factors do inhibit effective development action, we must understand methods of overcoming this within environmental limits.

METHODS OF RESEARCH

As one of the most crucial elements of this research is to understand how development agencies operate in reality and practicality, interviewing practitioners is the most vital element. This research will benefit greatly from practitioners' experiences and judgement in addressing some of these questions. Naturally, background research is important as well as research into the environment in which the agencies operate in.

Confidentiality is assured for all participants in interviews. The key is understanding why certain individuals hold certain points of view, and also exploring the environmental influences on these viewpoints.

INTERVIEW BRIEFING

The basic research question is "What organisational forms, operational characteristics and processes are associated with the effectiveness of delivering economic development and regeneration services and activities?"

I am especially interested in canvassing the views and experiences of a wide range of people in Belfast and Northern Ireland as part of this project - drawing on their experiences, expertise and aspirations. The overall aim is to use this research to analyse what particular characteristics can be associated with effective and successful development. In particular, this project seeks to reflect on the practical issues facing development organisations and their staff.

Such issues I would like to discuss follow. I would be most interested in your perspective, whether personal experience, general awareness, or organisational position.

Developments in Belfast and Northern Ireland - The system and policy for economic development and regeneration

- How have the policies and agencies developed in Belfast and Northern Ireland over time? What good and bad points do they enjoy in delivering development and regeneration in practice?
- How does your organisation fit into the 'system' in Belfast and Northern Ireland?
- Change: past, present and future - what changes have taken place, are occurring now, and may occur in the future? what are the reasons behind these changes?
- How does the Belfast/N.Ireland experience compare/contrast to other areas?

Concepts of good practice

- In your particular experience, what is good practice? What are the most significant elements needed for effective development action? what particular organisational characteristics are needed?
- How are the following characteristics related to delivering effective development services and activities:

Institutional structure; leadership; management; staffing and human resources; functional specialisation vs. multi-functional approach; market and local economic research and understanding.

Inter-agency working

- How well do Belfast's organisations work across boundaries - of function and organisation? What are the best mechanisms to enable good integration?
- How are partnerships best managed for the goals of development and regeneration?

Nature and role of agencies

- Do you think that some institutional arrangements are better suited to certain functions and scales of operation than others?

Of course, any other points of view you have will be most welcome

Example of interview briefing sent out to organisations in London

Background

The basic research question is "What organisational forms, operational characteristics and processes are associated with the effectiveness of delivering economic development and regeneration services and activities?" The issues I would like to discuss include the following:

Your organisation

- Role, functions, structure, set-up, staffing, budget.
- How does your organisation fit into the 'system' in your area?
- What is the approach to managing economic development activities and processes?
- Change: past, present and future - what changes have taken place, are occurring now, and may occur in the future? what are the reasons behind these changes?

Developments in London- The system and policy for economic development and regeneration

- What views do you hold on:
 - The policy and organisations involved in development and regeneration activities in London.
 - The relative advantages and disadvantages of existing structures and institutions (at community, city and national levels) for economic development and regeneration.

Meeting client and economic needs and opportunities

- Development policy and activity in relation to the economy.
- How well does current development policy and activity meet the needs and opportunities of companies? Could it be improved?

Concepts of good practice

- What do you think are the essential ingredients for effective action and good practice in economic development and regeneration agencies?
- What are the significant barriers to effective action, and how can they be overcome?
- Effective management, leadership, staffing - do you think that these are sometimes overlooked in economic development agencies and organisations?

Inter-agency working

- How well do London's organisations work across boundaries - of function and organisation? What are the best mechanisms to enable good integration?
- How are partnerships best managed for the goals of development and regeneration?

Nature and role of agencies

- Do you think that some institutional arrangements are better suited to certain functions and scales of operation than others?
- What's best? single-function or multi-functional organisations in delivering economic development services, programmes and projects?
- Do such things as economies of scale and scope occur in delivering functions?

Any other areas that you think are important, or any other points of view you have will be most welcome.

APPENDIX III. ABBREVIATIONS USED IN THE THESIS

AZTEC	Training and Enterprise Council for South-West London.
BAO	Berliner Absatzorganization und Marketing-Service GmbH (Berlin Export Promotion and Marketing Organisation Ltd.).
BATs	Belfast Action Teams.
BLEG	Berliner Landesentwicklungs Gesellschaft mbH (Berlin Property Development Corporation).
BUA	The Belfast Urban Area.
CCTEs	Chambers of Commerce for Training and Enterprise (TEC-Chambers merged).
CDU	Christian Democratic Union (Germany).
CENTEC	Central London Training and Enterprise Council.
CILNTEC	Central Inner London Training and Enterprise Council.
CPO	Compulsory Purchase Order
DED	Department of Economic Development Northern Ireland.
DENI	Department of Education Northern Ireland.
DETR	Department of Environment Transport and the Regions.
DfEE	Department for Education and Employment.
DTI	Department of Trade and Industry.
EBP's	Education Business Partnerships.
EDAs	Economic Development Agencies.
ERVET	Emilia-Romagna's regional development agency.
ES	Employment Service
ESRC	Economic and Social Research Council.
EU	European Union.
EURADA	European Association of Development Agencies.
FDI	Foreign direct investment.
FEFC	Further Education Funding Council
GCC	Glasgow City Council

GDA	Glasgow Development Agency (Glasgow Area's Local Enterprise Company).
GDP	Gross Domestic Product.
GDR	German Democratic Republic (the former East German State).
GLC	The Greater London Council.
GLE	Greater London Enterprise.
GLEB	Greater London Enterprise Board.
GmbH	Gesellschaft mit Beschränkter (Private Limited Company).
GOL	Government Office for London.
GORs	Government Offices of the Regions.
HEFCE	Higher Education Funding Council for England
HRD	Human Resource Development.
IDB	Industrial Development Board for Northern Ireland.
IHK	Industrie und Handelskammer (Chamber of Commerce and Industry).
IIP, IiP	Investors in People.
IMF	International Monetary Fund.
IPPR	Institute for Public Policy Research.
IRTU	Industrial Research and Technology Unit (Northern Ireland),
LDA	London Development Agency (the proposed English Regional Development Agency for Greater London).
LDC	Local Development Company.
LDO	Local Development Organisation.
LEC	Local Enterprise Company (part of Scottish Enterprise Network).
LEDU	Local Enterprise Development Unit (Northern Ireland).
LEGs	Landesentwicklungs Gesellschaft mbH (German State Property Development Corporations).
LENTA	London Enterprise Agency.
LFC	London First Centre.
LPAC	London Planning Advisory Committee.
LRC	London Research Centre.

LTB	London Tourist Board.
MBW	Making Belfast Work.
MPBs	Multi- purpose bodies.
NGOs	Non- governmental organisations.
NICVA	Northern Ireland Council for Voluntary Action.
NIVT	Northern Ireland Voluntary Trust.
NVQ	National Vocational Qualification.
NWLTEC	North- West London Training and Enterprise Council.
OECD	Organisation for Economic Cooperation and Development.
OMF	Output Monitoring Framework.
ONS	Office for National Statistics.
PRF	Peace and Reconciliation Funds (Northern Ireland).
RDA	Regional Development Agency.
SDA	Scottish Development Agency.
SEN	Scottish Enterprise Network.
SME	Small- to medium sized enterprise.
SMT	Senior management team.
SOLOTEC	South London Training and Enterprise Council.
SPBs	Single- purpose bodies.
SRB	Single Regeneration Budget.
TEC	Training and Enterprise Council.
TTWA	Travel- to- work area.
UDC	Urban Development Corporation.
WFB	Wirtschaftsförderung Berlin (Berlin Economic Development and Promotion Agency).
WLL	West London Leadership.
WLTEC	West London Training and Enterprise Council.

APPENDIX IV. LIST OF CONSULTEES AND INTERVIEWEES INVOLVED IN THE RESEARCH

Adam Jackson, DTI.

Alan Sinclair, Chief Executive, WISE Group.

Andrew Hawkins, London Chambers of Commerce and Industry.

Andrew Templeton, Department for Economic Development, Northern Ireland.

Anne Brookes, Chief Executive, Castlemilk Economic Development Agency (CEDA).

Bernd Lietzau, Berlin Senate.

Bob Haworth, Business Link London South West.

Brendan Walsh, Director of Strategy and Communicaitons, North West London TEC

Brian Hanna, Chief Executive, Belfast City Council.

Brian Jamieson, Scottish Enterprise.

Brian Wright, Chief Executive, London Enterprise Agency.

Bryan Davies, Department for Economic Development, Northern Ireland.

Carol Keery, LEDU, Northern Ireland.

Chris Traynor, Business Link London City Partners.

David Walton, Director of Business Development, GDA.

Diana Sterch, Director of Marketing, AZTEC.

Dr. Dietrich Henckel, Deutsche Institut für Urbanistik, Berlin.

Dr. Dutschmann, BAO Berlin.

Dr. Graham Gudgin, Northern Ireland Economic Research Centre, Queens University Belfast.

Dr. Mike Morrissey, The Urban Institute of The University of Ulster, Belfast.

Eamon Mulvenna, Regional Development Manager, LEDU, Northern Ireland.

Eduard Heussen, Senatskanzlei Berlin.

Father Myles Kavanagh, Flax Trust, Belfast.

Folker Flasse, Wirtschaftsfoederung Berlin.

Gordon Kennedy, Director of Corporate Development, GDA.

Greg Clarke, Director of Regeneration Strategies Ltd., Greater London Enterprise.

Helen Matthews, Workwest, Belfast.

Ian Jenkins, EKOS, Glasgow.

Jag Pabla, Business Development Manager, Business Link London East.

James Scott, IRS, Erkner, Brandenburg.

Jean Hamilton, Scottish Enterprise.

Jens Sambale, Freie Universitat Berlin.

Jeremy Long, Chief Executive, Focus Central London (TEC).

Jill Lowery, Head of Economic Development and Research, Focus Central London (TEC).

Jim McFarlane, Director of Property Development, Lothian and Edinburgh Enterprise.

Jim Watson, GDA.

Joe Dignan, South London TEC (SOLOTEC).

Joe McVey, Head of Economic Development, Belfast City Council.

John A. Stringer, Chief Executive, Northern Ireland Chamber of Commerce.

John Campbell, Chief Executive, Glasgow North.

John Every, GDA.

John McCann, GDA.

John Zindar, Auslander Investorumzentrum (Foreign Investment Centre),
Bundesministerium für Wirtschafts (Federal Ministry of Economics), Berlin.

Julia Jensen, Tishman Speyer.

Kevin Kanty, Inward Investment Council, Berlin.

Kyle Alexander, Laganside Corporation.

Larry Sheeran, Training and Employment Agency, Belfast.

Lindsey Simpson, TEC National Council.

Maggie Andrews, Managing Director, East Belfast Community Development Agency.

Marie Therese McGivern, Head of Policy and Evaluation, Making Belfast Work.

Martin Davidson, Director of Property Development, GDA.

Martin Poessinou, West London TEC.

Naimh Flanagan, West Belfast Economic Forum.

Nicola Skinner, East Belfast Community Development Agency.

Nigel Smyth, Chief Executive, CBI Northern Ireland.

Patrick Wiggins, Head of Evaluation, Scottish Enterprise.

Paul Smith, Director of Special Projects, GDA.

Paul Sweeney, Northern Ireland Partnership Board, Department of the Environment, Northern Ireland.

Peter Martin, Partner für Berlin.

Peter Ritchie, Locate In Scotland.

Quintin Oliver, Director, Northern Ireland Council for Voluntary Action (NICVA).

Ron Cully, Chief Executive, Govan Initiative.

Russell Simpson, GDA.

Ruth Taillon, West Belfast Economic Forum.

Seamus Complisson, Training and Employment Agency, Belfast.

Stephen Running, GDA.

Steve Inch, Head of Regeneration Unit, Glasgow City Council.

Stuart Gulliver, Chief Executive, GDA.

Stuart Ogg, Forth Valley Enterprise.

Stuart Patrick, GDA.

Susanne Milde, Berlin Landesentwicklungs Gesellschaft (BLEG)

Ursula Baumann, Messe Berlin.

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