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# Multinational lessons from local and regional economic development agencies

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# Multinational Lessons from Local and Regional Economic Development Agencies

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## Introduction

The research described in the following sets out to improve our understanding of how local economic development is currently practised in Australia, England, Northern Ireland and the US. The emphasis is on the identification of which actions by these agencies can be identified with enhanced levels of performance. This work is an extension of our research published last year in Developing Locally: An International Comparison of Local and Regional Economic Development (Beer, Haughton, & Maude, 2003).

What constitutes local and regional economic development (L&RED) needs to be seen as fluid and dynamic, changing over time. It varies both between and within countries (Reese, 1997; Danson et al, 2000). Despite this, there is a reasonable consensus on the broad parameters of what is meant by L&RED: it refers to a set of activities aimed at improving the economic well-being of an area. In some places these activities are organised and funded by the community, charitable foundations or the private sector, but in most cases it is governments which are the major supporters of these initiatives, increasingly in partnership with other funding sources. Typically L&RED approaches include one or more of the following types of activity, some of which overlap:

- providing an agreed local economic development strategy, sometimes as a shared strategy between partners, sometimes as a single agency strategy;
- research on the state of the local economy and its wider economic context;
- place promotion, that is, marketing a region or locality;
- land and property initiatives;
- lobbying for a greater share of government funding for infrastructure and investment in regeneration or other schemes;

- direct business subsidies to entice jobs to an area or to retain jobs in an area;
- technology transfer, innovation, and cluster programmes;
- labour market initiatives;
- small firms support;
- development of cultural industries;
- flagship and 'icon' development projects;
- tourism promotion; and
- a range of other possible approaches, such as community economic development, local purchasing initiatives, anti-poverty initiatives, and targeted interventions for particular groups, such as indigenous communities, migrant communities, women, and young people.

It is worthwhile attempting to distinguish between L&RED programmes and other types of area-based redevelopment. In many developed economies, governments have sought to regenerate run-down housing estates (see Taylor, 1998; Randolph and Judd, 2000) and other problem areas. However, housing renewal and neighbourhood-based regeneration schemes that are dominated by housing, social and environmental goals are not usually considered part of local and regional economic development. There are areas of ambiguity, not least as government agencies have increasingly sought to insert *economic* rationales and policy instruments closer to the heart of area-based regeneration initiatives. Alternatively, in some countries economic development practitioners are now being urged to take account of *social* and *environmental* issues in their work, in pursuit of what are often described as more 'holistic' and 'sustainable' approaches (see, for example, Regional Development Taskforce, 1999).

The four nations included in our study have each developed distinctive approaches to L&RED, often drawing from the experience of other countries, with policy transfer to and from the US and England, and the US and Australia particularly prominent. While there are similarities in approach, there are also substantial differences, some of which relate to the divergent structures and traditions of government across the countries. Two of the countries operate within a federal system of government (Australia and the US) while in England and Northern Ireland it is essential to appreciate the powerful roles of the national government and the EU. Each country also has its own sets of historically embedded and culturally specific political debates about central/local relations and the role of the state in relation to the individual. As such, the dominant political economic context for all four countries in recent years has been the rise of

neoliberal or market rationalist discourses, which has altered the framework as well as practise of economic development. Of course, a common language greatly facilitated the use of a common survey instrument which is a unique feature of this research in comparing economic development practises in an international context.

In the following, we describe the findings of our survey of L&RED organisations in the four nations and using regression techniques examine the activities of these organizations that are related to enhanced agency performance. Our goal is further progress in identifying and communicating commonalities for success in L&RED agencies in an increasingly global context.

**Methods**

Our research breaks new ground by reporting the results of an almost identical questionnaire sent to L&RED practitioners in each of the four nations. The extensive data collected in the postal questionnaire survey provided the core empirical information on the ways in which L&RED is conducted in each country, together with practitioners' own assessments of how effective some of their interventions had been.

While a number of researchers and organisations have compared economic development strategies internationally (Bennett and Krebbs, 1991; Wood, 1996; OECD, 1997, 2001; Halkier et al, 1998; Danson et al, 2000) these analyses have not been able to compare nations on the basis of a common data set or evaluative criteria. The questionnaire helps draw out both the distinctive and common elements of the architecture for L&RED in each of the four nations. The questions asked of economic development practitioners in Austin, Texas were the same as those asked in Hull and Plymouth in England, Wollongong and Broken Hill in Australia and Omagh and Coleraine in Northern Ireland. The basic survey design and some of the questions drew on an earlier Australian survey (Beer and Maude, 1997). The questions used in that earlier survey had in turn been developed out of interviews with practitioners and government officials across Australia. Additional questions were developed from an analysis of a report of the Organisation for Economic Co-operation and Development (OECD) Local Economic and Employment Development Programme (LEED) on best

practice in local development (OECD, 2001). Each national survey team was also allowed to add a limited number of specific questions.

With differing sizes of country and differing governance structures, plus different databases of the institutions of governance in each country, it proved unworkable to use exactly the same sampling framework in each country. In the US random sampling was essential to make the survey manageable, while in Northern Ireland it was possible to attempt complete coverage of the main institutions. The differing sampling bases and techniques mean that the data here are not strictly comparable in the sense of a controlled scientific exercise. However, the data can provide a reasonably accurate picture of L&RED activities within each country, and a broad basis for comparing programmes and strategies across countries, particularly where we are using ranking for identifying the most effective techniques.

In Australia the sample frame was based on an update of L&RED organisations developed for previous research (Beer and Maude, 1997) and included all agencies that were part of a formal state or federal government programme. The size of the US economy and the number of L&RED agencies rendered a survey strategy based on a census of organisations impractical. Individuals were selected randomly from a list of members of the American Economic Development Council (now IEDC), the professional association for local and regional economic developers, and came from all parts of the US. Northern Ireland has a very small L&RED sector and it was therefore possible to include in the sample frame all 400 or so active organisations. This included all local governments, the Local Economic Development Units, community groups active in economic development and related bodies. In England, all local governments were mailed the questionnaire, plus all Local Learning and Skills Councils, and local Small Business Services. These all tended to be actively involved with a very wide range of other local delivery bodies for which there was no comprehensive national database. The result is that the English survey focused on the key strategic agencies at the local level, many of which also had strong operational dimensions.

**Table 1.1: Questionnaire responses by nation**

| Nation | Questionnaires Sent Out | Questionnaires Returned | Approximate Population (millions) |
|---|---|---|---|
| England | 477 | 117 | 60 |
| US | 800 | 224 | 260 |
| Australia | 1100 | 505 | 19 |
| Northern Ireland | 400 | 122 | 1.7 |

In addition to a series of questions identifying demographic and organisational parameters, we specifically asked L&RED agencies to indicate which of a lengthy set of activities they undertake. These activities are divided into two basic groups. The first are those focused on what we term 'business development,' that is, those actions whose primary purpose was to either bring firms into the region, or assist the growth of existing firms. In essence the agencies were asked to indicate the range of services they provided to businesses. The second set of questions related to the broader 'capacity building' role of development agencies. These are interventions in the region's economy and governance that are not specific to individual firms or groups of firms, but instead have a more diffuse impact which it is intended would help build a region's capacity and improve its overall levels of well-being.

Despite the vast consulting and academic industry claiming to evaluate the impacts of economic development programmes in objective and value-free ways, the quasi-scientific measurement of effectiveness in L&RED is largely an illusion, a fact reflected in the evaluation criteria applied by some government programmes (Hughes, 1998; Mack Management Consulting, 1998). In this research we take a much simpler approach of asking those directly involved what works best for them. We also asked participants to identify their least effective activities, though our focus here will be on their more effective practises. (See Beer, Maude, and Haughton [2003] for a more detailed consideration of effective and non-effective activities.)

In presenting this data we do not claim that self-evaluations provide definitive insights into the effectiveness and operations of L&RED agencies. They do, however, shed light on the perceptions of practitioners about what works best.

The questionnaire asked practitioners to make an assessment of their agency's effectiveness 'in achieving its local or regional development objectives, on a scale of 7 (major impact) to 1 (no impact)'. The same question was asked in all nations thereby allowing comparison across borders and types of L&RED agency. Clearly this question will elicit subjective responses. Variations will reflect not only individual prejudices, but also differences in the discourse of L&RED across nations, as well as institutional factors. Practitioners are likely to rate their effectiveness according to their day-to-day understanding of L&RED and its objectives; the mission statements and objectives of their organisation; their perception of their agency's standing; and evidence to hand of their level of achievement.

Combining agency performance ratings with an accounting of business development and capacity building activities allows us to statistically evaluate which activities are more closely associated with greater performance and compare these findings with respondents self reports of effective activities. This is accomplished using logistic regression techniques where the dependent variable identifies each agency's status as either high performing or not high performing. High performance is defined as having responded to the performance question with a self-rated score of 5 or greater. In this model, the independent variables are indicators of the activities undertaken by the agencies as noted in Table 2.

Table 2

Variables for the Logistic Regression Equation
*(Capacity Building Activities in Italics)*

| Dependent Variable: High Performing (performance score 5-7) | | | |
|---|---|---|---|
| Independent Variables (Activities) | | | |
| **Variable Name** | **Description** | **Variable Name** | **Description** |
| Marketing | Marketing the region to prospects | Tourism | Promoting tourism |
| Incubator | Operating a business incubator | Events | Assisting with major/special events |
| Estates | Operating industrial estates | Main street | Main Street programmes |
| Land | Other provision of land/buildings | Self-employ | Self-employment programmes |
| Abatements | Tax incentives (gov't only) | Other | Other job creation programmes |
| Relocation | Subsidizing relocation costs | *Physical* | *Improvement of physical infrastructure* |
| Training | Labour training & recruitment | *Telecom* | *Improvement of telecom infrastructure* |
| Permitting | Streamlined permitting (gov't only) | *Services* | *Improve local services (medical, etc.)* |
| Coordinating | Coordinating public sector activities | *Development* | *Develop business sites* |
| SME | Small & Medium sized Enterprise support | *Education youth* | *Education/training for youth* |
| VC | Assisting firms with access to venture capital | *Education min* | *Education/training for minorities* |
| Programme Info | Providing information on gov't programmes | *Education* | *Education/training not targeted* |
| Access | Assistance in accessing gov't funds | *Planning* | *Improving ED strategic planning* |
| Tech transfer | Assistance with tech advice and transfer | *Analysis* | *Analysis of the regional economy* |
| Quality | Assisting firms meet quality standards | *Networking* | *Promoting networking firms & gov't* |
| Marketing Nation | Assisting firms with marketing within nation | *Coordinate2* | *Coordinate government programmes* |
| Marketing Int'l | Assisting firms to market internationally | *Lobbying* | *Being a lobbyist for local area* |
| Supply chains | Promoting supply chain associations | *Gaps* | *Identifying gaps and strategies to fill* |
| Clusters | Assist development of industry clusters | *Land use* | *Influencing land use regulations* |

Parsimony in research suggests that data for all four nations be evaluated simultaneously. In this preliminary analysis we have chosen to examine each nation's data separately. As noted, even though there are substantial similarities, the practice and evaluation of L&RED remains highly contextual within and across nations. This is especially true for the case of Northern Ireland where a social economy approach is shown to be much more prevalent. Our concern is that even in controlling for cross-national variances in performance ratings, relationships between nation-specific activities and performance could be masked.

The statistical analysis employed here uses the classic logit/logistic transformations of the odd-ratios indicating the probability of a choice in a binary dependent variable. For this analysis we are less interested in the size of the regression coefficients, though that may offer interesting further research, than in identifying which activities are significantly related to being a high performing L&RED agency. The analysis is conducted using the NCSS statistical software (Hintze, 2001), which utilizes a Wald Test to assess the significance of each regression coefficient.

Of course, having 38 separate activities each identified by a unique independent variable in a single regression model virtually assures a Type 1 error in one or more of the Wald Tests. Therefore, we have taken a subset selection approach in this analysis. While our approach is a-theoretical, it is nonetheless appropriate for exploratory analysis. Specifically, an iterative forward selection with switching process is employed based on contributions to the value of the log-likelihood.

## Findings

### *Business Development Activities*

There is considerable variation across nations in the business development activities of L&RED organisations (Table 3). No single business development activity or function stands out as the dominant approach across nations. This said, a high percentage of respondents from all four nations indicated that they assisted firms to gain access to government funds, and there was a comparable level of convergence around providing assistance with major events.

**Table 3**
**Percentage of agencies reporting participation in**
**Business-related assistance within the previous two years**

| Function performed | Australia | England | US | Northern Ireland |
|---|---|---|---|---|
| Marketing the region and its facilities to prospective businesses | 78 | 68 | 86 | 49 |
| Operating a business incubator | 20 | 43 | 19 | 27 |
| Operating industrial estates or science parks | 21 | 48 | 29 | 19 |
| Other provision of land or buildings | 40 | 55 | 45 | 26 |
| If you are a government agency, offering reduced government rates, taxes or charges to attract or retain business | 23 | 13 | 32 | 0 |
| Subsidising relocation costs for businesses moving to the region | 10 | 9 | 18 | 3 |
| Assisting businesses with training or recruitment of labour | 36 | 68 | 58 | 38 |
| If you are a government agency, providing streamlined approval/development processes | 39 | 9 | 27 | 0 |
| Coordinating the activities of public sector agencies to support business development | 51 | 73 | 69 | 28 |
| Providing general small and medium enterprise business support programmes | 46 | 70 | 53 | 48 |
| Assisting firms to access venture capital | 25 | 24 | 37 | 20 |
| Providing information on programmes of government departments and other agencies | 74 | 69 | 81 | 58 |
| Assistance in accessing funding and support services from governments at all levels | 75 | 71 | 72 | 63 |
| Assistance with technology transfer/innovation | 31 | 33 | 35 | 33 |
| Assisting firms to meet quality standards, whether those of their customers or ISO standards | 14 | 27 | 15 | 14 |
| Assistance, either financial or advisory, with marketing nationally | 39 | 36 | 40 | 26 |
| Assistance, either financial or advisory, with marketing internationally | 21 | 26 | 20 | 20 |
| Promoting supply chain associations | 23 | 42 | 8 | 16 |
| Assisting the development of industry clusters | 36 | 56 | 33 | 24 |
| Tourism promotion | 74 | 64 | 56 | 46 |
| Assistance with major or special events in the region | 82 | 64 | 58 | 63 |

| | | | | |
|---|---|---|---|---|
| Urban business district development (Main Street) | 62 | 33 | 54 | 25 |
| Programmes to help people establish their own small business | 44 | 65 | 52 | 53 |
| Other local employment creation programmes | 55 | 62 | 45 | 60 |

In contrast to the distinctive property/technology focus of English L&RED development agencies, facilitation is the term that best describes the pattern of activities pursued by Australian respondents. In Australia the dominant activities are those which can be undertaken with modest expertise and resources: Australian respondents market their region; streamline development approval processes; provide information on government programmes; provide help in gaining access to government funds; assist with major events; undertake urban business district development; and promote tourism. Similar to the US, Australian respondents have relatively high levels of involvement in offering reduced taxes to firms and subsidising relocation, a finding reinforced by government analysis (Industry Commission, 1996). They have the smallest percentage of respondents engaged in the training and recruitment of labour.

The 'business first' ethos that pervades the goals of US L&RED agencies is reflected in their day-to-day activities. Industrial recruitment is clearly a more important part of the work of US L&RED agencies than in the other nations. In other respects, US respondents tend to mirror trends in Australia. For example, Main Street or urban business development projects are important (with just over half of all respondents active in this field), and provision of information on government programmes is significant as is coordinating public sector processes. Overall, the 'flavour' of L&RED in the US is one centred on a combination of the provision of direct subsidies to firms and low-cost market facilitation roles. Policy activities which could be high cost yield diffuse collective benefits, and those which have benefits that are difficult to measure – supply chain associations, business incubators and so on – are not favoured. The similarities between the US and Australia in the actions of L&RED are not coincidental: both have federal systems of governments, and both societies favour market-based solutions to questions of economy and society. Moreover, there has been substantial policy transfer between the two nations.

In many respects English agencies reported the most distinctive set of L&RED business development activities. They are far more likely to be involved in property-led developments and the types of assistance to firms discussed in the 'new regionalism' literature. For example, there is a high level of involvement with supply chain associations; a strong commitment to the development of industry clusters; assistance with ISO standards; and widespread application of small- and medium-sized enterprise (SME) support. English respondents are also much more likely to be involved in labour market training and recruitment than their counterparts in other nations. It is worth noting that many of the business service activities of English R&ED agencies are relatively high-cost policy instruments geared to meeting the needs of emerging industries such as information and communication technology industries, research and development-based employment and office-based administration. The ability and willingness to fund such activities reflects the more substantial public sector intervention in the UK economy when compared with Australia or the US.

The prominence of community organisations exerts a profound impact on the types of business development activities undertaken by respondents to the survey from Northern Ireland. They indicate relatively little engagement with those aspects of L&RED work where economic development needs to be integrated with the formal processes of government. No respondents from Northern Ireland, for example, reported that they offer tax abatements, nor did they have a role in streamlining development approval processes. Northern Ireland had the lowest percentage of respondents participating in a science park or industrial estate and in the provision of land or buildings. Many of the prominent activities in Northern Ireland were prominent in England also. For example, some 60% of Northern Ireland respondents are involved in other employment creation schemes, but in no cases did Northern Ireland record the highest percentage of responses for any activity. This suggests a relatively diffuse model of service delivery to businesses. Data on the number of business development activities showed that Northern Ireland's agencies have the smallest number of activities. It would appear, therefore, that the L&RED sector in Northern Ireland is comprised of a number of relatively small bodies that in total encompass a diversity of approaches to L&RED

development, but individual agencies focus on a relatively limited number of activities. In short, it is a wide-ranging sector comprised of small, fragmented actors.

*Regional capacity building*

The nationally evident patterns within business services are not as pronounced when we examine the data on the types of regional capacity building activity undertaken by responding agencies. Some activities – such as analysis of the local or regional economy – were important in all four nations. But in other spheres of practice the administrative and political circumstance of each nation have resulted in a distinctive pattern of activities (see Table 4). In some areas the US and Australia have similar patterns of responses, but in other types of capacity building activity there is greater commonality between Australia and England, or the US and England. There is, however, evidence of convergence around governance issues for the three largest nations, with comparable responses for England, Australia and the US. Northern Ireland's respondents are less likely than agencies from the other three nations to be involved in issues of local governance, reflecting both the nature of the sample and the administrative circumstances of the province.

**Table 4**
**Percentage of agencies reporting participation in nominated forms of regional capacity building within the previous two years**

| *Function performed* | Australia | England | US | Northern Ireland |
|---|---|---|---|---|
| Improvement of regional/local physical infrastructure (eg roads, railways utilities) | 73 | 49 | 79 | 25 |
| Improvement of regional/local telecommunications infrastructure | 55 | 23 | 51 | 8 |
| Improvement of regional/local service provision (such as education or medical services) | 50 | 50 | 36 | 33 |
| Development of planning for business sites and premises | 50 | 65 | 73 | 28 |
| Education and training for youth not targeted to a specific firm/enterprise/business | 37 | 66 | 32 | 58 |
| Education and training for minority groups not targeted to a specific firm/enterprise/business | 24 | 53 | 22 | 23 |

| | | | | |
|---|---|---|---|---|
| Education and training in general not targeted to a specific firm/enterprise/business | 34 | 69 | 42 | 56 |
| Improving regional/local economic development strategic planning and implementation capacity | 71 | 72 | 81 | 51 |
| Analysis of the regional/local economy | 61 | 80 | 67 | 47 |
| Developing cooperation and networking between firms and relevant public and private sector agencies and institutions | 58 | 68 | 62 | 49 |
| Coordinating government programmes | 55 | 63 | 61 | 25 |
| Acting as a lobbyist for the region/local area with governments | 70 | 60 | 46 | 43 |
| Identification of business opportunities or gaps in the regional/local economy and implementation of strategies to fill them | 54 | 51 | 51 | 46 |
| Attempting to influence land use regulations and planning decisions that impact on business | 45 | 43 | 49 | 19 |

US and Australian respondents are far more likely to be involved in the provision of local or regional infrastructure and telecommunications than those from Northern Ireland or England. Respondents from England and the US are most likely to plan and develop business sites and premises, reflecting the long engagement with property-led development in both nations.

Skills development and labour market training is clearly a more dominant discourse and activity within the UK than in Australia or the US, with respondents from England heavily engaged in education and training for young people and minority ethnic groups. In Australia and the US, labour market training was relatively unimportant, while respondents in Northern Ireland engage in education and training for youth and generally, but not for minority groups. Northern Ireland's political circumstances may make the targeting of programmes to specified groups difficult.

The processes of local governance and the development of land drew considerable convergence across nations, with approximately half of all respondents from Australia, England and the US indicating that they attempt to influence land use regulations and planning decisions that affect businesses. This applies to both local government-based respondents as well as those outside local government. Roughly 60% of respondents from the same three nations attempted to coordinate government programmes locally, and between 71% and 81% sought to improve local or regional strategic planning. Between

58% and 68% of respondents from this group indicate that they seek to foster stronger networking between firms and public and private institutions. Approximately half of respondents from England, Australia and the US – and 46% from Northern Ireland – said that they attempt to identify gaps within their regional economies, and develop strategies to fill those gaps.

Overall, Northern Ireland has the most distinctive pattern of capacity building activities and this, no doubt, is tied to the number of community sector respondents. The data suggest that the small size of many agencies in Northern Ireland, and possibly the community focus, may limit the capacity of many agencies to engage in regional capacity building. This impediment was less evident in the provision of services to businesses.

*Performance*

Across the four nations there was a relatively high degree of commonality in the practitioner assessments of effectiveness (Figure 1). Most respondents in all four nations report that they had an appreciable impact on their region, with a small percentage offering a negative evaluation, and a somewhat larger group assessing their effectiveness very highly. There are, of course, variations across nations. Critically, the variation between and within nations suggests that respondents are discriminating in their assessment of their effectiveness, and did not simply award themselves the highest possible assessment.

Figure 1

Self-Rated Measures of Effectiveness of
Local & Regional Economic Development Organisations

Our discussion of the objectives of agencies noted the tightly focused attention to economic concerns and the interests of business among US respondents to the survey. This business focus was reflected in the assessments of the impact of their organisation: more than 15% of respondents report they have a major impact on their region. By contrast, the L&RED discourse is more complex in England, based on a wider engagement with the problems of local areas, meaning that the assessments of practitioners tended to be more qualified and judged against wider ranging criteria. It is therefore not surprising to find that only 2% of English respondents felt that their agency have a major impact on their region.

Respondents from Northern Ireland have a positive attitude to the effectiveness of their agency. No respondents based within a local government rate their agency's effectiveness as less than three (some impact) while 6% felt they have a major impact on their region, and 14% report a substantial impact. Those working within the non-local government sector are more self-critical in their evaluations, with 12% placing their agency's effectiveness within the bottom three categories. On the other hand, an

equivalent percentage of respondents from this sector felt that their agency has a major impact. The key issue here is the substantial scale of the local economic problems faced by some agencies and the relatively low levels of funding and staffing with which they were able to address these issues.

Australian respondents generally report that their agencies have modest achievements, and local government respondents are more critical than those working within the non-local government sector. This pattern is the reverse of the outcomes for England. The more positive attitude of non-local government respondents reflects the fact that many local governments in Australia have an ambiguous relationship with L&RED, with relatively limited funding and equivocal community support for efforts in this area. It is also worth noting that Australian practitioners evaluated their performance more positively in 2001 than five years previously (Beer and Maude, 2002).

*Assessments of most and least effective actions*

Self-reporting can be used to determine which actions or strategies are perceived to be most effective. Respondents were asked to nominate their most and least effective activities in an open-ended format. Multiple answers were recorded for each respondent and the number of times each strategy or action was mentioned then calculated (Table 5).

**Table 5**
**Five most commonly reported most and least effective activities or strategies**

| *Rank* | *Most effective activity* | % respondents[a] | *Rank* | *Least effective activity* | % respondents[a] |
|---|---|---|---|---|---|
| **Australia** | | | | | |
| 1 | Business support/advice | 21 | 1 | Other | 16 |
| 2 | Infrastructure development/service provision | 15 | 2 | Inward investment/promotion of region | 14 |
| 3 | Networking/partnerships | 14 | 3 | Some types of business assistance | 10 |
| 4 | Sector planning/development | 10 | 4 | Land preparation/site/premises development | 6 |
| 5 | Tourism promotion/special events | 10 | 5 | Training skills/labour market programmes | 5 |
| **England** | | | | | |
| 1 | Business support/advice | 23 | 1 | Inward investment/promotion of region | 24 |
| 2 | Training skills/labour market programmes | 18 | 2 | Other | 16 |
| 3 | Land preparation/site/premises development | 10 | 3 | Can't say, unable to determine | 11 |
| 4 | Networking/partnerships | 10 | 4 | Training skills/labour market programmes | 7 |
| 5 | Inward investment/promoting the region | 10 | 5 | Business support/advice | 7 |
| **US** | | | | | |
| 1 | Business support/advice | 19 | 1 | Marketing generally | 22 |
| 2 | Land preparation/site/premises development | 16 | 2 | Inward investment/promoting the region | 18 |
| 3 | Provision of grants or loans for development (including to businesses) | 15 | 3 | Other | 17 |
| 4 | Networking/partnerships | 13 | 4 | Some types of business assistance | 6 |
| 5 | Inward investment/promoting the region | 11 | 5 | Business support/advice | 5 |
| **Northern Ireland** | | | | | |
| 1 | Business support/advice | 27 | 1 | Other | 32 |
| 2 | Training skills/labour market programmes | 24 | 2 | None | 7 |
| 3 | Working with the community sector | 19 | 3 | Working with the community sector | 7 |
| 4 | Networking/partnerships | 14 | 4 | Inward investment/promoting the reigon | 4 |
| 5 | Managed workspaces/business incubators | 10 | 5 | Tourism promotion/special events | 4 |

*Note:* [a] % of respondents to include this activity as one of their responses.

There is a remarkable degree of consensus among practitioners from all nations about what constitutes the most effective L&RED activity. In all four nations practitioners most frequently nominated the provision of business advice and services as their most effective activity. This outcome is entirely consistent with writings on 'third wave' approaches to L&RED (Isserman, 1994; Tietz, 1994) but the level of convergence is surprising. Respondents to the survey also clearly value networking and partnership building, ranking it in the top five most effective actions in all instances. As would be expected given their concentration of effort in this field, respondents from Northern Ireland and England consider training and labour market programmes effective, as are property-related initiatives, such as business incubators and site development. In both England and the US, inward investment and the promotion of the region are ranked in the top five effective activities. However, the tensions inherent in industrial recruitment are reflected in the fact that in both nations a higher percentage of respondents (24% and 18%) nominated inward investment and marketing their region as their least effective activity. As Loveridge (1996) has argued, industrial recruitment is a high risk, potentially high return activity, and some will be successful while others will fail.

Respondents were less clear on what constitutes their least effective activities. Many indicated that they could not identify ineffective activities, or nominated actions specific to their own circumstances. Marketing was clearly a challenge for many respondents in the US. Some types of activities are perceived to be very effective in one nation, but ranked among the least effective in others. Labour market programmes were among the most effective activities reported by respondents from Northern Ireland and England, but are seen to be one of the least effective activities in Australia. Similarly, land preparation and site development is a highly regarded activity in England, but considered a less effective strategy in Australia. Differing institutional contexts, and widely varying opportunities to act within the economy clearly influence how respondents evaluated individual strategies.

The findings of our regression analysis suggests a slightly different set of effective activities as shown in Table 6a through 6c.

**Table 6a**

**Logistics Regression Findings**
**Australia**

| Variable | Coefficient | Standard Error | Wald Z Value | Wald Prob Level* | Odds Ratio |
|---|---|---|---|---|---|
| Intercept | -2.98823 | 0.49980 | -5.979 | 0.00000 | 0.0503 |
| Marketing Int'l | 1.28521 | 0.32139 | 3.999 | 0.00006 | 3.6154 |
| Self Employ | 0.92095 | 0.21720 | 4.240 | 0.00002 | 2.5116 |
| Relocation | 1.24467 | 0.41911 | 2.970 | 0.00298 | 3.4717 |
| Networking | 0.56996 | 0.21304 | 2.675 | 0.00747 | 1.7682 |
| Dependent Variable: High Performing | | | | | |
| Percent of cases correctly predicted: 67.4% | | | Model R-square: 0.13 | | |

* 2-tail test

**Table 6b**

**Logistics Regression Findings**
**United States**

| Variable | Coefficient | Standard Error | Wald Z Value | Wald Prob Level* | Odds Ratio |
|---|---|---|---|---|---|
| Intercept | -1.04375 | 0.49429 | -2.112 | 0.03472 | 0.3521 |
| SME | 0.78577 | 0.39899 | 1.969 | 0.04891 | 2.1940 |
| Access | 0.78219 | 0.40298 | 1.941 | 0.05226 | 2.1862 |
| Clusters | 1.19862 | 0.49708 | 2.411 | 0.01590 | 3.3155 |
| **Tourism** | -1.02145 | 0.40606 | -2.516 | 0.01189 | 0.3600 |
| Training | 0.72814 | 0.39100 | 1.862 | 0.06257 | 2.0712 |
| **Coordinate2** | -1.13176 | 0.44303 | -2.555 | 0.01063 | 0.3224 |
| Telecom | 0.77390 | 0.41697 | 1.856 | 0.06345 | 2.1682 |
| **Education min** | -1.10283 | 0.46469 | -2.373 | 0.01763 | 0.3319 |
| Networking | 0.73154 | 0.39235 | 1.865 | 0.06225 | 2.0782 |
| Dependent Variable: High Performing | | | | | |
| Percent of cases correctly predicted: 73.0% | | | Model R-square: 0.21 | | |

* 2-tail test

**Table 6c**

**Logistics Regression Findings**
**England**

| Variable | Coefficient | Standard Error | Wald Z Value | Wald Prob Level* | Odds Ratio |
|---|---|---|---|---|---|
| Intercept | -2.60079 | 0.95019 | -2.737 | 0.00620 | 0.0742 |
| **Tech transfer** | -1.38906 | 0.71957 | -1.930 | 0.05356 | 0.2493 |
| Marketing Nation | 1.73861 | 0.74681 | 2.328 | 0.01991 | 5.6894 |
| Supply Chains | 1.42561 | 0.72804 | 1.958 | 0.05021 | 4.1603 |
| **Events** | -1.51040 | 0.70837 | -2.132 | 0.03299 | 0.2208 |
| Estates | 1.35966 | 0.60989 | 2.229 | 0.02579 | 3.8948 |
| **Gaps** | -1.57171 | 0.78953 | -1.991 | 0.04652 | 0.2076 |
| **Development** | -1.90425 | 0.83088 | -2.292 | 0.02191 | 0.1489 |
| Dependent Variable: High Performing | | | | | |
| Percent of cases correctly predicted: 73.7% | | | Model R-square: 0.29 | | |

* 2-tail test

We have not offered a table reporting the results of the logistic regression analysis of the North Ireland data simply because there is little to offer. None of the activities identified in this analysis are statistically related to high performance measures in Northern Ireland agencies. Further examination of simple correlation coefficients indicate that few activities show any relationship even at the binary (non-partialed) level. We offer two explanations for this non-finding. First, given the broad nature of the type of organizations in Northern Ireland, there was simply too much variation in activities for the sample size to obtain a statistically significant finding. Secondly, as we have noted elsewhere, these business and capacity building activities may not capture the full extent of activities at North Ireland agencies given their social economy focus and thus are less related to self-reported performance. Moreover, those capacity building activities that are widely used, such as labour training, are perhaps equally done by low- and high-performers.

In Australia, our findings agree with agency self reports that the promotion of networks among businesses and between business and government is an effective activity. Interestingly, aiding businesses with relocation, self employment programmes, and helping local businesses promote their goods to the international marketplace all show to be activities that are associated with higher performance. This is an interesting blend of business attraction and local business development efforts suggesting that local

agencies in Australia need to continue to expand their strategies along multiple lines to include endogenous growth while still working to attract new firms to the area.

Data from the US show a larger set of activities being related to high-performance. As in Australian agencies, networking promotion is an important activity. The remaining activities are a blend of traditional and new approaches to local economic development including helping firms access government funding, SME programmes, developing industry clusters, and increasing local capacities through labour training and telecommunications infrastructure development. These activities do not match up well with respondents' choices for most-effective activities. Interestingly, three activities are significantly related to high-performance but with the wrong sign. Taken literally, engaging in tourism promotion, coordinating government programmes, and providing training targeted to minority groups are less desirable activities. In the case of minority training, this likely reflects the current circumstance of the area represented by the responding agency. In the US, poverty, unemployment and other severe economic conditions are still more likely to exist in communities with high proportions of minorities. The L&RED agencies representing these areas face much larger challenges and thus may not see themselves as highly effective. Tourism promotion in larger communities is often handled by specialist organisations, it may be that conflicting priorities leaves this activity as something best left to others. The same may also hold for activities related to coordinating government programmes, which could be especially problematic for non-government agencies.

The English data present some interesting challenges in interpretation. About 10 percent of respondents to the English survey suggest that the development of land and/or business sites is one of their more effective activities, yet our analysis shows a negative relationship between engaging in this activity and being a high performing agency. This could be an artifact of local economic conditions where this activity is more prevalent, or a result of the risky nature of this type of resource investment as discussed above. Risk may also be the reason for a negative relationship between technology transfer and performance. However, operating industrial estates or science parks, another risky venture, is positively related to performance. The difference may be one of occupancy. On the positive side, one of the more innovative activities English L&ED employ is the

promotion of supply chains, which appears to support higher agency performance. This is, perhaps, an important lesson for Australian and US agencies as the globalisation of manufacturing and distribution supply chains increases. Assisting local firms market their goods within the nation is another positive activity for England's L&RED organisations. Unfortunately, promoting special events and identifying gaps in the regional economy send a mixed message of effectiveness. It is tempting to suggest that a negative relationship with an important strategic planning effort such as gap analysis is simply a reflection of a distressed economy. Similar to tourism promotion in the US, it may be that special events promotion is outside of the core mission and expertise of economic development groups.

**Lessons**

While we are not willing to make the leap of telling L&RED agencies in the participating countries how they should go about meeting their development objectives, we can offer several elements for consideration. These offerings are based both on what practitioners see as effective activities and the results of our statistical analysis.

To a certain degree our research challenges the way we think about L&RED. It suggests that if we aspire to better L&RED and improve outcomes for our regions, cities and towns, the policy solution will not necessarily lie in the development of new and better techniques, but may well reside in the improved delivery of established tools. The survey – of almost 900 economic development practitioners across four nations – clearly shows that some of the most effective actions for encouraging the growth of a region are some of the simplest. In all four nations, practitioners nominated the promotion of networks and partnerships as an effective activity, which is supported empirically in the US and Australia. This is a relatively low cost activity that business associations typically count as one their core strengths. The lesson is perhaps more targeted to government-based agencies suggesting the value of placing renewed emphasis on connecting with the business community and developing appropriate partnerships.

Survey findings show that the provision of assistance or services to business is the most-cited effective activity for practitioners in all four nations. This activity appeared in none of the regression results; however, that could be because it is a necessary activity of

local economic development practiced by nearly most agencies regardless of perceived effectiveness. Even so, the effective provision of business support and advise is likely to remain a critical component of promoting local and regional economic development.

More expensive or sophisticated approaches were not prominent among practitioners' nominations of what constituted their most effective actions. Within this context it is worth noting that Cloney (2003) observed that regional development policy in New Zealand in the 1990s was heavily influenced by Michael Porter's ideas on cluster building. Porter helped establish a policy framework that encouraged cluster building, but returned after five years to find relatively little substantive benefit with respect to key indicators such as employment growth, export development and increased international competitiveness. Apparently advanced approaches are not always effective, and at a more fundamental level a cargo cult mentality focused on identifying and applying new techniques may overlook the importance of well-delivered conventional regional development interventions. Nonetheless, our findings do suggest that certain more sophisticated approaches are worth further consideration such as helping firms to market their products internationally (Australia) or nationally (England), clusters in the US, and supply chain association promotion (England).

Providing clear evidence that L&RED has evolved way past smoke-stack chasing, the apparent success of agencies in the US and Australia promoting endogenous growth through small business development programmes such as self-employment schemes (Australia), SME assistance (US), venture capital sourcing (US), and labour force training (US), as well as the earlier mentioned marketing assistance, bodes well for effective development tailored to local economic needs, resources, and community goals.

The context of economic development in Australia's regions may make it problematic to effectively engage in successful US strategies such as assistance with access to venture capital and the development of telecommunications infrastructures. However, this points to broader policy issues that should be addressed beyond the local level if regions are to maintain any semblance of external competitiveness. Indeed, the opportunities for continued policy transfer, especially among the US, Australia, and England are clear, if not definitive. This transfer could include both activities to consider for adoption as well as a re-examination of the value of some activities.

Perhaps the most challenged agencies are the ones we help the least with this analysis. Northern Ireland organisations are confronted by the prospect of the withdrawal of European Commission funding when the various programmes associated with the peace process come to an end. The need to identify low-cost, effective activities to promote economic development is especially critical. Taking the best practices from each of the other nations, which could include funding models (see Beer, Maude, and Haughton, 2003) offers one approach.

Of course, further research is required. Continuing examination of the activities that are most closely associated with success is a worthwhile pursuit, even with the caution that success is, like development, locally contextual. Among the ways to continue our efforts to offer lessons for economic development agencies in an international context will be further work to model the organization structures, funding mechanisms, and operating characteristics of L&RED agencies that seem to promote greater opportunities for success. There are also likely to interactions that should be tested looking for connections among organizational characteristics, activities, and performance. In addition, confirming the validity of the self-assessed performance measures would also strengthen his research.

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