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Conference Paper

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52nd Congress of the European Regional Science Association: "Regions in Motion - Breaking the Path", 21-25 August 2012, Bratislava, Slovakia

Provided in Cooperation with:

European Regional Science Association (ERSA)

Suggested Citation: Holmen, Ann Karin; Farsund, Arild (2012) : Innovation policy in city-regions: internationalization strategies as policy instruments, 52nd Congress of the European Regional Science Association: "Regions in Motion - Breaking the Path", 21-25 August 2012, Bratislava, Slovakia, European Regional Science Association (ERSA), Louvain-la-Neuve

This Version is available at:

<https://hdl.handle.net/10419/120535>

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Innovation policy in City-Regions: Internationalization Strategies as Policy Instruments

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First draft – Do not quote!

Paper delivered to the 52nd European Congress of the Regional Science Association.

Bratislava 21-25 August 2012

Ordinary Session theme N: Regional Strategies and Policies

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Abstract

The globalization of the economy has led to increased competition between regions when it comes to innovation and business development. Recent research in southwest Norway shows that companies that have a wide range of international partners are significantly more likely to develop new products and generate radical innovation than companies without these kinds of networks (Fitjar and Rodriguez-Pose 2011: 556). In Norway regional authorities have taken an active role trying to make the conditions favorable for companies competing internationally. A portfolio of policy instruments has been introduced and offered regional companies, still there are both empirically and theoretically gaps in our knowledge regarding how these policy instruments are developed and made use of. Ruud, Smits and Kuhlmann (2004) argue that portfolios are heavily dominated by financial instruments and that there is a need to develop new types of instruments in order to tune them to the needs of actors involved in innovation processes. In line with this argument the main question posed in this paper is: To what degree is policy tools developed and adapted to companies needs in the regional innovation system?

This study investigates how regional authorities in Southwest Norway develop policy tools in order to offer regional companies support in the processes of internationalisation. More specific, the study focus at city-regional public support systems and how they develop and coordinate policy instruments according to assumed needs for innovation in the clean technology sector.

1. Introduction

Innovation is not only important for private companies competing in international markets, but also a key priority area for local and regional government agencies that seeks to stimulate regional economic growth. In recent year's city-regions in Norway have developed policy instruments and growth strategies which pursues innovation activities in small and medium sized companies. In this their strategies are in line with city-regions in other European countries (Bontje, Musterd and Pelzer, 2011).³

Ruud, Smits and Kuhlmann (2004) argue that portfolios of available policy tools are heavily dominated by financial instruments and that there is a need to develop new types of instruments in order to tune them to the needs of actors involved in innovation processes. In line with this argument the main question posed in this paper is: To what degree is policy tools developed and adapted to companies needs in the regional innovation system?

New research emphasise that Norwegian companies with international partners has a greater ability to innovate than those without (Fitjar and Rodriguez-Pose 2011). Internationalisation is also on the agenda of regional authorities in Norway, and a portfolio of policy instruments have been developed and offered companies in city-regions in order for them to build contacts internationally. This paper aims to discuss the development of such policy instruments in a city-regional context. We inquire why these policy instruments are on the political agenda and discuss how they are developed. Further, we ask to what degree the instruments are adapted to the needs regional companies', and thus what legitimacy they have in the business community.

A policy instrument or policy tool may be defined as "an identifiable method through which collective action is structured to address a public problem" (Salamon 2002:19). Different classifications contribute to the identification and discussions of the multidimensionality of policy tools (Lowi 1964, Vedung 1998, Howlett 1991). These classifications are strongly related to command and control aspects of the tools, pointing at government as the developer of goals and means in policy implementation. By contrast, the governance literature argues for softer instruments like benchmarking, co-regulation and negotiations (Jordan et.al. 2005, Wursel and Zito 2003, Salamon 2002). This literature argues that 'it is not what the state does that makes a difference, but how it is done' (Richards and Smith 2002:279). Regional

³ A city-region is understood as a large city and its surrounding municipalities.

development is a policy field where government and private stakeholders work closely together. One challenge is to develop suitable policy tools that can stimulate business to focus on innovation.

In order to understand how policy tools are developed, case studies have been conducted in Bergen and Stavanger, two city-regions in Western part of Norway. The aim is to explore how instruments that can stimulate local companies to improve their innovation capacity through internationalization strategies have evolved. The documentation does not reveal whether the tools leads to more innovation, but emphasizes the process of developing suitable tools and the conditions influencing the processes. The cases have been selected from project directed at the energy sector, which are important industries in both cities. The first is a more general instrument directed at small and medium sized companies in the oil and gas industry. The second is a more experimental tool directed at clean energy technology sector and especially offshore wind. In both instances policy instruments that addresses the need for internationalization is investigated.

The key observation in the paper is that policy tools within this field of economic development policy are depending on flexibility and adjustment in order for target groups to make use of them. Businesses that want to strengthen their ability for innovation are depending on policy tools which local/regional government do not necessarily possess. In city-regions local government have limited possibility to support regional companies, and thus new and creative instruments are needed. The government knowledge about, and cooperation with the target groups, is because of this necessary when suitable tools are developed. Additionally the study show that development of policy tools also can be understood as a political strategy established in order to address a specific political agenda, to maintain and legitimize new regional institutions or simply to create new arenas. We argue that development of new policy tools can be motivated both as “help policy”, but also as “regional policy”. Whether this is a conflict of interest or whether this is a combination benefitting different interest, is less clear.

2. Policy tools as governance instruments

The public policy literature has provided significant knowledge regarding the myriad of techniques available for governments to implement policy objectives through policy instruments. Policy instruments are traditionally considered the tools through which

governmental authorities wield their power (Howlett 1991, Vedung 1998). The research questions posed by different contributors have employed the notion of policy tools in different ways and toward different ends (Bresser and Tool 1998). Economists have focused on the issue of optimizing the match between instruments and policy problems. Others have focused more on the choices of policy instruments. The current paper takes the step even further back, asking how policy tools are developed.

Different contributions have provided several categorisations of policy tools serving different focus of research (Dahl and Lindblom 1953, Lowi 1966, Anderson 1971). A well-known example is Hood's (1986) simple and powerful taxonomy known as the "NATO model", that proposes that all policy tools uses one of four broad categories of governing resources; nodality, authority, treasure and organization. Within each of these resources several tools was identified.

Another applied classification is Vedung's three main categories: sticks (regulations) carrots (economic means) and sermons (information). Vedung argue that there can be no universal categorical scheme of policy instrument. Rather there must be numerous classifications varying with theoretical and practical perspective (Vedung 1998: 22). Thus, the basic threefold typology of public policy instruments Vedung presents is based on a resource approach (not a choice approach). It starts from the assumption that a decision has been made that some form of government intervention is justified. The question is what kinds of instruments might be used in such situations (Vedung 1998:30). Justification of government intervention and further policy tools depends on the instruments legitimacy and general acceptance. Clearly, no matter what the prospects for effectiveness, a program or tool without political support cannot make headway (Salomon 2002:24). In this way development and use of policy tools can affect the overall sense of legitimacy that government enjoys in the eyes of citizens.

A new topic addressed in the policy tools literature emphasizes the shift from government towards governance. The majority of tools within earlier mentioned categories are developed by government in order to regulate, prevent, stimulate or force other actors to adjust according to policy goals. By contrast to the command-and-control instruments, the governance literature argues that procedural instruments based on learning, dialogue and negotiations are necessary to reach policy goals (Salamon 2002, Howlett 2000, Jordan e.al 2005). Bresser and O'Toole (1998) argue for a continuous involvement both in the development of policy, but also the implementation process.

The fundamental purpose of procedural policy instruments is to alter or manipulate the policy process. This primary involves touching upon the links and nodes of the network of actors involved in policy making. Howlett (2000) presents a spectrum of procedural instrument according to the level of state manipulation of sub membership and activities. In this spectrum, procedural policy instruments can be seen to range from limited information suppression or release designed to mildly affect subsystem behaviour through “voluntaristic” responses from target groups, to group or institutional reforms designed to completely restructure existing subsystems by compulsory means.

This summary illustrates how government actors in different ways can govern and steer policy processes through a range of policy tool – both substantive but also procedural. Still, all of these contributions are related to the selection and choice of existing tools. Development of policy tools related to new policy issues and fields goes beyond the choice of existing policy tools. In these situations government actors do not hold the proper toolkit to meet the policy goals to be reached. The policy tools are also trying to target a new group of users and new activities. This is referred to as the contextual challenge (Rist 1998). Additionally, policy tools in this context are based on “voluntaristic” responses from target groups.

In regional economic development policy, local and regional government agencies are dependent on the cooperation with private sector and business. In this way government have to work closely with the regional business community in order to understand the sectors actual need in order to reach a policy goal. The choice of policy tools is because of this not about the government to choose within the toolbox of existing and traditional policy instruments. Rather it is about developing new and suitable policy instruments to stimulate regional companies towards growth and innovation.

In order to analyse the development of new policy tools in the context of regional development and regional business innovation, we use and adapt the framework of Russel and Powell (1996) and further developed by Jordan, Wursel and Zito (2005). They present a simple typology of instrument types on the basis of who (or what) determines the ends and means of policy.

Table 1: Determination of means and goals

	Local/Regional government specifies the goal to be achieved	Local/Regional government does not specify the goal to be achieved
Local/Regional government specifies how the goal to be achieved (means)		
Non-State actors specify how the goal to be achieved (means)		

In this way we are able to identify how the process of developing new tools is governed and pushed forward. Through this process we can also reveal whether these policy tools are adapted to companies needs or whether they are developed according to regional authorities' idea of useful tools.

According to Jordan e.al (2005) new instruments are more likely to be used to address a set of more specific new tasks, which includes: 1) filling in the “cracks” in the regulatory system, 2) dealing with emerging issues or 3) dealing with issues that are not suited for a regulatory approach. Through our analyses we will discuss the relevance and use of the new tools described trough ours case studies, and further reveal the function of developing policy tools through cooperative processes between the governor and the one governed.

3. The framework for developing new regional policy tools

Our empirical point of departure is innovation policy in Norwegian city-regions, with a special emphasises on recent developments in two cities; Bergen and Stavanger. It is crucial in this regard that city-regional innovation policy has its roots in a general economic development policy that was pursued by most city municipalities in Norway from the late 1980s and early 1990s. Two characteristics institutionalised in this period have been important for how policy tools were developed later. The first was a strong focus on business clusters, while the second factor is the establishment of governance networks responsible for promoting economic growth in the city-regions (Farsund, 2010). It is also important that Norwegian city-regions have developed their policy instruments within a national innovation system characterized as highly institutionalized and path-dependent where different ministries have their own innovation policies and implement sector-based strategies through independent organisations and agencies (Fagerberg, 2009).

Bergen and Stavanger are the two city-regions covered in this study. The Bergen region is the second-largest city-region in Norway, measured by population. Public administration and private services dominate employment, but the region also has a large industry sector where many of the companies are part of the Norwegian oil cluster. Higher education and research are important parts of the local economy. The Stavanger region is the third largest city-region in Norway measured in population, but Stavanger is fourth city in size. The region is the centre of the national oil cluster, and several large international companies are headquartered there. A higher-than-average percentage of its employment is in the private sector. The city has a young university and a small independent research institute.

In Bergen and Stavanger local actors have developed a governance system where policy goals are formed and interpreted, and policy tools implemented in order to change attitudes and actions in the business community and public sector. Each city-region has established an organisation responsible for policy formulation and implementation named respectively Business Region Bergen and Greater Stavanger. These hybrid governance institutions are responsible for the formulation of policy tools that can support business development and innovation in the region. Greater Stavanger and Business Region Bergen may in this regard be viewed as institutional tools initiated by local and regional authorities. At the same time they develop their own policy tools in cooperation with the business community and the research sector in their own city-region.

The main objectives for these institutions are first and foremost to support the owners (government) in regional development activities. Still, another important goal is to support regional business and their need in order to grow and innovate. These two-folded goals, which in some situations can be considered contradictory, are to be handled by the two hybrid institutions. The contradiction is in the different interest. Government goals in the regional innovation policy may not meet the needs, values and priorities of the target groups. Hybrid government institutions like Greater Stavanger and Business Region Bergen are in these cases used as mediators or coordinators.

Tools that can stimulate businesses to innovate may be considered as a help-policy (Bukve 2009). Help-policy is about compensating for inequality in order to secure individuals, groups, organizations and business through different actions. Regional policy is such an example, where government stimulates and support actions related to specific sectors and business clusters. Bukve argues that this kind of governing functions calls for coordination and learning. Coordination can be both based on contracts but also more informal trust-

relations. Goal- and resource-coordination between interdependent actors in economic development policy is such an example. These situations also stimulate learning and can provide diffusions of new ideas and innovations.

4. Case study design

Two case studies constitute the empirical basis for this research project, and they were chosen in order to capture different strategies for developing policy tools related to internationalization strategies for small and medium sized companies in the energy sector. Demarcation is also related to policy tools chosen at the local level, initiated by municipalities(s) in two city regions. The two city-regions are chosen because they are connected and have simultaneously developed the same policy tool. The comparison between the two city-regions are not the main focus, but function as two windows of how the process of developing these tool has been carried out and function. Empirically there is little variation between the city regions.

The main focus of analysis is the two policy tools, which serves as a comparative design of most different cases (Lijphart 1975). The first tool is developed on the basis of earlier experience in other sectors, while the other tool is of a more experimental nature. In order to study development of these different policy tools, we used different data sources. In the first data is from 2009 – 2012, while the second tool in studied in the period from June 2011 to February 2012. The development and use of these policy tools was studied through surveys and qualitative interviews.

The first case study uses *surveys* sent to participators of the different delegation trips in order to get direct feedback of how the participators experience these trips, but also their use and value of these arrangements. These surveys were made available for us, giving an overview of the results during the last three years. Results are related to a) practical issues, like travel, information, coordination and accommodation, b) academic, sectorial and social issues, like the activities function and advantage and c) general issues, like how the expectations was met, participators degree of new relations, knowledge and information. In general 60 % of the participators respond to these surveys which are sent to participators directly after the trip.

An additional survey was developed in order to capture the same participators view on their last delegation travel and the need for policy tools in their work towards internationalization

and marked positions. This survey was sent to a population of 400, who has participated in one or several delegation travels for the last three years. The analytical frame and the questions was related to three main categories: 1) motive behind and expectations for the policy tool, 2) development process, including structure, actors and actions during a demarcated period, and 3) Use and helpfulness for target group and government.

In the second case study *semi-structured interviews* of actors related to offshore wind sector contributed to an understanding of the development of the sector over the past ten years, in addition to development of the specific policy tool and the actions during the period. They also contributed to an insight in different actors involved during the period. Target group stakeholders from offshore wind sector and selected government agencies was interviewed. Additionally several interviews was made in Greater Stavanger and Business Region Bergen, the hybrid governance institution in charge of developing these tools on behalf of their owners, which is the municipalities in the city-region. A total of 14 persons were interviewed. Main themes of the interviews was a) experience with and attitude related to the specific policy tool, b) general experience and attitude related to all public policy tools directed towards the offshore wind industry, c) contact and cooperation between actors involved, d) experience and opinions regarding the role of hybrid organizations developing these policy tools.

In this paper we will combine the qualitative and the quantitative material. The qualitative material functions as the main analytical tool supported by findings in the quantitative surveys. The reason for this emphasis is the nature of the research question. In order to understand why and how the process of building and developing policy tools for innovation in offshore wind sector, we need to base out data on both description of the process from different actors in addition to evaluation from both the target group as well as government stakeholders (Seawright and Gerring 2008, Yin 2003).

5. Development of policy tools

In this section we will present how two different policy tools that aimed at increase the internationalisation activities in small and medium sized businesses in the city-regions has evolved. The first tool is directed at a broad group of companies in the oil, gas and renewable energy sectors in each of the two regions. Today is it possible to describe this instrument in short: Greater Stavanger and Business Region Bergen facilitate internationalisation activities

for small and medium sized businesses in order for them to develop contacts, contracts and innovations. The second was developed in a more experimental project that targeted the clean technology sector, or more precisely the offshore wind sector located at the western and southern coast of Norway. This sector is less mature than the oil and gas industry, and thus the agencies needed a broader perspective in their efforts.

In order to describe the development of the tool, we will start by *why* this process was initiated, followed by *how* it was initiated, focusing the determination of means and goals and at the end *what* kind of use this process and tool led to.

5.1 *The first case: Delegations to international trade fairs*

Why?

The Stavanger region has been the ‘capital’ of the oil and gas industry in Norway since the late 1960’s, and since Houston in many ways is the ‘capital’ of the world for this industry, the City Council of Stavanger established contacts with Houston-region and its oil and gas industry early on. One important event regularly attended by the Mayor of Stavanger was the annual Offshore Technology Conference. Already from the start businesses was part of the Stavanger delegation. In an early phase this initiative may be seen as what Vedung has described as a sermon instrument where the main goal is to spread information about developments in the industry.

Participants in these delegation trips gradually discovered that participation in them increased the value seen from a pure business perspective, because the participation had effects on how the companies could operate. So when Greater Stavanger assumed responsibility for arranging these tours in 2004, the number of participants and trips gradually increased in order to harvest these benefits. Today trips are arranged annually or bi-annually to Houston and other oil-cities, while others are directed towards more ad hoc destinations like the World Expo in Shanghai in 2010. The instrument can now be described as a carrot in Vedung’s terms. There are no subsidies, but all participants benefits from the economy of scale that a delegation of 100 – 200 persons give, and even more important they can benefit from contacts established by Greater Stavanger over years.

Business Region Bergen has since its establishment in 2007 implemented its own program of trips to many of the same cities and conferences as Greater Stavanger offers. Since the

instrument was copied from Greater Stavanger, Business Region Bergen has ‘sold’ the trips as a possibility for companies to make contacts that could increase their economic performance from the start. There is only limited cooperation between the two city-regions regarding this instrument, because ‘exclusiveness’ is one of the arguments used for ‘selling’ these trips to companies.

How?

Business Region Bergen and Greater Stavanger are hybrid governance institutions that function as coordinators and hubs in the cross point between local authorities and regional companies and business sectors in the two city regions. Organising tours to international conferences has gradually become one of the main pillars in their work program. One reason is that this is a policy tool that is relevant for small and medium sized companies in the local oil and gas industry. International conferences and fairs are important arenas for developing new contacts and connections with potential customers and suppliers. In addition, they are a source of knowledge regarding recent developments across sectorial borders within the industry. Larger companies have sufficient resources to acquire these contacts and knowledge’s on their own, but this is not a case for smaller companies.

The first trip was based on political contacts, but gradually the commercial interests increased. The lesson learned for Greater Stavanger, and later on Business Region Bergen, is that there is need for public initiatives that can stimulate to cooperation between companies, and learning and diffusion of knowledge and innovation through international contacts. The process of further developing this instrument has been based on close contact and open communication with the target group.

Our analyses of the latest delegation tours show how this instrument are continually adjusted and adapted to the needs of a broad target group. First this is adjusted through direct response at the travels. Government actors as well as representatives from Greater Stavanger and Business Region Bergen organizing the trips operate in close contact with each person or company participating. After the trip a survey is sent to participators asking for evaluation of the organizers efforts as well as the use and utility for the company regarding concrete results from the trip.

What?

Evaluations from delegation trips the last three years (2010 - 2012) confirm that the overall motive for using this kind of tool is related to establish or sustain business contacts (67 %) and to seek information (62 %). Surprisingly surveys from these delegation travels reveal that participators are more interested in nursing or to establish regional contacts than international contacts. These findings indicate that these tools developed for internationalization of the sector additionally are used as a source to strengthen the sector regionally or nationally.

Evaluations also show that the motives and expectations are corresponding with what they get. The close personal contacts create an information arena for government stakeholders, which increase the knowledge of the sector as well as the specific need of each stakeholder. This kind of information from a broad set of actors can hardly be acquired from a government office or through meeting with single stakeholders. The delegation trip provides a learning environment, not only through the nature of the conference, but also through the arena the participators create by being together.

5.2 The second case: An experimental policy tool: The energy and environment project

Why?

The Norwegian government initiated the ‘city-project’ in 2004 with the aim of promoting innovation policy initiatives in the six largest city-regions in the country. One of the strategies established in 2007 was the implementation of collaboration projects between three or more cities. ‘Energy and environment’ was the title of a joint project between the cities of Bergen, Kristiansand and Stavanger. In the first phase they collaborated on the development of two set of strategies; one for climate policy and the second for innovation in local clean tech industries. The second phase was initiated after the national project was finalised in 2010, but it was still funded by national money. It is this second phase that is given attention in this paper.

The point of departure for the three cities is that the energy sector at the West Coast of Norway has been and is a prioritized business cluster for each of the city-regions. In 2007, oil production was decreasing and the optimism regarding finding new large oilfields was fading. Clean technology was seen as a sector which could supplement the dominating oil and gas industry. The potential for developing a new sector based on knowledge and technology from

the oil and gas sector was considered to be significant. In addition clean technology was expected to grow as a future business area internationally which could lead to business opportunities for a new regional clean tech industry. Since the offshore wind sector is new compared to the well-developed oil and gas sector an additional strength was that the North Sea was seen as a suitable location for testing and developing this new industry.

The cities decided to develop policy tools that could stimulate small companies in the clean tech sector to innovate and grow. Since this is an immature sector industrially, they decided to take joint initiatives in the three city-regions. Because of this, they needed a long initiating phase to discuss and frame the policy tools they needed in order to meet this goal. In the end, the three cities agreed on a project with a special emphasis on the offshore wind sector, and they aimed at stimulating companies in the sector to test their ideas and technologies on potential partners and customers in other countries. Thus, the tool chosen and developed should especially contribute to businesses increasing the awareness regarding global marked opportunities.

How?

Three goals functioned as a starting point for developing suitable tools. *The first goal* was to assist companies that offer niche solutions to the global renewable energy sector (clean tech). They wanted to strengthen: market access, capital supply, cooperation in technology development, professionalization and internationalization. *The second goal* was to provide learning effects for a) business and R&D institutions within the clean technology sector and b) government actors working with business development in order to understand how this sector can be supported. *The third goal* was to create a basis for further cooperation between public and private actors at the west coast. The long term aim was lay the foundation for a technology cluster in the clean tech sector in the future.

To manage these goals, Greater Stavanger and Business Region Bergen representing the municipalities in the two city regions, Bergen and Stavanger, was given the responsibility to develop concrete tools and concrete actions in cooperation with the representatives from the city of Kristiansand. This network was expected to work closely with the research network

NORCOWE⁴ and the regional clean tech sector association Arena NOW⁵ in this process. These organizations had earlier been given a national mandate to work with cluster development and research in the area of offshore wind.

Two main tools were agreed on through initial meetings between different stakeholders in the city-regions. Both were initiated in order to support this sector in its effort to increase the companies' ability to innovate through internationalization strategies: 1) Participation at two international conferences where companies within this sector could meet potential customers and suppliers that might be partners in the future, and 2) strengthen the cooperation between the cities, which meant the development of a joint strategy of developing this sector at the west coast of Norway. This was considered an important element, since the sector needed to get national political support and funding for infrastructure that could support future growth. In addition it was seen as crucial to develop local governments' knowledge about the sectors challenges and potentials in order for them to promote the development of a clean tech industry.

The two conferences were identified through discussions with different actors in the sector. One targeted the US market and the other the European market. These conferences were multipurpose, combining research, learning from experience discussions, they functioned as marketplaces for new technology and a meeting place for potential customers or collaborative partners. Still, the first conference in Boston was perceived as less successful because few regional actors considered the U.S. as the most attractive and relevant market.

“We (Greater Stavanger and Business Region Bergen) developed a strong collaborative contact with the Norwegian representative for innovation in Boston, who considered this as an important arena for the regional offshore wind sector. Still, we may have gone a bit fast in this period, but we really felt this had potential” (government informant)

A large delegation from the three cities visited the second conference arranged in Amsterdam. This was a well-established conference with a good reputation and well known for companies in this sector. In both of these conferences Greater Stavanger and Business Region Bergen arranged and organized meeting places and sessions especially for this target group. Shortly

4 NORCOWE is a ten year long research program for offshore wind funded by the Norwegian Research Council. It has its headquarter in Bergen, but has partners in Stavanger and Kristiansand.

5 Arena NOW is a network for companies in the offshore wind sector funded by Innovation Norway. It has its headquarter in Bergen, but has partners in the whole country.

after this conference participators were contacted and asked to evaluate the specific activities as well as the overall use and utility of their participation. In this way several contact points as well as a learning circle were established between government stakeholders and the target group.

The overall project lead to learning about policy tools, and the establishment of new arenas for coordination and cooperation was also established between the three cities. The project managers in each of the cities had regular meetings in order to discuss practical issues. Each city had different industrial structures and companies with a multitude of experiences regarding this industry, and this diversity was coordinated into a common strategy for the three city-regions. The fact that these cities did not see themselves as competitors at this area because of different industrial niches, made it easier for them to share tools that could support growth in this sector.

What?

This initiative may be seen as experiment where different actors in the three city-regions as well as organisation for the offshore wind industry have discussed how to facilitate further growth for this industry. For Greater Stavanger, Business Region Bergen and Kristiansand municipality, this project has been about developing contacts and gaining experiences regarding how to promote an industry like offshore wind. One of their main challenges has been that the national framework has changed during the project period. The main reason being the discovery of new and large oil resources along the Norwegian coast. This has both reduced the need for alternative employment for the country and further increased the demand for labour, and consequentially the level of costs for companies in the renewable energy sector. Thus, for local government this is not such a viable alternative to promote and the establishment of permanent policy tools for the offshore wind industry may be shelved for the foreseeable future.

The companies that have taken part in this joint project in increasingly aware of the challenges are facing them, both regarding competition from the oil and gas industry and for attention from local government agencies. Nevertheless, they have uttered support for the policy tools tested by the three city-regions in this project. International contacts and contracts are crucial for this infant industry, and the initiatives have been successful in this regard. They are on the other hand less satisfied with national initiative that could have promoted their

industry. A home marked, a test facilities are viewed as crucial for further development, and the cities may have a role in promoting such solutions towards the national government.

6. Developing policy tools for regional innovation: politics or business development?

This paper aimed to discuss the development of policy tools in a city-regional context, and asked to what degree tools are adapted to the needs regional companies' have when they tries to strengthen their innovation capacity through international activities. Or more precisely: How are policy tools developed within such framework, and for whom are they really developed?

The key observation in the paper is that policy tools within this field of economic development policy are depending on flexibility and adjustment in order for target groups to make use of them. Businesses that want to strengthen their ability for innovation are depending on policy tools which local/regional government do not necessarily possess. In city-regions local government have limited possibility to support regional companies, and thus new and creative instruments are needed. According to Jordan et.al (2005) new instruments are more likely to be used to address a set of more specific new tasks, which includes: 1) filling in the "cracks" in the regulatory system, 2) dealing with emerging issues or 3) dealing with issues that are not suited to regulatory approach. What kind of tools are we talking about here?

First of all, Greater Stavanger and Business Region Bergen (and Kristiansand in the latest example) have been filling the cracks in the national system. Small and medium sized businesses both in the established oil and gas industry and in the new offshore wind industry need some sort of support programs to increase their focus on the opportunities that is achievable through increased international engagement. In both instances the policy initiatives are dealing with an emerging issue for the public sector. Traditionally Norwegian agencies have supported individual companies or industrial clusters domestically. The city-regions have been able to build contacts from the national arena to the international arena.

This is a challenge especially the renewable energy sector has struggled with for a long time. Still, the political focus has made this sector an emerging issue through politics of sustainable development and the need to supplement oil and gas sector with renewable energy. The political priority was very welcomed. Greater Stavanger and Business Region Bergen may be

viewed as hybrid organizations and they operated procedural instruments based on learning, dialogue and negotiations in order to reach policy goals (Salamon 2002, Howlett 2000, Jordan et al 2005). Bresser og Toole argue that governor and the governed are depended of each other.

Legitimacy and acceptance of tools is according to Salomon (2002) a necessity for a tool to become efficient. Procedural instrument where government and target group develop the tool and/or are able to adjust the tool scores together strengthen the legitimacy of the policy initiative. This has been the case in the two examples discussed in this paper. The city-regions constitute a frame for businesses, industrial networks and government agencies may exchange views on challenges and opportunities. It is this closeness that give initiative from Greater Stavanger and Business Region Bergen legitimacy among small and medium sized businesses in their home regions.

This paper has provided knowledge about the development of policy tools that is demanded by target groups. The two policy tools presented are different, though they represent a tool in motion, meaning they evolve over time. The first is a tool under continually development, adjustment is made towards marked changes and the need of target groups, while the second policy tool described was developed as an experimental project. Knowledge about, and cooperation with the target groups, is because of this necessary when suitable policy tools are developed. Additionally the study show that development of policy tools can be understood as a political strategy established in order to address a specific political agenda, to maintain and legitimize new regional institutions or simply to create new arenas where public and private actors in a city-region can meet and discuss common challenges and possible solutions. We argue that development of new policy tools can be motivated both as “help policy”, but also as “regional policy”. Whether this is a conflict of interest or whether this is a combination benefitting different interest, is less clear.

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