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Institutional context and place-based policy: The case of Coventry & Warwickshire

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Abstract

A key problem of downscaling or transferring policies across regions is embedding these policies into a place for them to unleash the full potential of regional economies. This paper elaborates on the analytical framework of “institutional context” to bridge the gap between rich theorizations and poor empirical capture of institutions in studies of regional development. The institutional context is constituted by three pillars—regulations, organizations, and institutions—as well as by the interrelations between these pillars. Applied to the British region of Coventry and Warwickshire, a qualitative analysis of expert interviews finds institutional patterns of short-termism, moderate levels of social capital and an embryonic relational infrastructure to constrain the place-based strategy for industrial diversification. This regional case illustrates the more general challenge for regional policy in the UK of devising place-based strategies under conditions of continuous rescaling of regional governance and the implementation of a new National Industrial Strategy. In conclusion, the analysis suggests a shift from “nodal” to “linking” policies that support cross-network connections and help grow a regional field for collective action to cross-fertilize knowledge and foster innovation and entrepreneurship in emerging industries.

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1 | INTRODUCTION

Traditional growth models are no longer sufficient to explain how regional economies evolve and why regional disparities continue to persist over time. Instead, institutions are increasingly seen as critical for economic development. Although they have been hidden in the error term of conventional growth equations for a long time (Rodríguez-Pose, 2013), institutions make a major difference for how even similar legal regimes, support policies, resource endowments and organizational ecologies play out differently on economic development. In a comprehensive historical review of long-term economic growth, Acemoglu and Robinson (2012) argue that institutions clearly outdo other factors such as geography, culture, or economic knowledge in accounting for economic growth. They point to previously homogenous regions, which had later become divided into separate jurisdictions, such as post-war East and West Germany or North and South Korea, to illustrate how development trajectories may bifurcate even from the apparently identical initial conditions toward different institutional contexts. Acemoglu and Robinson (2012) argue that inclusive rather than extractive institutions pave the way for enduring social and economic prosperity. Whereas some studies address the detrimental effects of extractive institutions on economic development (Crescenzi, Di Cataldo, & Rodríguez-Pose, 2016; Jiménez, Villoria, & García Quesada, 2012), others explore how institutions help regions to respond to regulatory rigidities in the context of technological (Bathelt & Conserva, 2018; Moodysson & Sack, 2018) or societal change (Sánchez-Hernández & Glückler, 2019). Apart from extreme cases of corruption or nepotism, however, it is neither easy to qualify institutions as generally good or bad nor to assess the existence and magnitude of their impact on focal social outcomes. A major challenge for national and regional economies is that those institutions which work in some places cannot simply be transferred to perform equally in others (Glückler & Lenz, 2016; Unger & van Waarden, 2009). Unlike capital or codified knowledge (e.g., technologies, patents, designs), institutions can be neither bought nor licensed, and they are hard to imitate.

This place-specificity either helps or hinders innovation and prosperity, and poses limits to universal growth models (Boschma, 2017; Rodríguez-Pose & Storper, 2006; Storper, Kemeny, Makarem, & Osman, 2015). Consequently, the geographical variation of institutions calls for place-based strategies and policies (Iammarino, Rodríguez-Pose, & Storper, 2019; Rodríguez-Pose, 2017). Devising such strategies, however, requires regional analysts and policy makers alike to identify those institutions that are critical for policy adjustment, to assess their impact on a desired outcome, and to develop the measures that facilitate policy goals to be accomplished in a particular place. This paper aims to contribute to the advance of regional institutional analysis by proposing the institutional context as an analytical framework to assess the institutional fit between a region and existing or intended policies. Empirically, it focuses on the role of institutions in enabling industrial diversification in the British region of Coventry and Warwickshire. Industrial diversification, that is, the creation of sectoral, occupational and technological variety in pursuit of long-term economic prosperity, depends on institutions (Boschma, 2017). The rise of the San Francisco Bay Area vis-à-vis the relative stagnation of Los Angeles (Storper et al., 2015) and the continuous reinvention of the Boston economy (Glaeser, 2005) are two emblematic examples of how the quality of institutions and social networks was key in facilitating technological transitions and industrial diversification. As industrial diversification requires skills, innovation, and entrepreneurship that all bridge and connect existing with new activities, an institutional assessment has to focus on those institutions that are conducive for apprenticeship and education, research and development activities within and between firms and universities, as well as for business start-ups and the growth of SMEs.

The paper proceeds as follows. Section 2 elaborates on the institutional context as an analytical framework to examine the regional institutional fix between regulations and regional governance,

organizations, and other institutional actors, as well as institutions. Section 3 presents the methodology of a case study in the British region of Coventry & Warwickshire. The following sections report the empirical assessments of the three pillars of the institutional context, including regulations (Section 4), organizations (Section 5), and institutions (Section 6). Section 7 assesses the institutional coherence of the regional policy in the case study. It proposes to move from a “nodal” to a “linking policy” approach in order to reconcile the institutional specificity of a place with policy blueprints and to facilitate institution-sensitive policy making. Section 8 concludes with some tentative implications for research and policy making.

2 | THE ANALYTICAL FRAMEWORK OF THE INSTITUTIONAL CONTEXT

2.1 | Pillars of the institutional context

The surge of interest in the institutional dimension of economic and regional development has led to many and only partially overlapping understandings of the term institution. Looking at the variety of institutional research, authors may refer to organizations (e.g., financial institutions), to formal (e.g., laws and regulations) and informal rules (e.g., social norms, conventions), to social beliefs (e.g., institutional logics), to stable patterns of interactions, or to the sum of all these categories (Barley & Tolbert, 1997; Hodgson, 2006; McPherson & Sauder, 2013; North, 1990; Scott, 2007). Due to this polysemy, the empirical impact of institutions on regional economic development is still poorly understood and, hence, perhaps markedly underestimated (Martin, 2000; Pike, Marlow, McCarthy, O'Brien, & Tomaney, 2015). In what follows, this paper builds on earlier critiques of the fuzziness of the concept of institutions to present the analytical framework of the institutional context and the elements that constitute its workings. The institutional context rests on three pillars (Table 1): regulations and policies (formal rules), people and organizations (institutional actors), and the institutions through which these organizations come to play together not only in formalized and prescriptive but also in legitimate and foreseeable ways (Glückler & Bathelt, 2017).

First, *regulations* set the legal frames for compliant behavior and define actionable rules for social and economic practice. However, not all regulations work out as intended, and not all regulations are equally enforced (Table 1). Hence, the fact that formal rules legally prescribe behavior does not necessarily imply that they are effective or that they sufficiently describe real normative expectations

TABLE 1 Pillars of the institutional context

Pillar	Description	Examples
Regulations	The set of legally actionable rules and regulations (or formal institutions), which affects the modus operandi of economic development in a geographical setting	Legislation on regional governance structure, e.g., level of decentralization of power and resources; regulations on land use and regional and urban planning; regional policies
Organizations	Individuals and organizations that affect the economy in a geographical setting	Local and regional authorities, LEPs, business firms and associations, unions, NGOs, universities, colleges, trusts, charities, etc
Institutions	Interaction orders based on legitimate mutual beliefs, which arise from either formal rules or informal norms and conventions	Stable forms of interactions and underlying beliefs, e.g., cooperation, coordination or competition between actors

and the corresponding patterns of behavior. Instead, similar to the distinction between codified and ostensive aspects of routines (Feldman & Pentland, 2003), people and organizations draw on mutually shared beliefs and expectations that effectively define their ways of acting together, and which may or may not be in line with existing regulations. Although regulations set a legal frame for social and economic development, they are not yet sufficient to understand the institutional foundations of an economy (Bathelt & Glückler, 2014). For the purpose of examining the relation between institutions and regional policy, this analysis focuses on the architecture of regional governance, the distribution of political power and resources between the central state and the level of regions as well as on the strategic plans of authorities at different spatial scales.

Second, *organizations* represent the players rather than the rules of the game (North, 1990) so that these actors are analyzed as a separate pillar of the institutional context. Organizations include government authorities, businesses, associations, universities and colleges, and unions. Organizations draw on existing institutions when interacting with others, but at the same time, they can turn into institutional entrepreneurs if they succeed in transforming incumbent institutional conditions (Garud, Hardy, & Maguire, 2007; Leca & Naccache, 2006). In a regional context, this study seeks to identify key organizations, their interconnections and levels of cooperation as well as their roles in the relational infrastructure and their impact on regional development policies and outcomes.

Third, *institutions* are defined as the stable patterns of interactions based on legitimate normative expectations, which are enforced through sanctions in case of violation. Sometimes scholars distinguish between formal and informal institutions, depending on whether the underlying beliefs and expectations are codified in judicial rules or not (Hacker, Thelen, & Pierson, 2015; Helmke & Levitsky, 2004; Pike et al., 2015). However, most scholars require institutions to be not the rules but the fact that these rules have really become accepted and performative in the minds and practices of people (Barley & Tolbert, 1997; Bathelt & Glückler, 2014; Farrell, 2018; Giddens, 1984; Hodgson, 2006). In other words, formal rules that do not structure real social behavior are not institutions (Farrell, 2018; Hodgson, 2006). This condition fits with Scott's (2007) distinction between regulatory (formal), normative (social), and cultural-cognitive pillars of institutions. Scott argues that any institution is made up of a mix of these pillars (Scott, 2003), which implies that, empirically, there often is no such thing as a purely formal or informal institution. Instead, an institution builds on several sources of normativity, be they regulatory (or constitutional), normative (or conventional), or cultural (or cognitive). Recent research suggests that institutions are actually decisive of whether and how regulations, formal rules and policies become effective at all (Jiménez et al., 2012; Vaillant & Lafuente, 2007; Williams & Vorley, 2014). It is not enough, for example, just to have support policies for collaboration or business associations promoting entrepreneurship within a region in order to stimulate successful start-ups and networks. The work of these organizations is fundamentally informed by experience, established business relations and routines, knowledge frames, and institutionalized beliefs. Consequently, the behavior of organizations depends on the underlying institutions. The institutions of parliament or court, for example, are not (just) the physical buildings, the organizational status as public entities, or their authoritative or human resources, but the legitimate pattern of interactions between stakeholders in the ways laws are passed or trials are conducted. Institutions also resonate with the notion of social capital, which denotes the social benefits that arise from a particular quality and structure of social relations. Social capital has been found to be associated with the economic performance of countries (Knack & Keefer, 1997) and regions (Beugelsdijk & van Schaik, 2005), as well the propensity to innovate (Laursen, Masciarelli, & Prencipe, 2012). Institutions differ from culture in that underlying norms and behavioral forms get enforced and that their violation causes sanctions (Helmke & Levitsky, 2004).

2.2 | Institutional interrelations: Competition, compatibility, coherence, or complementarity?

While the distinction of the three pillars of the institutional context offers conceptual clarity for empirical observation, a second research challenge in institutional studies is how to assess the quality of the interrelations between institutions as well as their impact on social outcomes. It is, in fact, very demanding, if at all possible (Rodríguez-Pose, 2013), to demonstrate the causality and the magnitude of institutional effects on desired social outcomes such as development, innovation, social cohesion, or growth. And yet, if we agree on the critical role of institutions in development, there need to be concepts that allow for examining the quality of such interrelations.

The debate on institutional complementarity in institutional and regulation theory has helped to draw more fine-grained distinctions of the ways and the extent to which the coexistence of institutions mutually enforces each of them (Boyer, 2005; Crouch et al., 2005; Deeg, 2007; Höpner, 2005). Accordingly, two institutions are *compatible* if they can both coexist without necessarily affecting each other; they are *coherent* if they coexist at the same time that one reinforces the other; and they are *complementary* if their aggregate performance is superior to the performance of each one separately (Boyer, 2005). As any judgement of complementarity requires a comparative evaluation of aggregate versus separate performance of the involved institutions, it is often impossible to assess it empirically. Therefore, the empirical analysis of the interdependence will more likely focus on the causally less ambitious concepts of compatibility and coherence.

In addition, the conceptual distinction between the pillars of institutions and regulations as made in the previous section offers the analytical opportunity to analyze how well regulations and policies fit with regional institutions and why, potentially, these policies fail to achieve their intended outcomes. Empirical studies have not only pointed out the positive effects, but have also illustrated problems of countervailing (Theesfeld, Schleyer, & Aznar, 2010), asymmetrical (Williams & Vorley, 2014), or competing institutions (Glückler & Lenz, 2016; Helmke & Levitsky, 2004) with respect to established policies. Because institutions can have convergent as well divergent effects on formal regulations and policies, recent models suggest four types of interactions (Glückler & Lenz, 2016; Helmke & Levitsky, 2004): In convergent situations, institutions can act in *reinforcement* of existing or *substitution* of only weakly enforced policies, whereas in divergent situations, institutions can act in *circumvention* of existing or direct *competition* with only weakly enforced policies.

With the distinction of different types of interdependence, it is now possible to better assess the degree of alignment and synchrony among institutions as well as between institutions, actors and policies in a specific institutional context. Institutional analysis may contribute to the lack of knowledge regarding the coherence of an institutional context during periods of relative stability (Pike et al., 2015) as well as its tensions during periods of change (Bathelt & Conserva, 2018; Benner, 2019; Glückler & Lenz, 2018; Hacker et al., 2015; Sánchez & Glückler, 2019; Streeck & Thelen, 2005). Hence, the analysis of the institutional context includes the identification of the crucial categories in each of its pillars and the assessment of the quality of interdependence between these pillars. Only by evaluating the workings of the institutional context is it possible to devise changes and adjustments in policies, or to create or dissolve organizations and linkages, or to employ institutional entrepreneurship for the long-term transformation of those institutions that compete with intended policies and desired social outcomes. In essence, the aim of creating coherence in the institutional context is what promises to facilitate successful place-based policies.

3 | CASE STUDY: COVENTRY & WARWICKSHIRE

The empirical fieldwork was carried out in the context of an OECD case study on the enablers and bottlenecks of regional industrial diversification in the region of Coventry and Warwickshire, UK (OECD, 2019). As a functional economic region, Coventry & Warwickshire is specialized in three industrial complexes: (a) Advanced manufacturing and engineering, including the largest European aerospace cluster and the Midlands automotive cluster with competitive R&D activities in sports vehicles and in connected and autonomous driving; (b) digital industries, including the gaming cluster “Silicon Spa” as one of the most significant in the UK; and, though smaller in size, (c) tourism and culture, including Shakespeare's birth place and museum in Stratford-upon-Avon.

However, in spite of its strengths in established (engineering) and emergent (digital, cultural) sectors as well as in excellent higher education, the region also faces a number of challenges. These are related to a relatively weak skills base, moderate levels of entrepreneurship and start-ups, and a concentration of innovation activities on a few world-class corporations, whereas the long tail of SMEs and other sectors suffers from a lack of innovativeness and productivity. According to a forecast published by the West Midlands Combined Authority, “the output gap between the West Midlands and the rest of the UK will widen between now and 2030. This is attributable to the large number of low value companies in low growth sectors, the low business birth and survival rates in some areas, and the comparatively high number and proportion of residents with low skills and, in many cases, no formal qualifications” (WMCA, 2017).

The general purpose of the OECD mission was to address this particular economic context of strengths and challenges by assessing the realms of innovation and collaboration, as well as entrepreneurship and institutional factors that would have to be addressed in devising a place-based industrial policy. The analysis developed in this article focuses on the institutional conditions and draws on a sample of 40 individual and group interviews that were conducted during October 2017 with managers, executives, and key representatives of public, private, civic, and academic organizations in the region. While the advantage of the mission format was to access high-level experts and key decision makers of many critical stakeholder organizations in the region, the dense interview schedule did not allow for extensive documentation. However, from the larger group of individual and group interviews, this analysis particularly draws on 19 interviews (Table 2), for which it was possible to take detailed interview notes. After validating the field notes with co-researchers of the OECD mission team, these field and interview notes were used to create thematic matrices that allowed to cross-validate responses and interview findings for each dimension of the institutional context. The empirical application of the analytical framework will be reported according to the foundational pillars—regulations, organizations, institutions—and a final assessment of the coherence between these pillars, especially regarding the regional policy approaches.

TABLE 2 Interviews with key actors in Coventry & Warwickshire

Societal sector	Type of organization	No. of interviews
Public	City and county council, Local Enterprise Partnership, government departments	5
Private	Corporations and SMEs in key economic sectors	4
Civic	Business associations, chamber of commerce	4
Academia	Universities, science parks, colleges	6
	Total	19

4 | REGULATION

4.1 | Rescaling and reforming regional governance in England

The first pillar of the institutional context addresses formal governance and policies. This study focused particularly on changes in the devolution of powers and resources to the different regional levels in England, and the linkages between the new national *Industrial Strategy* and place-based economic development. The UK has a long tradition of highly centralized governance in a context of rather pronounced interregional economic disparities. Regional governance in England has been characterized by a historical legacy of permanent reforms of economic development policies and infrastructures (Bentley, Bailey, & Shutt, 2010; Peck, Connolly, Durnin, & Jackson, 2013), which has been criticized as an expression of “compulsive re-organization” (Jones, 2010; Pike et al., 2015). In 2010, the new coalition government brought the latest reform that caused a substantial rescaling of regional governance structure and the emergence of new forms of organizing regional economic development: the creation of *Local Enterprise Partnerships* (LEPs) and of *Combined Authorities* (CAs).

For over a decade, between 1998 and 2012, *Regional Development Agencies* (RDAs) were responsible for regional economic development in England at the geographical scale of nine administrative regions (NUTS level 1) in England (Figure 1). The territorial definition of those nine regions had been in place only since 1994. RDAs followed a business-led approach to regional development and worked with industry, universities and colleges, and local authorities to support innovation and manage cluster policy (Borowik, 2014). Coventry & Warwickshire fell into the jurisdiction of the RDA *Advantage West Midlands*, which had invested a total of about £3b in the period between 1999 until its abolition in 2012. In 2010, the new Conservative/Liberal Democrat Coalition Government announced a fundamental reform of regional economic development policy in the UK. The regions lost devolved political functions to serve only as statistical areas. RDAs were to be abolished and replaced by *Local Enterprise Partnerships* (LEPs), in order to move from larger administrative to smaller and natural economic regions, to get more value for money, to better realize regional development potential, and to improve local discretion, initiative and innovation (Pike et al., 2015). In 2012, the UK government approved LEPs for 39 functional economic regions. Due to the geographical re-scaling of regional economic development and the creative leeway left by central government for the design of LEPs, each region devised their own approach to creating LEPs under conditions of uncertain change with

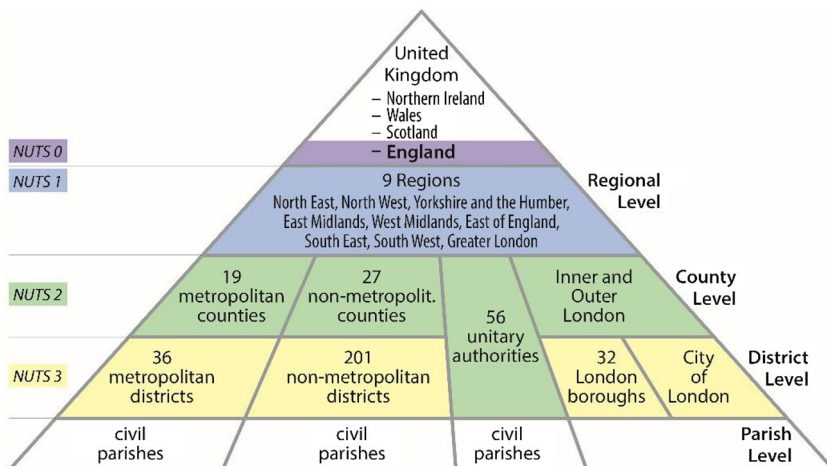


FIGURE 1 Regional government in England. Source: Design by author

no prior organizational infrastructure. Consequently, LEPs established in different ways, took different organizational forms, pursued different strategies and took on rather distinct roles in their regions (Pike et al., 2015). In this process, the two counties of Coventry and Warwickshire joined with business leaders to establish the Coventry & Warwickshire LEP (CWLEP) in 2012.

A second “scalar shift” (Shaw & Tewdwr-Jones, 2017) in the rescaling of regional governance was the creation of *Combined Authorities*, as regulated in the *Local Democracy, Economic Development and Construction Act* in 2009. It entitles local authorities in densely populated urban regions to pool responsibilities and to receive certain delegated functions from central government to deliver transport and economic policy more effectively over a wider area. It thus forms a legal body with powers of decision making granted by parliament. Established in 2016, The *West Midlands Combined Authority* (WMCA) elected its first metropolitan mayor in 2017, and includes the jurisdictions of 7 constituent and 10 nonconstituent authorities expanding over three LEP regions (Figure 2). Thanks to two devolution deals with the central government, the WMCA received targeted funding and additional powers to

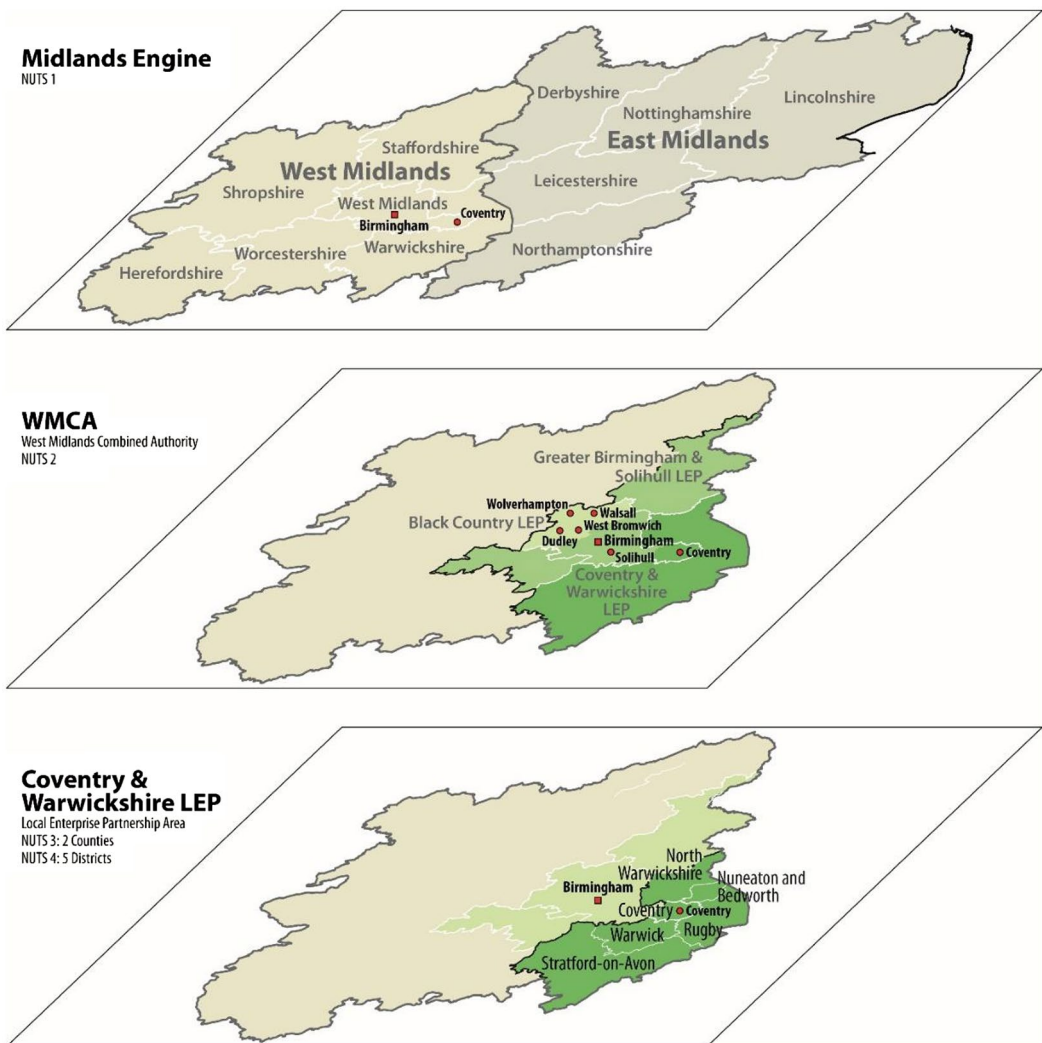


FIGURE 2 Geographical scales of the current regional governance architecture in the West Midlands. *Source:* Design by author

take on additional responsibilities from the government. In effect, the new regulation had abolished the wider regional scale at NUTS level 1 as a spatial unit for devolution, and, instead, newly created two lower and nested levels for devolution, which more or less correspond with the geographical scales at NUTS level 2 (West Midlands Combined Authority) and NUTS level 3 (Local Enterprise Partnerships).

Central government has implemented this rescaling to lower spatial levels, to increase devolution and to support regional communities to grow their own leadership and drive regional development. However, the reforms have also been criticized as a hidden re-centralization of economic development power to the national government in London, which has taken back part of the responsibilities that the RDAs formerly had (Bentley et al., 2010). The fact that both levels of CAs and LEPs were created de novo, has required new organizations to formalize new patterns of partnership between private and public sectors without proven and imprinted organizational and relational infrastructures. The historical legacy of constant reforms therefore poses a risk concerning the commitment of all actors to the new governance structure, and several business representatives in our interviews explicitly hoped that devolution of regional economic development would no longer be used “as a political football” affected by constant reforms with every new government. A re-regulated, more cascaded regional and short-term nature governance structure thus builds the first element of the regulation pillar in the institutional context of the study region.

4.2 | National industrial strategy and regional economic development

The UK government has developed a comprehensive national *Industrial Strategy* to define priorities for economic policy and to pursue a vision for the UK to become “the world's most innovative economy” (HM Government, 2017). It centers around five foundations of productivity to enhance innovation, employment and skills, entrepreneurship and the flourishing of SMEs and world-leading industries. The industrial strategy is key to award funding for investments and policy initiatives across the country. It explicitly acknowledges “place” as one of these foundations, especially because of the vast inter- and intraregional social and economic disparities in the country. The aim of the national industrial strategy, therefore, is to have local partnerships with whom to agree on local industrial strategies that “will be long-term, based on clear evidence, and aligned to the national Industrial Strategy” (HM Government, 2017, p. 220).

The key instrument to establish coherence between the national and regional industrial strategies, and to award funding to corresponding programs and projects is the *strategic economic plan* (SEP). At each regional level, the responsible partnerships formalize detailed SEPs, which together enable a vertical cascade of translations from the national industrial policy through the various scales of regional governance structure down to the lowest level of the region. SEPs include policy priorities and concrete propositions for projects, programs, and activities that need to be aligned with the national strategy in order to be approved and found eligible for funding by the central government. In the case of Coventry & Warwickshire, the central government has taken an elevated interest in supporting the economic development of the larger region of the Midlands and has created yet another intermediate level of translating the industrial strategy onto the regional level. Altogether, the recent policy initiatives have led to three subnational levels of strategy formulation, through which the industrial strategy cascades down to the region.

4.2.1 | Midlands Engine

At a subnational, yet broad geographical scale including the two NUTS level 1 regions West Midlands and East Midlands, the government launched *The Midlands Engine* in 2015 to help the Midlands

become a growth engine for the whole UK (CLG, 2017). Its organizational unit is the *Midlands Engine Partnership* consisting of local and combined authorities, 11 LEPs, universities, and businesses. This initiative has elaborated a Midlands Engine Strategy that is tightly aligned with the national industrial strategy and puts emphasis on large investments in connectivity, infrastructure, and attraction of international investments and trade (Midlands Engine, 2017).

4.2.2 | West Midlands combined authority

On a lower scale, the WMCA has set up a strategic economic plan in 2017 that focuses on eight priority activities and aims to facilitate investments in housing, digital and mobility infrastructures, skills and employment as well as key industries such as aerospace and automotive, digital, and creative, and medical and life sciences (WMCA, 2017).

4.2.3 | Coventry & Warwickshire local enterprise partnership

Finally, on the lowest regional level, CWLEP has established yet another strategic economic plan in 2016 (CWLEP, 2016), including five pillars of a local industrial strategy that include key economic sectors as well as support in skills, innovation, and productivity (Table 3).

In conclusion, re-regulation has led to the rescaling of regional governance, the introduction of additional administrative layers at various regional levels, the formulation of a national industrial strategy, and a cascade of strategic economic plans through which the government aims to ensure coherence of local industrial strategies with the national strategy. In the case of Coventry & Warwickshire LEP, there are four SEPs, including the national strategy, the Midlands Engine strategy, the WMCA strategy, and the CWLEP strategy (Figure 2). It is important to look at the other pillars of organizations and institutions to examine the extent to which they are compatible, coherent, or even competitive with the significant rescaling and re-regulation of regional governance.

5 | ORGANIZATIONS

5.1 | The role of linking organizations as institutional entrepreneurs

A place-based strategy of economic development requires the productive interlocking of agency from the public, private, and civic sectors to create awareness for regional assets, to develop consensus on priorities, and to coordinate exchanges of resources and cooperation in pursuit of common goals. In the case of Coventry and Warwickshire, the LEP as well as the universities proved to be particularly active in connecting and rewiring (Martin & Eisenhardt, 2010) the regional relational infrastructure. Despite the relative infancy of LEPs as de-novo organizations with only half a decade of experience, the *CWLEP* has managed to adopt a key role in the new regional governance structure. Founded in 2011, it has developed the local industrial strategy for economic development in the two counties of Coventry and Warwickshire, including the district councils of North Warwickshire, Nuneaton and Bedworth, Rugby, and Stratford-upon-Avon. The board comprises 16 members, 8 from the private sector, 6 from the public sector, and 2 from universities. Coventry City Council is legally accountable for receiving funding, making payments, and for overseeing compliance to the assurance framework. In 2014, CWLEP established the *Growth Hub* to fulfill a central business support coordination

TABLE 3 Industrial Strategy: National, regional, and local strategic economic plans

Spatial scale	Strategy	Policies and funding schemes regarding “place” (selected)
HM Government (2017): National Industrial Strategy White Paper, NUTS 0	Five foundations of productivity: <ul style="list-style-type: none"> • Ideas: the world's most innovative economy • People: good jobs and greater earning power for all • Infrastructure: a major upgrade to the UK's infrastructure • Business Environment: the best place to start and grow a business • Places: prosperous communities 	<ul style="list-style-type: none"> • Sector Deals, i.e., government-industry partnerships, in aerospace, life sciences, construction, artificial intelligence, automotive (more under negotiation) • City Deals, i.e., agreement between the government and English cities, giving cities greater authority for decisions in their area to create economic growth • Devolution Deals and Mayoral Combined Authorities Fund (£12m) • Growth Deals for Local Enterprise Partnerships • Regional Growth Fund (RGF) to lever private investment
Midlands Engine (CLG, 2017), NUTS 1	Five priorities <ul style="list-style-type: none"> • Connect the Midlands • Invest in strategic infrastructure • Grow international trade • Increase innovation and enterprise • Shape great places 	<ul style="list-style-type: none"> • £4m operating budget for the Midlands Engine Partnership • Subvention fund to attract events and support international trade • Support the UK city of culture bid
WMCA (2017), NUTS 2	Eight priority actions: <ul style="list-style-type: none"> • New manufacturing economy • Creative and digital • Environmental technologies • Medical and life sciences • HS2 (high speed rail) growth • Skills for growth and employment • Housing • Exploiting the economic geography 	<ul style="list-style-type: none"> • 1st Devolution Deal (2016), £1b for WMCA • 2nd Devolution Deal (2017): additional funding from the one-off Mayoral Capacity Fund • Transforming Cities Fund (WMCA: £250m) • Delivery Team to drive an ambitious house-building program, and investment in high-tech economic sectors
CWLEP (2016), NUTS 3	Five strategic pillars: <ul style="list-style-type: none"> • Unlocking growth potential • Advanced Manufacturing and Engineering • Growing the SMEs • Growing the talent • Culture & tourism 	<ul style="list-style-type: none"> • Aggregate awards of £454.4m, including £122.3m by the UK Government in three Growth Deals (2012–2017) to support 16 projects within the five pillars • Establishment of a Growth Hub and a strong business support system (2014)

function for regional SMEs. Since its inception, it has facilitated the creation of approximately 2,400 jobs and secured more than £84m in private sector investment for businesses (CW Growth Hub, 2018). CWLEP has helped colleges and other providers of vocational training and apprenticeships get together with employers in order to improve skill formation and the absorption of skills in the labor market. In the interviews, several business leaders acknowledged that CWLEP “has a good business understanding compared to some other LEPs who don't know how to work with engineering and manufacturing.” CWLEP serves as a showcase of a “linking organization” (Heinze, Soderstrom, &

Heinze, 2016) that has taken a truly central position in the region and offers inclusive participation by many stakeholders and organizations. CWLEP and the Growth Hub are the kind of “organizational sites” (Storper, 2018) that bridge the gaps between industries, societal sectors, and local authorities to create fertile cross-network connections. However, CWLEP is only a “lightweight organization,” as experts from business and education repeatedly stated, with very limited financial and human resources. Most of the work has actually been done by board members and business group leaders on an honorary basis. Therefore, it remains an open question whether they can facilitate all the coupling and “rewiring” necessary to cultivate and orchestrate an inclusive and vivid relational infrastructure from which entrepreneurial offsprings and innovative industrial diversification may arise.

In addition to the LEP, the two Universities of Warwick and Coventry equally act as linking organizations in the economic region. Through their affiliate organizations, they served as showcases of the triple helix model (Etzkowitz, 2008) of multifaceted and productive collaboration with private businesses and public authorities in education, research and development, and entrepreneurship. Examples of successful university–industry collaboration include one of seven national Catapult centers in the UK (*Warwick Manufacturing Group* (WMG), the *Lifelong Learning Academy* as a partnership between WMG and *Jaguar Land Rover* or the *Institute for Advanced Manufacturing* (AME) developed in partnership by Coventry University and Unipart Manufacturing Group. Science and Technology parks are another field of university–industry collaboration, where again both universities offer services to innovative start-ups and SMEs. The *University of Warwick Science Park* was one of the first university-based science parks to be established in the UK in 1984. To improve the support of SMEs in the region, Warwick Business School established the *Enterprise Research Center*, while Coventry University established the *Coventry University Technology Park*. The university offsprings are complemented by private and public initiatives to bridge the divide between academic research and business innovation, such as the *Manufacturing Technology Centre*, the second Catapult centers located in CW, or *MIRA Technology Park* (OECD, 2019). In sum, the two universities have been successful institutional entrepreneurs: they have developed renowned graduate programs and research activities, they have created multiple spillovers through versatile cooperation and collaboration with large businesses in training, research and development, and they run incubators and technology parks to support start-ups and SMEs.

5.2 | Multiple stakeholders, fragmented agency

Although CWLEP and the universities have taken the role of linking organizations, the organizational landscape of the region is still quite scattered and disconnected in vast parts. Such organizational fragmentation makes it difficult to rewire networks across technologies and industries and between large and small enterprises. It became visible in at least two dimensions:

First, national business associations are segmented by sectors and center their work on lobbying in London rather than on regional development activities in the regions. The *Confederation of British Industry* (CBI), for example, is an umbrella of 140 trade associations and speaks for 1,500 direct and 188,500 indirect members. Together, CBI members employ seven million people, about one third of the UK private sector-employed workforce. With its focus on SMEs, the *Federation of Small Businesses* (FSB) represents small and medium-sized businesses and the self-employed. The FSB has 184 branches around the UK, each with its own committee. Moreover, the manufacturer's organization EEF has 2,000 direct members and speaks for 5,000 businesses in British manufacturing. Although the regional branches of these organizations serve as partners for CWLEP, their focus is to lobby for their interests to the national government in London, as regional representatives admitted

in the interviews. Moreover, interviews with several associations suggested that, altogether, there was relatively little cooperation and networking among member firms at the regional scale.

Second, the regional congregation of business interests was found only loosely connected and dispersed. Although there were some networks that aimed to connect certain businesses within the region, for example, the *Coventry & Warwickshire First* forum for knowledge intensive business services, there was no organization through which all or the vast majority of private sector companies could be reached. Even the *Chamber of Commerce* (CoC)—sixth largest Chamber in the UK and most important local business organization—has only partial coverage of regional businesses because membership is voluntary. In turn, the small, scattered and disconnected organizational bodies make it difficult to coalesce common regional business interests and to speak as one voice. The same is true for the field of vocational training and apprenticeship. There are nearly 200 different organizations delivering apprenticeships in CW, and, as a college principal criticized, there was no encompassing regional organization to coordinate interests and changes in skills policies among all the providers. In summary, the rescaling of regional governance and the creation of a new governance layer at the level of the LEP has inspired private, public and civic sectors to take initiative as institutional entrepreneurs, and to involve previously unconnected stakeholders. The level of regional interconnection and the bundling of regional information and resources, however, is still underdeveloped. For a newly decentralized regional governance to flourish, further sharing of information, coordinating of interests, and collaborating on common regional plans will be required.

6 | INSTITUTIONS

The third element of the institutional context refers to institutions, the stable patterns of interaction enabled by as well transforming an underlying set of legitimate normative expectations and sanctions. Regarding successful industrial diversification, a useful heuristic to assess the quality of institutions is to look at shared beliefs and the way they govern interactions in social networks. Although a comprehensive assessment of institutions would require more extensive fieldwork, three critical institutional patterns became evident in the interviews: an embryonic relational infrastructure, moderate social capital, and short-termism in policy and business behavior.

6.1 | Embryonic relational infrastructure

A relational infrastructure that supports successful diversification, long-term prosperity and breakthrough innovation includes across-network connections, linking organizations, as well as informal networks and inclusive leadership networks (Storper, 2018; Storper et al., 2015). In CW, the rescaling of regional governance structures and the quest for new forms of regional development and local industrial strategies has required public, private, and civic sector actors to build relations of exchange and collaboration. In our interviews, business representatives and local authorities uniformly admitted that key challenges, such as the development of employment land, infrastructures, and skills formation, needed to be solved in cooperation across authorities and businesses. Despite CWLEP acting as a linking organization, successful and long-term industrial diversification requires the productive interlocking between so far loosely or even disconnected industries and technologies. Yet the relational infrastructure was characterized by a number of disconnections:

First, regarding the field of skills and vocational training, there was no single organizational platform, informal network, or accepted practice to facilitate coordination, alignment and the common

development of vocational training programs across the many colleges in the region. A few experts in vocational training claimed that new cross-sectoral networks would help bridge the divide between skills supply and demand. Key actors pointed to the value of place-based initiatives for collaboration and the creation of a governance of skill ecosystems (Buchanan, Anderson, & Power, 2017). Second, a further disconnect was found in the divide between university–industry R&D on the one hand, and a majority of SMEs and family businesses with little or no R&D activity or collaboration. This is where cross-network connections would be invaluable to enable diversification. Finally, there was a clear divide between the large and globally competitive aerospace and automotive clusters on the one hand, and the much smaller yet vibrant digital industries on the other. The “Leamington Spa” gaming cluster showed signs of maturing toward a local cluster. Businesses, colleges, CWLEP and the city council have already worked together to raise awareness for digital technologies in schools, to improve digital skills in colleges and to provide for highly qualified human resources, employment land and office space for the rapidly expanding companies in the cluster. However, productive cross-connections between AME and the digital cluster were found underdeveloped, as often between differently perceived epistemic cultures or dissimilar thought collectives (Punstein & Glückler, 2020). However, there are sparks of cross-network fertilization and productive collaboration, such as *Serious Games International*, a digital firm that has started spilling over knowledge to automotive, medical and health, and other industries.

6.2 | Social capital, associationalism, and civic engagement

Comparative empirical research on the level of social capital across European regions suggests that generally, social capital is positively associated with the level and rate of regional economic growth. Social capital refers to individual and collective benefits by virtue of membership in social networks and institutional relations (Portes, 1998). Regions leading the ranks in their respective countries in terms of GDP per capita, such as Baden-Württemberg in Germany or the Northeastern region in Spain including the Basque Country, were found to score high on social capital (Beugelsdijk & van Schaik, 2005). In the Basque Country, for example, a heritage of associationalism and collective organization in cooperatives has made the region more prone than other regions to the successful introduction of cluster policies, and to smart specialization strategies (Aranguren, Morgan, & Wilson, 2016; OECD, 2007). Within the UK, however, the West Midlands had the second lowest score on the social capital index among all British regions, mainly because of the low civic engagement and lack of associationalism, that is, the number of civic associations as well as the level of membership and active engagement in these associations (Beugelsdijk & van Schaik, 2005). This may also be an expression of the pronounced social and economic disparities within the region. When interviewed, experts in the region repeatedly referred to the low levels of trust between central and local governments, and between public and private actors at the regional level. Generally, lower levels of social capital are not in line with inclusive institutions and diverge from policies that wish to inspire collaboration and openness. The lack of trust and civic engagement characterizes institutions that are noninclusive and that severely constrain the willingness and efforts to work together across all realms of regional stakeholders and to bridge the divides between existing and emergent sectors, skills and technologies. In the face of this legacy, the recent initiatives of regional governance, the institutional entrepreneurship of the universities, and the CWLEP provide promising examples of how different stakeholders can be stimulated to join collective planning, decision making, and collaboration.

6.3 | Short-termism as overarching interaction pattern

Constant reforms in regional governance structures have been disruptive for existing networks and organizations, which had to transform or newly evolve. The current national industrial policy asks LEPs to bid for funding of fixed-term projects every few years, which makes it difficult to pursue longer term strategies that require a certain degree of continuity. A short-term policy practice runs the risk of prioritizing immediate results and of proliferating a disjointed patchwork of interventions rather than ensuring coherence and complementarity between longer term and ambitious objectives. Hence, the intended policy goal of a long-term industrial strategy appears inconsistent with short-term and bidding-based funding schemes and limited devolution of autonomy that together make discontinuous local policies more likely than long-term and sustainable industrial diversification. The current funding schemes, for example, Growth Deals and Devolution Deals, are all well aligned with the strategic economic plans at the four levels of politico-administrative governance including London, the Midlands Engine, the West Midlands Combined Authority and Coventry & Warwickshire LEP. However, a regulatory environment of competitive bidding for relatively short funding periods and the inherent short-termism imply a danger of producing only “one-hits,” as a business expert claimed in an interview. Instead, the successful translation of a national industrial strategy into prosperous place-based industrial development and diversification would benefit from policy levers that can be used more flexibly at the regional level (place-based).

Short-termism was also a crucial problem with respect to expectations on returns from investment. Access to finance was repeatedly brought up as a critical factor for start-ups and entrepreneurship, especially in the emerging digital and other industries. Experts reported that there was a lack of confidence in the region outside the automotive sector. The CEO of an international family firm headquartered in Coventry said: “Finance is very short-term, there is no patient capital in Britain.” Limited access to finance is a clear innovation barrier. Although nearly half of all UK private equity investment remains concentrated in London and the South East, recent data from the *British Private Equity and Venture Capital Association* (BVCA) suggest that “the West Midlands experienced the most significant surge, with investments increasing from £288m in 2015 to just under £1.2bn in 2016” (BVCA, 2017, p. 3). However, with only 17% of companies invested in per 1,000 VAT registered local units, the West Midlands remain the British region with the second lowest density in venture capital investment. In addition, expert interviews suggested, that either entrepreneurs were not aware of the diverse sources of funding that they could obtain for investment, or investors shied away especially from financing digital business because of their lack of tangible assets.

Institutionalized beliefs in short-termism regarding returns on investment and value-for money was found a strong institutional schema that limited access to finance for entrepreneurs, but also for SMEs, and especially in the emerging digital and cultural sectors of the region. The region responded to this problem by setting up a business angel network (*Minerva*) and *Connect Midlands*, a not-for-profit network that supports technology and high-growth companies to gain investment through training and mentoring, investment showcasing, and networking between businesses, investors, and the professional services community in the Midlands. Since 2001 Connect Midlands has assisted hundreds of companies that have gone on to raise over £200 million in investment. Finally, short-termism also prioritizes exploitation of existing assets and skills over the exploration of new knowledge. It is hard to transform stable institutions such as short-termism through policies alone. However, the institutionalized short-termism observed in the study is not coherent but rather competes with long-term strategic goals for place-based policies.

7 | INSTITUTIONAL COHERENCE: TOWARD A “LINKING POLICY” APPROACH

7.1 | The level of coherence within the CW institutional context

After having appraised each pillar of the institutional context separately, I examine the coherence between them and focus on the aspects of noncoherence that are likely to cause friction for the long-term achievement of place-based policies. The analysis of Coventry and Warwickshire has conveyed many examples of coherence of the institutional context with the new regional governance in England. A well-managed cascading of compatible strategic economic plans from national to the regional level, the emergence of a public-private LEP to promote institutional entrepreneurship, and the university–industry collaboration all reinforce the new regional governance structure as well as the elaboration and implementation of place-specific industrial strategies. However, to improve the effectiveness of place-based economic policy and industrial diversification, the analysis has also identified several noncoherent or even competitive relations within the institutional context of CW.

After the “dramatic shift” in regulation of regional governance structures (Peck et al., 2013) it will be important to carefully evolve the new localism agenda in incremental ways to improve its workings and to incentivize the commitment of private, public and civic sectors to take leadership for and commit to regional economic development. Such continuity and stability will be necessary to work against the increasing perception of regional governance as a “political football.” The relation between an economic development policy of vertically aligned long-term local industrial strategies on the one hand, and institutions of embryonic relational infrastructure, lack of trust and civic engagement, and short-termism in collective agency on the other, corresponds with a situation of institutional asymmetry (Williams & Vorley, 2014) or institutional competition (Glückler & Lenz, 2016).

Moreover, critics have bemoaned the central government's “rhetoric of localism” (Hildreth & Bailey, 2014; MacKinnon, 2017) without devolving the necessary financial autonomy to the regional scale. Given the limited devolution of powers and resources to the regional level, LEPs cannot change the national regulations of regional economic development policy by themselves. Instead, in order to fix the interrelation between local institutions and a devolved place-based policy, efforts should be directed to consolidate the organizational and governance structure, and to surmount institutional bottlenecks of low social capital and short-termism by nudging inter-sectoral exchange and collaboration, by aligning stakeholders for long-sighted commitments and patient investments, and by supporting the formation of inclusive networks. This way, policy would be more able to improve the jurisdictional advantage of a region (Feldman & Martin, 2005) and support long-term industrial diversification.

7.2 | From nodal to linking policies

The implication for devising an institution-sensitive place-based policy is to put more emphasis on “linking policy” than on “nodal policy” approaches. Nodal policy refers to support programs and initiatives that target individual sectors and themes, such as a cluster policy for a certain industry. A more dynamic “linking policy approach,” in contrast, focuses on creating new linkages, spillovers, and synergies between strong industries and technologies on the one hand, and emerging industries on the other. In the institutional context of CW, for example, the emergent strength of digital industries

conveys opportunities for the cross-fertilization of technologies and business models with the automotive cluster (e.g., autonomous driving, connected vehicles), health (e.g., medical technologies, serious gaming, cybersecurity), culture and tourism (digital solution) as well as design-intensive industries (e.g., furniture and other consumer products), etc. In addition, productive linkages could be further explored between the aerospace and automotive clusters and an emergent and weakly connected KIBS sector located in Birmingham in order to reap the benefits of high value-added services and servitization for the regional production system.

A place-based “linking policy” explores the specific structural holes between industries, skills and technologies and involves actors to jointly assess their value and potential for future cross-fertilization. Connecting the strong incumbent sectors with only emergent innovative sectors is clearly different from conventional policies that simply reinforce existing strengths. A particular challenge is that communities and networks often believe their knowledge and ways of working to be almost incommensurable with others, leading to silos of disconnected thought collectives (Punstein & Glückler, 2020). Therefore, a linking policy requires promoting exchange and communication as well as the creation of cross-network connections and inclusive leadership networks at the intersection between communities (Storper, 2018) in order to avoid regional lock-ins and to facilitate the necessary plasticity and new creation of regional development paths (Martin & Sunley, 2006; Simmie, Sternberg, & Carpenter, 2014; Strambach & Halkier, 2013). In addition, new connections and access to finance and funding will be important to bridge the investment gaps for entrepreneurship, SME growth, and innovation activities. The shortage of funds and capital might probably aggravate after Brexit because European funds so far accounted for nearly 50% of public funding from outside the region.

Because of the disperse voices of the wide range of stakeholders in CW, actors should be stimulated to organize into more visible regional bodies to effectively represent their interests and assets. This way, more collaboration on skills needs, platform technologies, and diversification could emerge. Although CWLEP reflects the benefits of “public entrepreneurship” (Rossiter & Smith, 2017), its assets and resources were criticized as too lightweight to cover all of the governance work. It will not be able to coordinate exchange, negotiation, decision making and collaboration among all the many regional stakeholders on its own. The region hosts about 200 training organizations, and yet there is no single organization to reach out to all of them and to effectively facilitate their coordination and exchange with local authorities and businesses. Similarly, no single business association has sufficient membership coverage to speak for and reach out to all regional businesses. Long-term coherence and effective coordination of policies and initiatives to promote skill formation, collaborative R&D, informal networks across sectors, and business functions, will benefit from more transparency and better representation of regional business interests. Local authorities have already demonstrated how the demand for more employment land, office space and housing can be better satisfied by collaborating among each other, and there have been considerations for centralizing spatial planning in a single geography. New and more inclusive networks should not be limited to the horizontal dimension of the region, but range vertically from the level of CWLEP to WMCA to the West Midlands and the departments and agencies of the central government in London. The biannual “Council of Local Enterprise Partnership Chairs” organized by the Prime Minister is a first step toward more fluid exchange and coordination.

Overall, I propose the concept of “linking policy” as an appropriate approach to translate the general goals of industrial diversification into local contexts, by adapting to the regional economic opportunities (e.g., sectors, technologies, skills), by rewiring local relations, by bridging cross-sectoral gaps and by creating inclusive networks within and across public, private, and civic sectors. As institutional contexts vary between places, an institution-sensitive policy also has to respond to the

established interaction patterns and specific ways of (not) doing, such as a sense of community and civic engagement, entrepreneurship and risk-proneness, societal trust, and collaboration, or the patience and endurance in gaining consensus and pursue common goals and investments.

8 | CONCLUSION

This paper has proposed the institutional context as an analytical framework for regional institutional analysis and the assessment of place-based policy concepts. The institutional context comprises the three pillars of regulations, organizations and institutions as well as an assessment of the interrelations between these pillars. This framework has been used to analyze the convergent and divergent effects between institutions and regulations and to examine the level of coherence of the regional institutional context of Coventry & Warwickshire with the new regional governance and the national Industrial Strategy in England.

The case study of Coventry and Warwickshire not only illustrates how regional institutional contexts may constrain the downscaling of national policies, but also reveals the institutional constraints and opportunities for growing a relational infrastructure (Storper et al., 2015) in support of industrial diversification. On the one hand, CWLEP has been successful in institutional entrepreneurship by involving diverse actors from public, private, and civic sectors to build new organizations and cross-network connections. Moreover, the formulation of regional economic strategies has been well adjusted with strategic economic plans at higher geographical levels including the National Industrial Strategy. Hence, spatially cascaded strategic planning, the creation of linking organizations and university–industry collaborations are coherent with a place-based policy of industrial diversification. On the other hand, an embryonic relational infrastructure, fragmented agency, moderate civic engagement, a lack of trust between public and private sectors, and an evident short-termism in political and financial practice were found noncoherent, if not competing, with a policy interested in long-term and sustainable industrial diversification. The institutional patterns of short-termism are likely to inhibit more inclusive participation, coordination, and collaboration among diverse regional stakeholders in a still embryonic relational infrastructure.

The framework of the institutional context invites scholars to think beyond strategic plans, organizational structures, jurisdictional boundaries, and governance systems. Instead, scholars interested in institution-sensitive place-based policies will have to expand their analytical view to the actions of institutional entrepreneurs (Garud et al., 2007), to the quality and structure of regional networks (Storper et al., 2015), and the specific “institutional morphology” (Glückler, Punstein, Wuttke, & Kirchner, 2019) of stable patterns of interactions in a particular setting. By taking such a comprehensive perspective, regional analysis, and policy makers will be able to respond to idiosyncratic societal conditions and to detect the convergent and divergent effects of an institutional context on a policy blueprint. The notion of a “linking policy” approach has been suggested to translate such blueprints into local contexts in a way that creates coherence with local institutions. The depth and richness of a single case study helps to carve out these conditions in more detail. The specific morphology of the institutional context and its potential type of “effect” regarding the compatibility, coherence, or complementarity with regional diversification and growth, however, cannot be generalized without cross-sectional analysis. Because a case study does not permit general conclusions on policy blueprints, future comparative research on other regions is needed to explore how contingently the pillars of the institutional context work together.

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