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## Conference Paper

# Regional strategies as generators of trust between regional actors Case: South Karelia

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## **ERSA 2003 Congress**

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### **Regional Strategies as Generators of Trust Between Regional Actors Case: South Karelia**

by

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#### ***Abstract***

Paper analyzes trust, co-operation and a continuous strategy process model in the context of regional co-operation. A successful strategy process requires, but also creates cooperation between the different actors. In this cooperation, open communication and interaction, commitment to common goals, and genuine willingness to develop the region are highlighted. Wide strategy projects offer the actors a chance to get to know each other and each others' ways of action thoroughly. This also opens up possibilities for the creation and strengthening of trust between the actors. The paper assesses strategy processes and strategies especially from the point of view of creating and strengthening the trust between regional actors.

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## **1 Introduction**

Our paper is based on some recent studies done in the Department of Business Administration at Lappeenranta University of Technology, the goal of which was to find out whether regional strategy processes help to produce and strengthen the trust between regional actors.

The paper is divided into a theoretical and an empirical part. In the theoretical part the focus is to analyze trust, co-operation, partnership, networking and a continuous strategy process model in the context of regional co-operation. Trust and its importance in co-operation, networking and partnership have been studied extensively in the context of the business world, but not so much in the context of regional co-operation. However, trust is one of the most important premises for successful co-operation in the public sector as well. In the empirical part of the paper the focus is to analyze the regional strategy processes – the regional strategies that have been implemented – in late 1990s and after that in the province of South Karelia, Finland. A successful strategy process requires, but also creates cooperation between the different actors. In this cooperation, open communication and interaction, commitment to common goals, and genuine willingness to develop the region are highlighted. Wide strategy projects offer the actors a chance to get to know each other and each others' ways of action thoroughly. This also opens up possibilities for the creation and strengthening of trust between the actors. The paper assesses strategy processes and strategies especially from the point of view of creating and strengthening the trust between regional actors. The main objective in the empirical part is to analyze whether the regional strategy processes have helped to produce and strengthen the trust between the regional actors of South Karelia. The empirical data was collected with a survey in 2002.

## **2 Trust**

### **2.1 The Definition of Trust**

There is no universal definition for trust, since trust manifests itself according to the situation, differently in different situations. Also, different branches of science have different fundamental concepts of trust. The rational and calculative view that

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economists have of trust differs from the biased and ethical view of philosophers. Social psychologists and philosophers emphasise the personal and interpersonal approach to trust, while economists and marketing professionals focus on trust from the perspective of business relations. (Blomqvist 1995)

Personality theoreticians concentrate on analysing the differences between the personalities of individuals and the resulting differences in the readiness of individuals to trust as well as on analysing factors that develop the readiness to trust. They conceptualise trust as faith, expectations or emotions that are deeply rooted in an personality and have resulted from the earlier psychological development of an individual. Sociologists and economists concentrate on trust as an institutional phenomenon. In their opinion, trust can manifest itself both within and between institutions. Social psychologists have concentrated on the interaction and dealings between individuals and define trust as what is expected of the counterpart in joint dealings. (Lewicki & Bunker 1996).

Cummings and Bromiley (1996) define trust as the belief of an individual or of a group, which comprises individuals, that the other individual or group will seek to act in accordance with all their commitments, will be honest in discussions related to these commitments and will not seek to obtain unreasonable benefits from the other party, even if doing so were possible. Doney et al. (1998) define trust as the desire to trust the other party and to act under circumstances in which the action in question will render the actor vulnerable to the their counterpart. Rousseau et al. (1998) define trust in a very similar manner. According to Ståhle and Laento (2000), trust is not, by nature, rational but rather resembles, to a greater extent, emotions and the ingredients of trust are, for the most part, in the form of emotional or intuitive information.

According to Luhman (1979), trust is the basis of social life. Without trust, only very simple forms of co-operation would be possible. Trust is a medium through which individual actors can enter into co-operation in situations in which no immediate feedback is in sight and no benefits are known. Trust is, therefore, some sort of information about how certain actions can be taken with the knowledge that others will act as agreed. Luhman (1979) discusses trust both at the level of the person and the system. In complex systems, such as organisations of public administration for instance, it is not possible to operate without trust.

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Harisalo & Miettinen (2000) have studied trust capital and define it as the belief of how a person, as a result of human interaction, relates to other persons, to their immediate circle of acquaintances and to their society. A belief is a feeling, a psychological state that has substantial economic consequences. Trust capital is socially a more important force than laws, systems and different power mechanisms, because their vitality depends on the extent to which people trust them. When people can trust one another, they can achieve things that would be out of their reach if they constantly had to fear fraud and deceit. Kipnis (1996) divides trust into two components: being the object of trust and trusting someone else. The first component describes how we, ourselves, feel when we are trusted. The second component describes how we feel when we have to trust other people.

Hosmer (1995) has studied definitions of trust and found factors that are common to many of the definitions of trust. 1) Trust has been generally expressed as being optimistic expectations for the outcome of some event or the behaviour of another party. 2) Trust manifests itself in circumstances, which are marked by the vulnerability of the interests of one party and the dependence on the behaviour of another party. 3) Trust has generally been associated with the desire to enter, and not the coercion, into co-operation and the benefits that are to be obtained from this co-operation. 4) Generally, trust is difficult to practice and oversee. 5) Trust has been generally associated with the assumption/expectation of a recognised or accepted duty to protect the interests and rights of others.

It can, therefore, be said that there is no universal definition for trust but that trust can be manifested in different ways in different situations. On the other hand, the different definitions of trust have a lot in common with each other, whether the trust in question is between individuals or between organisations, as demonstrated by the above-presented definitions of trust and Hosmer's summary of the characteristics that are common to the different definitions of trust.

Trust is the basis for all co-operation. It is also often very emotional. Relations, in which there is a high level of trust, produce better results than relations in which the level of trust is low or trust is there is no trust whatsoever. Trust can be forged only through open communication and interaction as well as through productive collaboration. In relations, in which there is trust, the parties can assume that their

counterparts will behave and act as agreed, communication will be open and honest and that the parties will not attempt to exploit each other's vulnerability.

### 2.2 The Experiencing and Construction of Trust

Jones & George (1998) state that trust is a psychological structure, an experience, that is the consequence of the interaction of people's values, attitudes and moods and emotions. Values are issues, choices, beliefs, as well as efforts made towards certain goals on the basis of logic and emotions, which are considered to be important (Aaltonen & Junkkari 1999). They are certain types of standards of trust, which a person tries to attain in their relationships with other people. Values, for their part, influence the general experience of trust and can create readiness for the formation of trust (Jones & George 1998). On the other hand, regardless of how strong trust is in relation to, for instance, expertise, if the counterpart's morals or values are not in order, trust cannot be built (Stähle & Laento 2000).

Attitudes can be seen as being the special thoughts and emotions of people towards other people, groups or organisations or as the ways in which people define and construct their interaction with each other (Jones & George 1998). From the perspective of behaviour, an attitude can be defined as being the readiness to react positively or negatively to an object, person, institution or event (Varamäki & Vesalainen 2000). Trust, which is based on attitudes, is based on the knowledge, beliefs and emotions of the essence of the other party. Attitudes and values affect each other (Jones & George 1998).

Emotions and moods are signals and indicators of the essence and quality of trust. Moods and emotions describe what people feel in their everyday activities, including their interaction with other people. Emotions and moods can be crucial elements in the experiencing of trust. Firstly, the experiencing of trust expresses an emotion, either in the form of strong emotions (emotions) or lesser emotions (moods). Secondly, a person's current emotional state may colorize the experiencing of trust and, thereby, influence the way in which the person forms opinions and forms views of the reliability of other people. Thirdly, trust is made up of expectations that are, to a certain extent, emotional (Jones & George 1998). Moods and emotions are the most irrational and temporary building blocks of trust but can, nevertheless, have an powerful

influence. The powerful influence of emotions can also be seen in how easily and quickly trust can be broken (Ståhle & Laento 2000).

Values and attitudes, as well as moods and emotions, are, thus, extremely significant factors in the experiencing and building up of trust. Common values and positive attitudes between actors can be formed only through open and regular interaction as the counterparts learn to know one another and each other's habits, which for its part makes it possible for common values to be formed and attitudes to change.

Trust is not formed in a vacuum but, rather, forms with time on the basis familiarity that is founded on mutual interaction (Ilmonen 2000). According to Ståhle & Laennon (2000), trust starts forming already before the meeting of partners, strengthens its direction during their personal encounter and is further built on the basis of the information produced from the interaction and collaboration between the partners. The building up of strength can be shown to comprise four phases: 1) the preparation of the partners, 2) the personal encounters and interaction situations of the partners, 3) concrete action and collaboration and 4) the evaluation of the results of which every phase is decisive in strengthening the positive or negative cycle of trust.

In order for trust to build up and be maintained, the counterparts have to demonstrate to each other that they are worth the trust. The building up of trust can only take place when the counterparts are open to social influences. Each counterpart has to be ready to tolerate difference and permit the other to bring about changes in their own ways of thinking and acting. The way in which one counterpart reacts to the other and interaction is directed (competitive, critical, striving for consensus or for co-operation) is an important requirement for social openness.

The forging of trust is the accumulation of capital; the more trust there is an organisation, the more extensive are the possibilities for its activities. Trust is a prerequisite for co-operation but also its result (Ståhle & Laento 2000).

### **2.3 Levels of Trust**

McAllister (1995) divides trust into cognitive-based trust and affective-based trust. Cognitive-based trust is motivated by the strengthening of the individual's own interest, while the motive for affective-based trust is commitment to a relationship. Cognitive-based trust is usually based on rules, agreements and standards, while

affective-based trust is based on caring and concern for the counterpart. Affective-based trust can develop over time from cognitive based trust.

Lewicki & Bunker (1996), for their part, define three different levels of trust: calculus-based trust, knowledge-based trust and identification-based trust. Cognitive- and calculus-based trust are the lower levels of trust, which can develop into higher levels of trust over time. Affective-based trust contains the same characteristics as do experience- and identification-based trust.

Calculus-based trust is continuous, market-oriented, economic calculation, the value of which can be determined by the benefits to be gained from the formation and strengthening of a relationship in relation to the costs incurred from the maintenance or severance of the relationship. Calculus-based trust is based on the ensuring of the consistency of behaviour: the counterparts do what they say they will, because they are afraid of the consequences of not doing so. At this level, trust is partial and rather fragile (Lewicki & Bunker 1996).

Knowledge-based trust is founded on regular communication and interaction, as a result of which the counterparts in a relationship know each other well enough to be able to predict each other's actions and understand each other (Lewicki & Bunker 1996; Kovalainen & Österberg 2000; Kevätsalo et al. 1999). Identification-based trust is founded on the recognition of the wishes and intentions of the other party. The parties understand and respect each other's wishes and will. In this case, the level of trust is so high that the parties can, for example, represent each other and act on each other's behalf (Kovalainen & Österberg 2000).

A requirement for identification-based trust is the belief or conviction of the parties, which has formed through the course of interaction, that it is their intention to strive towards common goals, even when their views differ in situations of immediate interaction or when they have different values in relation to their intermediate objectives (Kevätsalo et al. 1999). Only few relationships can develop to the level of identification (Lewicki & Bunker 1996).

Affective-based trust as well as knowledge- and identification-based trust and the related characteristics are typical for high-trust relationships. The characteristics of cognitive and calculus-based trust are, for their part, typical of low-trust relationships. (Fox 1974; Hyyryläinen 1992).



### **3 Trust in the Regional Co-operation**

Zaheer et al. (1998) propose that individuals, as members of organisations, trust and experience trust, rather than the organisations. They define the trust between organisations as the amount of trust that the members of an organisation place in the other organisation. The building of trust is very important in the development, auto-development and administration of a network. Trust in the other members of a network is a prerequisite for successful network co-operation; furthermore, deep social networks strengthen the trust between the parties. According to Gulati (1998), Madhok (1995) and Creed & Miles (1996), trust is the most essential part of all co-operation and without it partnerships cannot develop into anything more durable. In a co-operation relationship, trust is giving and receiving. Child & Faulkner (1998) propose that mutual trust reduces the risk in a partnership. If the partners trust each other, they will probably want to distribute information to each other on their actions and decisions to a greater extent. Mutual trust makes it possible for investing time and money in a partnership.

Ståhle & Laento (2000) have studied trust in partnerships between companies. According to these authors, the basis of trust in such partnerships rests firmly on the organisations of the partners as well. Each person who participates in interaction represents their own organisation and brings with them its culture, expertise and culture of action. In this way, the role of the organisation in building a reliable partnership is vital. The trust between people and that between organisations can develop one another and influence each other simultaneously. Thus, the trust between individuals spreads into organisational trust, and vice versa. The reputation of the most reliable partner is not created on its own but is, rather, a consequence of the practices and results that the organisation has managed to build itself (Gulati 1998).

In the opinion of Ståhle & Laento (2000), the link between trust and time creates problems. Trust is built up slowly, but action is required to produce rapid results. For this reason, existing, functioning partnerships are highly valued. The risks of trusting old partners are not as great as those of trusting new ones. If the previous interaction between partners has led to a high level of trust, negotiating and committing to new co-operation can happen quickly and, thereby, co-operation can get started quickly (Ring & Van de Ven 1994).

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Previous social bonds can promote trust in at least two ways. By offering an effective social network, a previous social structure makes the parties aware of each other's existence. Continuous mutual interaction does not only help the parties learn about one another but also helps them form trust that is based on experience. Secondly, social networks can offer the basis for calculus-based trust. The expected benefit to be obtained from the relationship with a partner functions as the motivation for good behaviour. Each partner is aware that they can lose a lot by behaving in an opportunistic manner. This strengthens their trust in the other partner (Gulati 1998; Gulati 1995,).

Das & Teng (1998) have studied the development of trust between organisations in strategic alliances. In their opinion, the development of trust depends on four factors: risk-taking, upholding justice, communication and inter-organisational adaptation. Trust has been observed as being closely related to risk and risk-taking. Trust and risk are believed to form a reciprocal relationship: trust leads to risk-taking and risk-taking, for its part, strengthens the significance of trust. When one partner realises that the other partner has taken a risk by trusting them, that partner is usually motivated to act trustworthily. For example, high-risk investments in relationships are a signal of commitment and trust. Justice is important in the building up of trust. It is not important only in intra-organisational relationships but also in inter-organisational relationships. In this context, justice means that the organisation that contributes the most resources for use by an alliance should also benefit the most from the alliance. An unjust relationship can lead to an organisation feeling that it is being taken advantage of (for instance, one party may feel that the distribution of the profits is unjust). Through communication and the exchange of information, it is possible to improve trust in at least three ways. Firstly, open and encouraging communication is believed to be an essential characteristic in a relationship of trust. Without proper communication, relationships suffer. Secondly, organisations have to collect information on the credibility and reliability of their partners. Communication facilitates this process. Thirdly, communication helps in building common norms and values. An organisation can earn trust from other parties by adapting to the needs of co-operation. Inter-organisational adaptation means that partners adapt their behaviour to mutually compatible behaviour. Flexibility and the desire to deviate from contracts, when it is necessary, is the key to inter-organisational adaptation.

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It can, therefore, be said that, just as in the relationships between individuals, the trust between the parties to the relationship is a significant prerequisite for co-operation in inter-organisational relationships. The formation of trust between organisations requires that the individuals that function in organisations trust the organisations, with which they are involved in co-operation, or the individuals that function in the organisation in question. Without trust between individuals, there cannot, thus, be inter-organisational trust either. It must, nevertheless, be remembered that individuals represent the values and operational culture of their own organisation, and thus, the basis of the formation of trust depends on the organisation as well. The previous social relationships of organisations can also be of significance in the formation of trust. If partners have previous experiences of each other's values, organisational cultures and practices, trust can form more rapidly. On the other hand, previous experiences can show or give a feeling that the counterpart is not a reliable partner. Of the above-mentioned four factors that affect the development of trust, the open, regular and honest communication between organisations can be considered the most important factor for the development of trust.

Regional co-operation requires that different bodies of actors work together. Putnam (1993) has come to the conclusion that trust is a key factor that promotes economic dynamism and administrative performance. In regional co-operation, which involves many different actors, trust promotes and strengthens co-operation. The higher a community's level of trust, the more probable it is that the actors will engage in co-operation. The formation and strengthening of trust between regional actors requires that the actors do not isolate themselves from the other actors but, instead, strive towards open co-operation with the other actors. It is only in this way that the different actors in the region can obtain experiences of other actors as well as of their habits and, thereby, a good foundation for the formation and further strengthening of trust be created. Even though the internal bonds of the different actors in the area may be very strong, these actors must be able to co-operate and take an unbiased attitude towards the other actors in the area. When there is a strong level of mutual trust between the actors, co-operation also functions better and in this way regional co-operation and development is more productive.

The building up of trust between different regional actors can be more difficult than between corporate organisations. This is due to the fact that regional co-operation

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involves many different actors of whom each may have their own and distinct interests, goals and operational culture. For example, the practices, cultures and goals of the public sector differ greatly from those of the private sector. Also, the aims and practices of the different municipalities, for example, may differ and thereby hamper the formation of functioning co-operation. Previous differences in views can greatly hinder the building up of trust. There may also exist factors between the internal actors in municipalities, which hinder the formation of trust or even lead to mistrust. At the regional level, trust can be built up and further strengthened only through open and regular interaction and co-operation when the regional actors learn to know each other.

The co-operation between different regional actors is not always unimpeded and there may be many different tensions and problems that hinder and slow down co-operation. Next, we will examine the problems that can be encountered in regional co-operation.

Regional co-operation takes place amidst different tensions. These tensions are related, for instance, to historic factors: jointly experienced events leave their marks as learning that takes the tangible form of either positive or negative learning experiences of co-operation. Co-operation involves a considerable tension through the close link between co-operation and the competitive outset. These tensions can be of a purely internal origin, due to the regional status of the district or history. Also, strong personalities can create or eliminate tensions (Haveri & Majonen 1997).

The objection to the intensification of regional co-operation can be related to the suspicions, fear of the loss of jobs or organisational status, fear of the excessive concentration of development activity etc. that important personnel groups or decision makers feel towards co-operation (Laamanen 2001).

Valanta (1999) has studied co-operation at the district level and, on the basis of a questionnaire survey, found, among other things, the following problems in co-operation: the general attitudes toward co-operation, the differences between the interests of the parties to co-operation as well as dissatisfaction towards some partners. According to Valanta, the differences in, as well as the problems in combining, attitudes, interests and aims have impeded the co-operation between the actors in many different sectors and may have, in some cases, endangered budding district co-operation. Territorial thinking as well as differences in practices and operational cultures have, for their part, led to the formation of a lack of trust between actors. The

irregular flow of information, which creates suspicion, does not help this problem. Openness and trust between the actors form the core of co-operation.

According to Lakso (2000), the problem with joint ventures between the public sector and companies is that companies are believed to participate in the realisation of public objectives for public interests. Joint venture projects, which rely too heavily on public interests and do not acknowledge the corporate objectives, are often doomed to failure. Co-operation often runs aground also because the differences between roles are not recognised as the starting point of co-operation. Lakso considers, for instance, the lack of attention to the development needs of companies, the lack of time resources of entrepreneurs, the poor organisation of forums, administrative habits that are alien to entrepreneurs and the poor flow of information as additional problems.

Sotarauta (1999) has conclusively listed artificiality, incompatibility, isolation, information hoarding, unreliability, indiscipline, a lack of understanding, non-commitment, a lack of resources, ignorance, the lack of forums and inaction as well as the ambiguity of the division of work as bottle necks in partnership and networks.

According to Taavitsainen (2000), networking is difficult and demanding. In regional development, the demanding nature of networking is emphasised by the fact that in addition to the different municipal units, other actors in a region, such as industry as well as the educational establishments, researchers and scientific community in the region and preferably also the media, have to be brought along to participate in a sincere spirit of partnership. The implementation of this new way of thinking requires a positive communication atmosphere. Thought must also be given to whether or not the political leadership is committed to strategic co-operation with the towns and other actors in the vicinity as well as to whether or not a “municipal fortress culture”, in which neighbouring towns are seen as being competitors, opponents or even enemies who are surveyed through narrow observation holes in the fortress walls, still prevails in the towns and the region.

The “fortress culture” is not completely unknown in co-operation in South Karelia, which will be discussed in the following chapter. This case exhibits many features related to obstacles to trust, as discussed in the theoretical section and this chapter.

## 4 A Continuous Strategy Process model in Regional Context

Before we assess the significance of strategy processes in the strengthening of mutual trust, it is important to examine the framework of the continuous strategy process model in the regional context.

Regional strategy is a long-term concept of the region. It involves determination of goals, adoption of courses of action to achieve them and allocation of the resources consistent with those actions and define the business that the region is in and what kind of region it is. Thus, the regional development strategy is a visionary view and long term development and operating plan for the region's industrial development. The development strategy includes: definition of the region's common goals and objectives, evaluation of the present state, evaluation of the region's most important branches and the public sector, evaluation of the region's prosperity factors, definition of the region's focus areas of development and the objectives of these focus areas, planning, choosing and implementation of strategic operations, organisation of operations, commitment of participants and implementation of strategies and follow-up of the productivity of the operations.

A continuous strategy process model (figure 1) created for the needs of industrial sector (Ahola, 1995) can also be used as the tool and framework for the regional strategy formulation.

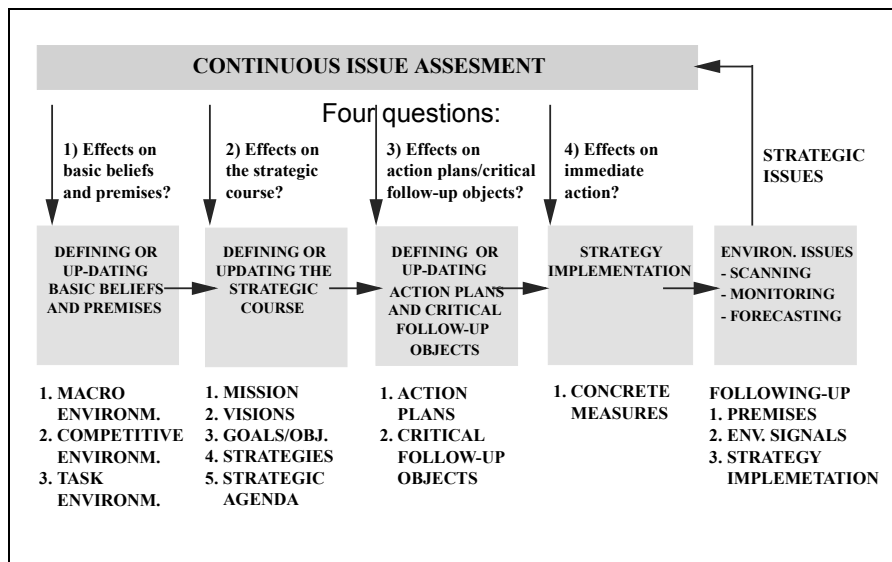


Figure 1. The continuous strategy process.

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In the first stage, the importance of the region or district in relation to its environment is defined. The purpose of the *definition of basic beliefs* is to anchor further plans and decisions to the chosen basic assumptions about the development of the world. This involves the creation of an understanding of what kind of phenomena, related to *the general environment*, have passed, are passing or will arise and which may have a decisive influence on strategic and operative decisions. On the other hand, there must always be a view of the change phenomena – the threats and opportunities – in the current or possibly upcoming *competitive environment*. This means the constant strategic assessment of one's own position. On the basis of the above, the actors have basic beliefs of the past and present state as well as of the outlook for the future. Objectives and strategies are built upon these views.

An goal-oriented approach and the selection of methods are crucial points of departure for the strategy process. After the basic beliefs have been set, the guidelines have to be established for action. The goal-oriented approach contains within itself the definition of the *mission* (for example, the district – what it is) and the envisioning of the desired future vision as well as the setting of goals and more detailed objectives. In this context, the methods consist of the *strategies* and action policies defined for the achievement of the objectives. It is also essential that all the substrategies fit together as consistently and harmoniously as possible.

The implementation of strategies also requires more accurate *implementation plans*. These can also be referred to as long-term action plans. At this stage, the transformation of strategies into practical measures begins. The parties responsible for the strategies prepare, schedule and assign responsibilities for more detailed action plans as well as indicate the resources for the plans. Different action plans are fitted together in order to reach the key district or regional objectives and other subobjectives as effectively and feasibly as possible. During the preparation of the action plans, the factors, which will be responsible for the success or failure of the strategies, must also be identified. Provisions are made for the continuous assessment of these *critical monitoring targets*.

The implementation of strategies and achievement of goals require that *action be taken*. This consists of day-to-day activities – training, nursing, trade, investment etc. In all these actions, the general direction should be visible – strategy-orientation. But room

must also be made for creativity and the strategy must, on the other hand, not be an obstacle to other sensible, appropriate action.

The strategy process is continuous preparation to encounter the future and utilise the opportunities it offers as well as preparation for threats. For this reason, it is necessary to keep views and strategies, together with their action plans, up to date. According to the process model discussed here, regional decision makers must be continuously ready to *question their existing choices*. This readiness is based on the continuous monitoring and interpretation of signals from the environment, assessment of critical monitoring targets and planning assumptions as well as on the normal monitoring of implementation. At every moment, decision makers should ask themselves if any of the following are occurring or have occurred: things that influence the immediate, strategic measures that are under way, things that influence the action plans, is there reason to increase the monitoring of particularly critical issues, should the alignments and strategies that have been made be questioned or is the whole strategy based on the wrong basic beliefs?

Changes in some stage of the process force the decision makers to examine the fundamentals and selections in the following stages of the process as well. In this way the strategy process proceeds in the form of a continuum, the day-to-day work of management.

## **5 Regional Strategies and the Development of Trust and Co-operation in South Karelia**

In 2002, a project was implemented at Lappeenranta University of Technology with the main objective of assessing the effect of the industrial strategy processes implemented in South Karelia at the end of the nineties on the formation and strengthening of trust as well as of examining the current state of the trust between different actors.

This project was implemented in the form of a questionnaire survey, the target group of which consisted of the executive group of the regional industrial strategy project, the steering group of the Imatra region industrial strategy project and the chairmen of the working groups. In addition, the target group consisted of the chairmen



of the councils of the towns and municipalities of the region as well as the members of the region's so-called co-operation group. In this way, the research set was made up of a rather broad group of actors and people involved in regional and district industrial strategy projects. The target group was sent theory-based statement forms. The material was processed using the SPSS software application and the Mann-Whitney U-test was used as an analysis aid when searching for possible dependencies and differences.

The following is the conclusion of the research with respect to the trust situation at the end of the nineties: The trust between the different actors in South Karelia before the end of the nineties and after the industrial strategy projects implemented in the region was very low. The private sector experienced higher levels of trust than did actors in the public sector. Similarly, actors in non-municipal positions of responsibility felt that the level of trust was higher than did actors in municipal positions of responsibility. Regional co-operation was not seen as functioning properly before the joint strategy processes but was, rather, seen as being in need of improvement.

The above conclusion also supported the general impression in the bipolar province of South Karelia. It must be pointed out that actors in municipal positions and positions of trust felt that the level of trust was lower than it was in the private sector. At the same time as the research was under way, joint regional and district industrial strategy projects had been initiated or completed. A burgeoning improvement in trust and the strengthening of the regional co-operation spirit had also emerged, which led to the statement that the joint industrial strategy processes had influenced the formation and, thereby, strengthening of common values between the actors in the province of South Karelia.

### **5.1 Implemented Regional Industrial Strategy Processes in the Province of South Karelia**

Since 1998, many projects related to industrial policy have been completed in the province of South Karelia and have involved actors from across traditional joint venture boundaries. Below are short descriptions of these projects.

The industry in the region, together with the chamber of commerce, business association and the university, has implemented regional industrial strategy processes, which included representation from support and developer organisations. The first

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common extensive process was completed during 1998. The process aimed at a diversely developing and vital region. During the process the region's interest and support groups put forward a development and action plan for the development of the region's industry according to joint points of emphasis. In addition, a view of key development programs, as well as of the resources and organisation required for the development effort, was presented. It is not necessary to discuss these views in more detail in this context. What is essential is the consensus that existed between the actors when the project was implemented.

At the end of 2001, the above-mentioned industrial strategy was updated during a rapid and reduced process. However, immediately after this updating, the need arose to once again implement a more profound examination round. Already, by the end of the autumn of the following year, a new industrial strategy round had been completed with the contribution of 100 persons with the goal of strengthening the economic, social and intellectual well-being of the region. During the course of the process, basic beliefs, selections of direction and prime projects were reviewed and also taken to the stage of implementation. They were organised as during the first round: a diverse selection of decision makers from business and the region participated in the project. The project had a steering group, preparatory project group and industry-specific working groups. During the process, items were prepared and handled on a rather broad basis and by a large number of participants (approximately 100 persons). The process was divided into stages in accordance with the continuous strategy process model.

The task of a regional council is to prepare a *regional plan* for the region for a period that stretches far into the future. The significance of the industrial strategy processed by business and industry is increased by the fact that it, in itself, is already part of the regional plan. In every round, the industrial strategies are reviewed in regional meetings that are attended by a major part of the region's municipal leadership, representing public employees as well as elected officials, in addition to the participants who have already been involved in the processes.

Strategy processes have already been implemented in the region at the *district level*. One example of this is the region of Imatra, which is made up of three municipalities and which encompasses a uniform residential and working area. The first uniform strategy process was implemented during the autumn of 1998 and the spring of 1999. It was organised through the Imatra Region Development Company in such a way

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that Lappeenranta University of Technology had practical responsibility for direction, although in addition to district representation, the polytechnic also participated. In this case, a project was implemented, the result of which was an industrial strategy for the Imatra region; at the same time a continuous industry process was implemented for the development of the district. At the end of the first project, the responsibility for the strategy process was transferred to the Imatra Region Development Company. This project used the same continuous strategy process model as was used in the second major review of the regional process (see attachment). Also, a large number of elected municipal officials (chairmen and vice-chairmen of the municipal councils and governments), as well as the heads of the public administration of the municipalities, participated in the strategy preparation.

The areas of the district strategy process – basic beliefs, strategic alignments, objectives, action plans and resource allocation - were discussed in phases in many joint seminars attended by elected municipal officials and the executive organisations. An authentic feeling of partnership was formed and strengthened in these commitment-building events.

A rapid update was made to the Imatra region strategy at the end of 2001. During 2003, the intention was to implement, once again, a more profound review round on the basis of the previous process model as well as in accordance with the previous organising principles.

The South Karelian Growth Centre program is under way in the region as part of a national growth centre program. The industrial strategy processes that are under way or have already been implemented are also related to this growth centre program and not least because often the same actors are involved in many inter-related processes and projects. Also, the other districts and towns in the region have implemented their own strategy processes, although they will not be discussed any further here.

### **5.2 Regional strategies as generators of trust between regional actors**

The co-operation and trust between the regional actors are not based on contracts alone but also on a genuine desire to work together to set and achieve joint goals. This assumption was the point of departure when the state of trust was studied in 2002, after the implementation of the joint strategy processes. The assumption was that the joint

strategy processes have influenced the formation and, thereby, the strengthening of common values between the different actors in the province of South Karelia. This section of the research was statements presented in the questionnaire. The following is a summary of the results of this section of the research.

Generally, it can be said that the industrially strategies have had a clear influence on the formation of common values. On the other hand, based on this research, it cannot be said with certainty that there are joint values between the different actors. However, the attitudes of different actors towards each other have clearly improved. Thus, these regional strategies have created trust between the actors and the level of trust is higher than it was at the end of the nineties and during the industrial strategy processes implemented afterwards. Co-operation in the province and districts functions works, on the whole, better than before. Many different parties are genuinely involved in co-operation and regional co-operation focuses more than before on achieving common objectives and not only on promoting local interests. Regardless of the small uncertainty that can still be noticed in the research, the attitude to the openness of the communication between the actors was positive. The communication between the actors is also seen as being regular.

Even if the situation is better than earlier, there is still a certain need for improvement in the co-operation between the regional actors. Most of the respondents seemed to be insecure about whether or not the actors respected each others and each others' will. Thus, the actors still have work to do in developing and expressing equality when co-operating.

## **6 Discussion**

The new strategic way of functioning has led to an elevation in the level of trust and an improvement in co-operation. There has been an ever-greater shift in the region from competitive activity to co-operation. Apparently, the behavioural model based on competition and critical attitudes towards regional partners, has been given up. Ever-strengthening co-operation, which offers a good foundation for the further strengthening of trust, is becoming more visible.

A research carried out into trust in South Karelia shows the issues discussed in chapters two to four of this report to be true. When examining the strategy processes

and process model presented in chapters 4 and 5, it can be stated that these processes offered an opportunity for regional actors to construct and strengthen trust. The research also shows that the joint industrial strategies have influenced attitudes and values that are very important for the building of trust. They have influenced the formation and further strengthening of common values in the province. Similar values have formed between the actors. The processes have also improved the attitudes of the actors towards each other. Communication has become more open as the actors have learned to know each other and each others' ways of functioning.

The joint industrial strategy processes have created trust between the different actors in the province and co-operation, on the whole, co-operation can be seen to be better than before the implementation of the joint strategy processes. Indeed at the moment, the level of trust can be considered to be rather high.

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