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Development agencies, networking and regional governance: the case of North Jutland

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**DEVELOPMENT AGENCIES, NETWORKING
AND REGIONAL GOVERNANCE
The Case of North Jutland, Denmark**

This paper is based on research undertaken as part of the comparative *Intelligent Region* project sponsored by the Leonardo da Vinci programme of the European Union. It is currently under publication in Mike Danson, Henrik Halkier & Greta Cameron (eds.) *Governance, Institutional Change and Regional Development*, Ashgate 1999.

During the last decade local and regional initiatives in economic development have mushroomed in Denmark, and today a multitude of separate public or semi-public bodies are active in the field of regional development and business support. All levels of government - national, regional and local - are involved, and the implementing agencies are typically small in size and offer different types of general or specialised advisory services. North Jutland, the northernmost Danish county, is a particular case in point: over 40 organisations are involved in business promotion in a region with less than half a million inhabitants.

While 'institutional thickness' in the academic literature is often claimed to be a prerequisite to regional development and learning,¹ the explosive growth of bottom-up initiatives in Denmark has frequently been seen as a weakness.² The co-existence of a multitude of organisations allegedly impedes policy coordination, spawns competition between the organisations - and, ultimately, creates confusion among private sector clients. The presence of a host of specialised bodies does, however, not necessarily mean that these organisations cannot constitute an integrated approach to regional development. The nature of the system as a whole depends on how well efforts are coordinated, either by hierarchical means - one single agency to which all other actors are accountable - or through network types of coordination where overall integration is ensured on the basis of mutual resource dependencies between formally independent organisations.

The objective of this text is to explore the interaction of publicly financed actors involved in business promotion within the North Jutland region in order to establish patterns of formal and informal coordination, and to discuss the potential consequences of this for provision and development of business-related services within the region. The text is based on an analytical approach developed within an institutionalist framework for the study of organisations and policy-making, and a subsidiary aim of the text can therefore be said to explore the merits or otherwise of an approach that could be applied in the study of the governance of regional development in other European regions.

The paper proceeds in the following steps. The next section introduces the conceptual framework, and this is followed by an overview of the organisations involved in business promotion in North Jutland and the wider policy context in which they operate. Then a more

1 Amin & Thrift 1994.

2 Industri- og Samordningsministeriet 1994; Erhvervsministeriet 1995.

detailed analysis of the policies, positioning and resource dependencies of these organisations is undertaken, and on the basis of this the patterns of cooperation between the organisations are discussed. Finally the conclusion will be accompanied by some more general reflections on the possible consequences of the existing institutional pattern for the capacity of the region to respond to new challenges.

Analytical Approach

The analytical framework which has formed the basis for the research design is inspired mainly by the so-called 'new institutionalism' and network theory,³ and the concepts considered to be central in the analysis of interaction between development bodies are listed in Table 1. The 'regional development industry' in North Jutland will thus be investigated on three inter-related levels of analysis: the individual organisation, the way in which agencies interact with one another in bilateral relations, and the way in which the whole system of business promotion is coordinated in more or less formalised and hierarchical ways.

Domain is central to most organisations because their *raison d'être* is to perform

Table 1. Organizations and policy-making - An analytical framework		
Level of analysis	Dimensions	Sub-dimensions
Organizational	Domain	Territory Function
	Strategies	Policies Positioning
	Resources	Authority Finance Information Organization
Inter-organizational	Institutionalization Resource dependencies	
Multi-organizational	Integration	

Source: Adapted from Halkier & Damborg 1997.

3 For an elaborate discussion, see Halkier & Damborg 1997.

certain functions in a particular geographical setting. *Resources* are the means by which an organisation maintains itself and influences its surroundings, and therefore the question of resources and their exchange is essential, not least in the context of networks that are seen as driven by mutual dependencies with regard to four basic resources: authority, information, finance and organisation.⁴ Closely associated with this is, however, also what the development bodies are trying to achieve for the regional economy - the question of *policies* - and the way agencies attempt to *position* themselves vis-à-vis other organisations in order to maintain their domain, resources etc. At the inter-organisational level of analysis, the mutual *resource dependencies* and the degree of *institutionalisation* of the relations between organisations will be examined. Finally, this should allow us to establish patterns of formal and informal coordination in the structure of the system of business promotion as a whole, i.e. assess patterns of *integration* on the multi-organisational level.

In the light of the large number of organisations involved in business promotion in North Jutland to examine each and every bilateral relation in detail would have been prohibitively time-consuming. Instead a postal enquiry was undertaken in Autumn 1997 seeking copies of the latest annual report and other relevant materials from economic development bodies in North Jutland,⁵ and this was supplemented by interviews were carried out in 17 organisations in order to investigate in more detail the nature of the interaction between the organisations.⁶

Development Organisations in North Jutland - An Overview

Since the late 1980s economic development bodies in North Jutland have operated within a system of multi-level governance where national and European levels of government not only

4 For a discussion of resources and relations of power, see Halkier 1996 pp. 47-62.

5 The survey included providers of manufacturing and general business services, but excluded specific sectoral types of services for tourism and agriculture, workforce training initiatives, and organisations operating on a commercial basis without ongoing public subsidies. A list of the organisations included in the survey is provided in the Appendix.

6 Interviews took place from November 1997 till January 1998. As can be seen from the list included in the bibliography, the interviewees represented organisations both at regional, sub-regional and local levels and were practitioners and civil servants rather than politicians.

regulate sub-national activities, but also to a certain extent have a direct presence within the region.

In terms of providing a regulatory framework, the national level clearly plays the most important role in Denmark. After all central government regional incentive schemes were terminated in 1991, its main role has been to regulate the economic development activities of local and regional authorities, and to co-fund European Structural Funds programmes. Most importantly, sub-national actors have not been allowed to subsidise individual firms but have instead been confined to employ so-called framework measures, i.e. collective forms of support that are not directed exclusively towards one particular firm such as advisory services, technological support facilities or joint marketing and promotion. At the same time the Danish approach to Structural Funds management have become a fairly decentral one in which central government maintain a role with regard to process management, legality and basic policy principles, but where substantive issues - i.e. programme development and evaluation of individual projects - have effectively been left for the regional partnerships to decide.⁷ In both cases national policies would seem to reinforce European ones: not just limiting but ruling out national and sub-national financial subsidies as policy instrument, and taking the Commission's emphasis on regional involvement in the administration of Structural Funds programmes further than most EU member states.

A first overview of the large number of public development bodies in North Jutland can be obtained by grouping them according to two criteria, namely 1) the spatial level on which they operate and 2) the nature of their main activities, ie. political sponsorship or policy implementation. The result can be seen in Table 2, and in the following the key players and their roles will be introduced.⁸

7 See Halkier 1998, cf Halkier 1997 and Damborg 1998.

8 Unless otherwise indicated the basic information on the various organisations in the rest of this text is based on a database constructed from the annual reports and other materials of the organisations participating in the study, and personal interviews.

Table 2. Main regional actors in economic development in North Jutland

Spatial tier	<i>Political sponsorship</i>	<i>Implementing bodies</i>
Regional	North Jutland County Council Structural Funds Partnerships North Jutland Development Fund	Regional Policy Dept., North Jutland County North Jutland Business Service Technological Information Centres Business and Innovation Centre North
Sub-regional	Councils for sub-regional networks	Secretariat for sub-regional network Local business development offices
Local	Local Authorities Local Business Development Councils	Local Business Development Offices

At the regional level all Danish counties are involved in regional development, although resources, policies and implementation structures vary significantly.⁹ In North Jutland the elected County Council is centrally placed as a political sponsor of economic development initiatives with its own programmes and a key role in the administration of Structural Funds programmes.¹⁰ In order to involve social partners within the region, political responsibility for these activities has, however, been devolved to the *North Jutland Development Fund* (NJDF), established in 1992 and incorporating local authorities and business interests. The Fund recommends decisions on Structural Funds applications to central government and controls the regional development budget of the County, and thus it controls the two major single sources of funding for development activities within the region - and by chairing and financing the Fund as well as providing administrative support, the County in effect retains a dominant influence. Despite working in formalised partnership with other regional and local actors, regional government acting through the NJDF is in other words the most important political sponsor of economic development activities on the regional level, including the Structural Funds programmes.¹¹

The implementing organizations with responsibility for the whole of North Jutland can be separated according to their main activities. The County's *Regional Policy Department* is in a unique position in that it acts as secretariat for both the NJDF and the Structural Funds programmes. This not only makes it the sole provider of financial subsidies to individual firms

9 See Damborg & Halkier 1998a.

10 25 of 27 districts in North Jutland are covered by either Objective 2 or Objective 5b programmes and North Jutland is the main recipient of European Regional Development Fund monies in Denmark.

11 See Damborg & Halkier 1998b cf Halkier 1997.

within the region, but also gives it a key role in assigning block grants to other development bodies and (co)financing so-called regional framework programmes. In contrast to this all other implementing bodies on the regional level are mainly providers of advisory services to individual firms, although they are backed by different political sponsors. The first of the two *Technological Information Centres* (TICs) in North Jutland was established already in 1975 as part of a national network of self-governing institutions sponsored primarily by central government (c 75%) with minor contributions from regional and local government.¹² The TICs provide information and advice to firms, and while services are free of charge, they are also limited in time, and therefore an important function of these organisations is to refer firms on to more specialised bodies. The *North Jutland Business Service* was established in 1994 with the explicit purpose of creating an organisation which could offer advisory services on a highly professional level to firms in North Jutland. The organisation is primarily sponsored by NJDF and has its own board of directors consisting primarily of members of the business community. Its core activities are different types of mainly free-of-charge-but-limited-in-time types of advisory services (financing, export and business development), but in addition to this the organisation also manages so-called framework programmes for NJDF and/or the Structural Funds partnerships like The Internationalisation Programme and The Enterprise Development Programme, special efforts running for a period of three or four years. The most recent development body to be established in North Jutland is the *Business and Innovation Centre North*, a European concept adopted towards the end of 1997 at the initiative of the NJDF, the adjacent Viborg county, the NOVI science park and sub-regional actors, and supported by major EU co-financing for the first two years. The centre covers both North Jutland and Viborg counties and is expected to act as a strategic partner for SMEs in industrial development projects by providing long-term advice and project support. Areas of expertise are to include technological, financial, organisational and market matters, and activities will be partly financed by charges paid by successfully assisted firms.¹³

On the local level political sponsorship rests with local government, either directly or via financial support for local business development councils. In North Jutland nearly all

12 Erhvervsfremme Styrelsen 1998a and 1998b.

13 Freddy Ranø, personal interview.

districts have a local business development office,¹⁴ but the structure, tasks and resources of the offices vary considerably. Nearly all of them are very small operations, mostly run by a local business council consisting of representatives of local business, social partners and local government, but in some districts they have been incorporated as part of local government administration. The tasks performed by the local business development office vary from district to district, but they often include promoting the area in order to attract new firms, initiating and/or participating in the preparation of large development projects in the district, assisting entrepreneurs and SMEs by providing different types of advice, being the link to the local administration, and arranging meetings, courses and participation in international activities for local firms.¹⁵ An important exception to these general characteristics is *Aalborg Commercial Council*, the local business development office for the only major town in North Jutland and location of over a third of the total number of jobs in the entire region. Being a larger organisation with more resources, this organisation is able to supply more specialised types of advice, undertake larger development projects and devote more resources into place marketing.

During the 1990s a new type of actor has emerged on the scene, namely sub-regional networks established by adjacent districts in order to overcome the limited size of their local business development offices by pooling resources, increase their ability to engage in larger projects, and enhance their influence within the region. Some local authorities have embraced this approach more whole-heartedly than others, and by far the largest is the *Aalborg Region* network, based on the regional capital and administered by Aalborg Commercial Council. This network comprises more than 60% of the region's population and has attempted to engage in far more specialised activities, including attempts to draw down funds for major projects from the regional level. The other strong network is the *Vendsyssel Development Council* which consists of five north-western districts representing c 18 per cent of the total population of North Jutland. Contrary to the Aalborg Region, this network has its own small secretariat and does not have a dominant partner acting as prime mover, and its activities are centred around various projects which relates to a development programme for the area covered by the network. At the north-eastern and southern peripheries of North Jutland the enthusiasm for

14 According to our data local business development offices exist in 25 of the 27 districts in North Jutland (of these 3 districts have a joint office).

sub-regional development networks is much more guarded, and what limited initiatives there are seems to be driven mainly by the need to counter the perceived threat of dominance by the Aalborg Region.

All in all the economic development scene in North Jutland is clearly characterised by 1) the direct or indirect involvement of many levels of government as political sponsors or co-sponsors, and 2) a large number of implementing bodies operating on different territorial levels. This could either be seen as a recipe for duplication and inter-organisational strife, or as a situation prompting network cooperation between the major actors, and in order to illuminate the extent to which coordination is achieved, the organisations and their mutual relationships are analysed in the following sections.

Domains, Policies and Positioning

Having mapped out the basic features of the 'development industry' in the region of North Jutland, we can now proceed to the analysis of the organisational characteristics and inter-organisational relations involved. This section concentrates on three organisational features - domain, policies, and positioning - while the fourth, resources, will be discussed in greater detail in the following section in connection with the question of inter-organisational resource dependencies.

The local business development offices have two things in common, namely that they promote the economic development of their local community, and that they are relatively small organisations with 1-2 employees and annual budgets between 0,05 and 0,2 MECU (the exception is Aalborg Commercial Council with 7 staff and a budget around 1 MECU). This group of development organisations is in other words characterised by operating in the same functional domain but inhabiting separate, yet neighbouring, territories, and as such they are mainly in direct competition with one another in connection with new incoming firms. The concrete policies through which the local offices pursue their parallel objectives vary between the localities, but as most of the local offices have to deal with a wide range of issues, the individual officer is typically a generalist and catalyst who provides practical help and develop

15 Some offices are also tourism offices.

ideas rather than more specialised types of advice (the larger Aalborg Commercial Council is again the exception).¹⁶ Despite having a limited range of policies at their disposal, most officers insist that it is essential that he be the first point of contact and form the link between local firms and other business services.¹⁷ Although the extent of this cautious positioning varies among the interviewees, local business development officers are generally on guard when it comes to the possibility of being circumvented by other publicly financed organisations, fearing to lose touch with local firms through competition from similar services offered at the regional level.

According to the members of the sub-regional networks interviewed, the purpose of cooperation is *not* to set up new business service organisations *nor* to merge the offices of the members, but to become able to undertake projects which reflect shared problems and ambitions through pooling of resources. Although the extent to which this will be realised remains to be seen at this early stage, both the Aalborg Region and the Vendsyssel Development Council can point to a reasonable number of projects which have been carried out or are under preparation. Some of these are relevant to North Jutland as a whole - districts outside the network areas have joined particular projects like the Aalborg Region Medico programme - and this would seem to reflect a positioning strategy that could ultimately see the sub-regional networks take over activities that are currently undertaken by actors situated on the regional level.

Turning to the role of the organisations operating at regional level, the county's Regional Policy Department is the largest player both in terms of staff (15) and, not least, budget: annual expenditure in the 1997-99 Objective 2 programme amounts to nearly 38 MECU in average and NJDF programmes to 4 MECU. Moreover, the organisation occupies a distinct domain as the only administrator of direct (Structural Fund) grants to firms and as financial supporter of other development bodies and their activities on the basis of European and/or NJDF funding. This of course makes the positioning strategies of the Regional Policy Department and its NJDF sponsors particularly important, not least because preference has been given to hiving off particular forms of business promotion to separate development bodies instead of keeping these activities in-house.

16 A profile stressed by most of the local business development officers interviewed.

17 Virtually all local business development officers stressed this role.

The other organisations operating on the regional level are also larger than the typical local bodies in terms of staffing and budgets,¹⁸ and among them the two TICs have a distinct profile as part of a national network and more than 20 years of presence in North Jutland. Although defined rather broadly, dealing primarily with 'technology-related issues' still provides the organisations with an identifiable functional domain that supplements rather than competes with those of the local business development offices. Increased involvement in the broader field of enterprise development may, however, place the TICs in a situation where they, at least in some respects, are competing with other providers of business services. In comparison the North Jutland Business Service is a much younger organisation, set up to assist firms with regard to sources of finance, internationalisation and enterprise development. Incorporating both general and more specialised services, at least some of its activities would certainly seem to be situated in the same domain as those of local and subregional actors. The recently established Business and Innovation Centre North has been set up to fill a perceived gap in the existing business promotion system with regard to support for innovative projects that are not very high-tech but could benefit from a long-term partnership possibly involving financial participation.¹⁹ Although the new body has been purposely designed to operate in a hitherto neglected domain, it also has overlapping interests with the TICs, and Business and Innovation Centre North has therefore placed an employee in these centres in order to benefit from synergetic effects.

If we take an overall look at the various actors described above, they are, with one important exception, characterised by being relatively small and independent organisations operating advisory services alongside other suppliers in the broad domain of business services, ranging from general support to more specialised forms of advice on technology and internationalisation. This has two main consequences. On the one hand, the organisations have an obvious need to promote themselves: vis-à-vis the firms in order to be noticed and distinguished from other services, and vis-à-vis their political sponsors in order to justify their existence, something that was certainly evident in the positioning strategies of some of the development bodies. On the other hand on their own each of the organisations is unlikely to be

18 The two TICs each has 5 staff and 0,4 MECU annual budgets, North Jutland Business Service 13 staff on an 0,9 MECU budget, and Business and Innovation Centre North 7 staff and an 0,7 MECU budget.

19 Claus Midtgaard, personal interview.

able to provide the range of advice and services which firms may need, and it would therefore seem natural that cooperation in the form of e.g. exchange of information and clients would take place between the public bodies. The only organisation that stands out from this general picture is of course the Regional Policy Department and its sponsors in NJDF because of its massive resource base and a distinct operational domain that not only sets it apart from the great multitude of advisory bodies and positions it as a key distributor of resources for other actors in economic development in North Jutland.

Resource Dependencies

The resources on which the organisations depend have been grouped according to four general types: authority, finance, information and organisation. In the following we will for each organisation attempt to identify the most important external resource dependencies, starting with the local actors and then moving on to the sub-regional and regional levels.

Basic funding for the local business development offices is supplied primarily by the local authorities, but it does usually not allow them to finance larger initiatives and development projects, and these therefore have to be developed in cooperation with their sponsoring local authorities and/or by seeking assistance outside the district. The ambition of local business development officers to operate as a first stop for firms carries with it new resource requirements, because local actors now more than ever have to have an overview of the options available so that relevant information can be unearthed and/or the firm referred on to more specialised providers of advice. The forming of sub-regional networks can be seen as an attempt to tackle such dependencies at the local level through pooling of existing resources - manpower, finance or projects - from participating organisations or using the combined strength of the network to attract external resources from regional, national or European programmes.

At the regional level NJDF and the Regional Policy Department are partly financed by their immediate political sponsor, the County Council, but the vast majority of the resources they allocate comes as co-funding from other, primarily European and national, tiers of government. Maintaining the role as the largest actor in economic development in North

Jutland in other words depends on the continued designation of the region for Structural Funds support, i.e. on high politics in the run-up to enlargement of the EU towards the East. The TICs are in a position where they are financed by three Danish levels of government, but unlike in e.g. neighbouring Viborg County they are *not* used by the County to implement business development policies. Instead NJDF has set up a separate implementation body, North Jutland Business Service, which runs the majority of the regional framework programmes and has become the largest provider of business service in the region in terms of personnel. Business and Innovation Centre North depends more than any other regional body on the cooperation of the various suppliers of business service in order to be able to identify a sufficient number of viable industrial development projects.²⁰ As a new organisation the Centre is hardly likely to be able to trace down enough development projects, and this is of course especially important because it will be charging for some of its services and thereby contribute to its continued existence.

Summing up the patterns of resource dependencies, three things are conspicuous with regard to relations of authority. Firstly, the activities of sub-national actors are subject to national and European regulation and thus have to operate within certain more or less clearly defined limits. Secondly, and not very surprising, the implementation bodies draw their authority from their political sponsors. And thirdly, no single actor within the region has the authority to direct the actions of all other actors, not even if we discount the organisations that are part of nation-wide networks. In terms of authority, the picture of the economic development bodies in North Jutland is in other words one of fragmentation.

With regard to financial resources, the origins of the *basic* budgets of the development organisations generally reflect the fragmented pattern of political sponsorship and authority, but it is also important to stress that the regional level via its influence on the largest single source of external funding available for economic development purposes in North Jutland, the European Structural Funds programmes, would seem to have considerable influence on any *additional* activities sub-regional and local actors may wish to pursue.

Turning to informational and organisational types of resources, a much more complex pattern of exchange and dependency is in evidence. The resources on which the local business development offices draw depend on the type of activities they prioritise, and as there will

20 Claus Midtgaard, Svend Valentin, personal interviews.

often be a range of options at their disposal, they need not necessarily rely on one particular source of e.g. information or refer their clients on to one particular advisory body. The regional organisations to some extent depend on the cooperation of other suppliers of business service - locally, regionally and nationally - but there is no clear-cut pattern of dependency: individual organisations will often have different partners to choose between when accessing additional information or pointing clients on to other service providers, but at the same time they also to a certain extent depend on having SME clients referred to them from especially local development bodies. In terms of information and organisation a quasi-market situation exists where the presence of a number of competing providers operating in broadly similar domains offering overlapping business services would appear to give individual organisations, especially those on the local level, a considerable degree of freedom with regard to what partners they choose as suppliers of additional organisational or informational resources. In these circumstances the scope of individual organisations for pursuing different strategies of collaboration would seem to be considerable, and hence it will be important to investigate concrete patterns of cooperation between development bodies in North Jutland.

Patterns of Cooperation

The analysis of actual patterns of cooperation first deals with horizontal cooperation between organisations operating at the same spatial level, and then considers vertical cooperation between organisations operating on different spatial levels.

Formalised *horizontal cooperation* between local districts has achieved a high profile recently through the emergence of sub-regional networks. It is, however, interesting to note that districts faced with similar problems due to similarities in economic structure often fail to cooperate because they see each other primarily as competitors,²¹ and that activities entailing a physical location and a very visible choice between job creation in different districts - like infrastructure projects or attraction of investments from outside - will often be avoided because they collide with the fundamental objective of the participating local offices, namely to create growth in *their* local community.

21 E.g. the districts of Skagen and Hirtshals which have traditionally had competing fishing industries.

The extensive institutional engineering on the regional level could be expected to affect patterns of cooperation adversely. At the time of its establishment North Jutland Business Service actually took over some of its functions from the TICs,²² but as most of their services are not overlapping and the TICs are co-sponsored by the ultimate sponsor of North Jutland Business Service, the County, reasonable working relations are not an unlikely outcome.²³ Similarly Business and Innovation Centre North, despite scepticism in some quarters about the relevance of the new organisation, generally seemed satisfied with the level of cooperation it had met.²⁴ All in all reasonably cordial and constructive working relations would seem to prevail between the regionally-based development bodies.

With regard to *vertical cooperation*, the relations vary greatly depending on which regional body we look at. By setting up NJDF the County of North Jutland has formally included local and sub-regional interests in the policy-making process surrounding the largest development programme in the region, and although inter-district and inter-tier conflicts still exist, establishing a forum in which these issues can be discussed must be seen as a constructive attempt to create inter-tier consensus on the political level. But when we turn to implementing bodies, the relationship between regional and local/sub-regional actors is very uneven indeed. While Business and Innovation Centre North at the time of the study was too new to have made any great impact, cooperation between the local business development offices and the TICs seemed to be reasonably smooth,²⁵ albeit in many cases without involving much interaction, probably because the distinct functional domain occupied by the two Centres was seen as complementing rather than competing with local efforts. Cooperation is, however, not what has characterised the relationship between the majority of the local business development offices and the North Jutland Business Service. Despite the fact that almost all local business development officers stress the importance of the availability of more specialised sources of advice at the regional level with regard to finance and export, many of them have until recently refrained from using these advisory services, allegedly because North Jutland Business Service originally promoted itself very aggressively at the expense of the local

22 Preben Moustén, personal interview.

23 Preben Moustén, personal interview.

24 Freddy Ranø, personal interview.

25 Preben Moustén, personal interview, cf almost all local business officers interviewed.

business development offices.²⁶ The local business development officers did not want to be reduced to a local vehicle for promotion of regional services, and many saw it as trespassing when North Jutland Business Service began to offer services which were already provided locally in some, but not all, districts. In practice this meant that fewer firms were referred from local business development offices to North Jutland Business Service, and that the latter could not rely on the cooperation of the local offices in generating interest for particular projects or initiatives. Most offices only used North Jutland Business Service in connection with 'monopoly services', i.e. the regional framework programmes which for example co-funds the use of private consultancy services in firms while other suppliers were preferred for non-unique advisory services. The new regional body appears to have underestimated the extent to which it depends on the assistance of the local business development offices, and the ensuing poor relationship may well have increased the incentives for local business development offices to cooperate horizontally in e.g. sub-regional networks.²⁷

The most conspicuous vertical conflict has, however, been between North Jutland Business Service and Aalborg Commercial Council. The basic conflict is that between on the one side the regional capital of Aalborg which is able to supply a wide range of services for business and on the other side North Jutland County Council which has set up the North Jutland Business Service to cover parts of the same functional domain for the whole county. The conflict has been reinforced by the formation of sub-regional networks which allow the Aalborg Region to become an even more important actor. Strong sub-regional networks are able to undertake services, projects and programmes supplied by regional organisations such as the framework programmes currently implemented by North Jutland Business Service on behalf of NJDF, something which the County has been more than reluctant to endorse. This conflict about the ownership of business services between the regional and sub-regional levels of government would seem to suggest that while sub-regional networks can improve horizontal coordination between actors in economic development, they may at the same time challenge the system vertically.

In this situation it is hardly surprising that the question of coordination has surfaced on the political agenda in North Jutland, and several attempts have been undertaken to improve

26 Only two of the districts in which interviews were carried out had pursued a policy of cooperation.

27 Andy Jensen, Jørgen M. Jørgensen, Preben Moustén, and Claus A. Nielsen, personal interviews.

day-to-day and strategic cooperation between the many actors by means of instruments such as allocation of financial resources, development of common strategy, and organisational changes. Although NJDF has no direct authority over the other actors, an instrument which could be used to influence other organisations is the allocation of annual grants and the decision as to who should implement framework programmes on the regional level. Influencing the activities of the sub-regional networks and the local business development offices is, however, more difficult as NJDF do not allocate annual grants to these actors,²⁸ and the long-term strategic potentials of ad-hoc funding for local projects are more limited. Coordination at the regional level could also be furthered through formulation of a regional development strategy, and currently the Objective 2 programme is what comes closest to such a strategy.²⁹ This programme resulted from an extensive process of consultation among partners at all levels in the region, something which has undoubtedly contributed to a feeling of joint ownership of the programme. The programme is, however, very broad in its strategic focus and does not attempt to define which tasks are to be undertaken at what level and thus leaves important organisational and spatial issues unresolved. Recent reports prepared for the NJDF have attempted to fill in the gap and clarify the division of labour between the organisations, and this may herald new and better times in terms of cooperation, although especially the way in which the sub-regional networks will fit into the system in practice remains to be seen. So far the County has blocked the formal recognition of the sub-regional networks as Business Centres supported by central government, and it is therefore likely that new moves to bolster the position of the sub-regional networks may also be resisted from the regional level. Perhaps the introduction of many new actors over the past decade cannot be expected to take place without some degree of conflict, but a key challenge for the future is whether the actors will be able to align themselves with each other through voluntary cooperation and networking, or whether some sort of hierarchical relations will eventually be introduced coordination in order to improve the functional efficiency of the overall system. Till now attempts to improve coordination of economic development activities have clearly not been able to square the circle of territorial politics within the region.

28 Henning Christensen, personal interview.

29 Nordjyllands Amt 1997.

Conclusions and Perspectives

The North Jutland system for business service has been found to have the following general characteristics. All levels of government have chosen to be active within the field of business promotion in North Jutland, not only as sponsors but by setting up their own implementing bodies, and there is thus a range of business services available to North Jutland firms. The vast majority of organisations are characterised by being small and operating in broadly the same functional domain, especially with regard to provision of general forms of advisory services, and even though various forms of formal and informal cooperation take place, business promotion has gradually become a somewhat crowded and competitive field in the 1990s. While this may enable private firms to choose between different public providers of advice, it certainly also has a series of drawbacks, some of which are recognised by the development bodies themselves. Firstly, the splitting up of activities into too many different organisations may not be appropriate from the perspective of an enterprise which may have to involve different organisations in what the firm sees as an integrated complex of problems. Secondly, the plethora of small organisations does not allow the most effective use of the total resources allocated because competition as well as cooperation with other organisations take up a significant part of the resources available. Thirdly, the constant search for additional external funding would appear to tempt small organisations to branch out into new functions and thereby add to problems of coordination. And finally from the perspective of long-term development of competences and strategies the preponderance of organisations that are primarily project or programme-driven increases the risk that specialist knowledge and competences will disappear if organisations are shut down or the personnel cut down or replaced.

No formal structure of authority exists which can remedy these problems: neither the County nor the NJDF can order the organisations to cooperate by exercising authority over them. One may of course expect the regional level to have some degree of leverage through the resources allocated via the NJDF and the Structural Funds programmes, but this influence manifests itself primarily at the regional level, whereas the sub-regional and local level find their main sources of finance elsewhere. Similarly, the presence of a number of regional and

national providers of more specialised types of advisory services ensures that sub-regional actors do not depend on one particular provider and thus regional actors cannot use informational or organisational resources to compel local and sub-regional actors to cooperate, simply because these resources are not irreplaceable. Essentially, the system therefore consists of formally independent actors with different political sponsors and the degree of coordination and cooperation therefore to a large extent depend on the willingness of the actors to cooperate, something which may reflect not only functional but also e.g. territorial interests.

A similar picture may be found in other regions in Europe where several tiers of sub-national government vie for position in the domain of economic development, but in North Jutland the interaction of the internal territorial politics of the region with European and national policies would seem to have combined to produce an even more intricate situation. Large sums have been available from the European Structural Funds and have, among other things, been used to set up a range of separate institutions. This line of action would partly seem to have been prompted by the general preference of Danish governments for framework measures: European funding should be used for institution building rather than direct subsidies to individual firms. The extensive institutional engineering would, however, also appear to be propelled by territorial politics with the County setting up its own organisation in order to control policy implementation and thereby colliding with the ambitions of other organisations and levels of government intent on operating in the same policy domain.

Underlying these ongoing attempts to reshape the division of labour within the 'development industry' in North Jutland we find the uneven economic structure of the county. The dominant city of Aalborg has built up its own fields of competence and enhanced them by instigating a sub-regional network comprising other relatively prosperous districts within the region, and this again seems to have triggered, or at least sped up, the formation of other sub-regional networks. These institutional developments point towards a central strategic dilemma facing actors in economic development within the region: should resources be directed towards strengthening growth industries or target peripheral areas? In this context sub-regional networks could have a function in drawing attention to the peripheral areas *if*, in terms of resources and size, they are able to form an adequate counterweight to networks in more prosperous areas. The positive interpretation of the ongoing institutional transformation could in other words be that the introduction of new sub-regional actors in economic development

will highlight the diversity of North Jutland and thereby make choices made on the regional level more explicit and transparent. But still an obvious risk would seem to be that adding a new tier to the already complex system of economic governance will increase the importance of territorial politics in the decision-making process at the expense of functional considerations.

On a more general note the case of North Jutland would seem to suggest that 'institutional thickness' is not unambiguously a blessing, but something which may well imply significant drawbacks if the balance between cooperation and competition amongst public development bodies is skewed too far towards the latter. Compared to other European regions which have sometimes been labelled 'intelligent' due to their successful adaption to economic challenges from their national and international environment, perhaps a very real problem for North Jutland is what the region is *not*. It is neither a relatively homogenous industrial district like e.g. Emilia-Romagna in Italy, nor a nation like Wales or Catalonia, and hence it lacks the trust or sense of national purpose that may generate a social environment conducive to constructive interaction between public and private partners in regional development. Instead what we have is something that is undoubtedly more common from a European perspective, namely a comparatively new and essentially artificial administrative region with a heterogenous economic structure in which the system of business promotion has been established even more recently and thereafter constantly transformed and adapted. From this perspective, the methods employed in making sense of bottom-up regional policy in North Jutland may prove to be useful in other settings in a period where integration and enlargement on the European level put new pressure on the institutional set-up for economic development at the regional level.

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Interviews

All interviews undertaken in the period 12 November 1997 - 27 January 1998 by Charlotte Damborg. Taped and summarised, not 1:1 audiotyped.

Ole Albæk, Programme Coordinator for the Vendsyssel Development Council, Hjørring.
Poul Erik Andersen, Local Business Development Officer, Hobro.
Henning Christensen, Head of the Regional Policy Department, North Jutland County.
Ole Christensen, Consultant, the Aalborg Commercial Council, Aalborg.
Andy Jensen, Local Business Development Officer, Aabybro.
Lene Jensen and Anette Petersen, Business librarians, The Library's Business Service, Aalborg.
Kurt Jepsen, Local Business Development Officer, Dronninglund.
Jørgen M. Jørgensen, Consultant, the Himmerland Development Council, Aars.
Claus Midtgaard, Consultant, the North Jutland Business Service, Aalborg.
Preben Moustén, Manager of the Technological Information Centre South, Aars.
Claus A. Nielsen, Local Business Development Officer, Skagen.
Per Husted Nielsen, Local Business Development Officer, Hadsund.
Jørn Munk Nielsen, Local Business Development Officer, Hirtshals.
Freddy Ranø, Chief Consultant, the Business and Innovation Centre North, Aalborg.
Svend Valentin, Managing Director of NOVI A/S, Aalborg.
Helge Wittrup, Local Business Development Officer, Sæby.
Hans Peter Wolsing, Local Business Development Officer, Løkken-Vrå.

APPENDIX I

Organisations included in the survey

Regional

Erhvervssekretariat, Nordjyllands Amt (The Regional Policy Department, North Jutland County Council)

Arbejdsmarkedsrådet Nordjylland (The North Jutland Labour Market Council)

Bibliotekernes Erhvervsservice (The Libraries' Business Service)

BIC Nord (The Business and Innovation Centre North)

dk-TEKNIK

Lindholm 21

Netværkscenteret, Aalborg Universitet (The Network Centre, Aalborg University)

Nordjyllands Erhvervsservice (The North Jutland Business Service)

Nordjyllands Udviklingsfond (The North Jutland Development Fund)

Nordjysk Eksportklub (The North Jutland Export Club)

Nordjysk Informatik og Virksomhedsudvikling (The North Jutland Information Technology and Enterprise Development)

NOVI A/S (The North Jutland Science Park)

TIC Nordjylland Nord (The Technological Information Centre North)

TIC Nordjylland Syd (The Technological Information Centre South)

Videnskabsbutikken, Aalborg Universitet (The Science Shop, Aalborg University)

Sub-regional

Region Aalborg (The Aalborg Region)

Vendsyssel Udviklingsråd (The Vendsyssel Development Council)

Local business development offices

Brovst Turist- og Erhvervsråd

Dronninglund Erhvervskontor

Frederikshavn Erhvervsråd

Hadsund Erhvervsråd

Himmerlands Udviklingsråd (covering Farsø, Nørager, Aars)

Hirtshals Kommunes Erhvervsråd

Hjørring Erhvervsråd

Hobro Erhvervsråd

Løkken-Vrå Erhvervsråd

Sejlfjord Erhvervs- og Udviklingsråd

Skagen Kommunes Erhvervssekretariat

Sæby Erhvervskontor

Aabybro Kommune, Erhvervskontoret

Aalborg Erhvervsråd