

Regional entrepreneurship and the evolution of public policy and governance

Evidence from three regions

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Abstract

Purpose – Entrepreneurship is increasingly recognised as a crucial element in fostering economic development and growth, especially at the regional level. The purpose of this paper is to examine the evolution of regional enterprise policies and associated governance mechanisms in the UK to address the following questions: How are evolving systems of regional governance in the UK impacting on the capability of regional policy to foster entrepreneurship? To what extent does enterprise policy form a key part of the overall economic development strategy of regions? and are different forms of regional enterprise policy and priorities emerging?

Design/methodology/approach – The study draws on a series of key interviews with policy makers across the regions of Wales, Scotland and England (using the case study of the Yorkshire and the Humber region). The approach adopted in this study facilitates an exploration of the perspectives of those responsible for the formulation and delivery of such support. The paper seeks to ascertain and analyse policy maker opinion on the nature of previous policy, as well as future requirements if policies are to become more effective. It focuses on the period from 1997, with the election of the Labour Government, and the period from 2010 to 2015 represented by the Conservative-Liberal Democratic Coalition Government.

Findings – The paper finds that regional entrepreneurship differentials emerge due to the spatial and place-based nature of three underlying factors: first, the nature of markets; second, the nature of innovation systems; and third, the nature of place-based cultures, communities and the institutions they establish. In the regions studied, failings and limitations in these factors suggest two potential requirements: first, the introduction of public policy in the form of a range of interventions and support mechanisms, second, the introduction of a system of policy governance to establish appropriate interventions and support mechanisms. In the case study regions, clear attempts have been made to address each of the three limiting factors through a range of policy and governance systems, but due to a complex range of issues these have often achieved limited success.

Originality/value – From an intellectual perspective, the paper positively points toward the establishment of governance and policy frameworks that have been both led and informed by the theory underpinning an explanation of regional differentials in entrepreneurial capacity and capability. However, from a more applied perspective it questions the effectiveness and strategic implementation of the policy frameworks and the sustainability of the associated governance mechanisms.

Keywords Entrepreneurship, Governance, UK, Policy, Regions, Enterprise

Paper type Research paper

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1. Introduction

Entrepreneurship is increasingly recognised as a crucial element in fostering economic development and growth (Acs, 2006; Acs and Szerb, 2007; Carree and Thurik, 2006; Romer, 2007). Romer (2007, p. 128) emphasises the role of entrepreneurship by stating that “economic growth occurs whenever people take resources and rearrange them in ways that are valuable [...] [It] springs from better recipes, not just more cooking”. The process of entrepreneurship is widely considered to stimulate competition, drive innovation, create employment, generate positive externalities, increase productivity by introducing technological change and provide a route out of poverty (Acs, 2002, 2006; Powell, 2007).

While the national level is often used as the unit of analysis in studies of economic development, it is clear that there are substantial differences in economic performance across regions within nations (Porter, 2003; Verheul *et al.*, 2001). Entrepreneurship has potentially short, medium and long-term consequences for regions, including the creation of not only employment but also wealth more generally (Fritsch and Mueller, 2004; Mueller *et al.*, 2008; Audretsch and Keilbach, 2004). The ability of regions to gain from the positive effects of entrepreneurship will depend on their institutional arrangements and the social pay-off structure (Baumol, 1990), as well as their ability to turn knowledge into regional growth through its creation and diffusion (Audretsch and Keilbach, 2004).

In general, entrepreneurship has a pronounced sub-national dimension, with differences in regional and local business start-up rates, as well as differences in the success of start-ups and entrepreneurial attitudes, all indicating the role of space, place and the local environment in fostering entrepreneurship. As such, policy attention has increasingly focused on the sub-national level as a way of harnessing entrepreneurship (Huggins and Williams, 2009). In the UK, since the 1990s a range of decentralised government bodies have been charged with some forms of economic development strategy, especially with regard to enterprise development (Huggins and Williams, 2009; Danson and Lloyd, 2012).

From the perspective of regional economic development, the role of culture has become increasingly central to emerging debates concerning the extent to which intervention should be either place-based or place-neutral (Garcilazo, 2011; Barca *et al.*, 2012). Whilst place-neutral advocates promote the role of aspatial “people-based” policies (Gill, 2010), place-based approaches highlight the importance of the interactions between place-based communities, institutions and geography for development and development policies, requiring researchers and policy makers “to explicitly consider the specifics of the local and wider regional context” (Barca *et al.*, 2012, p. 140).

Advocates of place-based policy approaches argue that a spatially decentralised political base can allow for differentiation in regional economic policies, including entrepreneurship, and in a normative sense policy should seek to encourage diversity and experimentation across regions (Gibb, 1993). However, and despite national governments often putting regions and regionalism at the forefront of the policy agenda (Gibbs, 1998; Pearce and Ayres, 2009), the regional approach to economic strategy remains contested, and has been criticised as lacking vision and cohesion between policy areas. It has further been criticised for failing to identify other issues – such as infrastructure and planning needs – for which there is significant differentiation across regions, with regional planning guidance, for instance, tending to replicate national policy rather than translating it into a regional context, leading to a lack of regional distinctiveness (Hull, 2000; Tewdwr and Phelps, 2000; Charles and Benneworth, 2001; Peck and McGuinness, 2003). Others state that regional policy agencies lack sufficient resources to make a significant impact on economic failings within regions (Pearce and Ayres, 2009).

This paper examines the evolution of regional enterprise policies and associated governance mechanisms in three UK regions, consisting of the devolved regions of Wales and Scotland and the English region of Yorkshire and the Humber. In doing so, it seeks to answer the following three key questions: How are evolving systems of regional governance in the UK impacting on the capability of regional policy to foster entrepreneurship? To what extent does enterprise policy form a key part of the overall economic development strategy of regions? and are different forms of regional enterprise policy and priorities emerging, particularly as a result of the evolution of regional governance systems, and which forms are likely to be the most effective in facilitating more developed entrepreneurial regional cultures?

The three case regions all exhibit relatively low levels of entrepreneurship (measured by business start-up rates) and are seen to have relatively weak-enterprise cultures. However, regional governance has differed, with Wales and Scotland having devolved governments with responsibility for economic development policy, while the Yorkshire and Humber region had regional governance until 2012 through its regional development agency, which is now devolved to a number of Local Enterprise Partnerships (LEPs).

Drawing on a series of key interviews with policy makers across the three regions, the paper examines how enterprise policy has evolved in Wales, Scotland and England (using the case study of the Yorkshire and the Humber region). While it is established that there is often dissatisfaction among entrepreneurs with the policy support made available to them (Bridge, 2010; Greene *et al.*, 2007; Henry *et al.*, 2003; Huggins and Williams, 2009), the approach adopted in this study facilitates an exploration of the perspectives of those responsible for the formulation and delivery of such support. In essence, the paper seeks to ascertain and analyse policy maker opinion on the nature of previous policy, as well as future requirements if policies are to become more effective. The paper focuses on the period from 1997, with the election of the Labour Government, which is considered to have put regionalism back on the UK policy agenda (Pearce and Ayres, 2009; Bentley *et al.*, 2010), and the period from 2010 to 2015 represented by the Conservative-Liberal Democratic Coalition Government.

2. Conceptual framework

This section of the paper presents the conceptual framework underlying the study. It first conceptualises the notion and role of entrepreneurship and enterprise, before introducing the role of policy as a facilitator of enterprise. Finally, the framework introduces the place-based and regional nature of entrepreneurship.

2.1 *Entrepreneurship and enterprise*

The role and importance of the entrepreneur has witnessed a resurgence in both economic theory and public policy making (Audretsch, 2003; Verheul *et al.*, 2001). In the past, entrepreneurship policies were often developed as a temporary solution to absorb workers displaced by industrial restructuring and downsizing (Storey, 1991), but in more recent years such policies are seen as an essential instrument for encouraging economic growth (Gilbert *et al.*, 2004). Yet, the notion of the entrepreneur and the contribution of entrepreneurship to economic growth have been widely interpreted (Hebert and Link, 1989), and as such there exists no generally accepted definition (Verheul *et al.*, 2001). Sautet and Kirzner (2006) argue that the concept of entrepreneurship is notoriously difficult to pin down, with economists and policy makers often entirely overlooking it or gravely misunderstanding it. Entrepreneurship has been used to define types of individuals (Say, 1880), types of decisions (Knight, 1921), and forms of

behaviour (Schumpeter, 1934). As a discrete concept, entrepreneurship has its origin in the work of Cantillon (1931), and has developed through the neo-classical school's emphasis on equilibrium, which found no place for the entrepreneur as a cause of economic activity, to the Austrian school's theoretical challenge that entrepreneurship is crucial to understanding economic growth, leading to Schumpeter's statement that:

The carrying out of new combinations (of means of production) we call "enterprise"; and the individuals whose function it is to carry them out we call 'entrepreneurs' (1934, page 74).

The Austrian school can be considered to consist of two broad theoretical views, both of which contest the neo-classical rational market perspective of entrepreneurship. The "efficiency" approach highlights the role of entrepreneurs as human agents driving the market forward toward efficient outcomes by exploiting profit opportunities and moving economies toward equilibrium (Kirzner, 1973). The "innovation" or "Schumpeterian" approach suggests that markets tend toward disequilibrium as entrepreneurs contribute to the market's process of "creative destruction" with new innovations replacing old technologies (Schumpeter, 1934; Sobel *et al.*, 2007). Both approaches suggest that entrepreneurship involves the nexus of entrepreneurial opportunities and enterprising individuals, with the ability to identify opportunities being a key part of the entrepreneurial process (Olson, 2007; Shane, 2003). Enterprise and entrepreneurship are now commonly viewed as the process of establishing and growing a business; however, this can be seen as a narrow view of enterprise and entrepreneurship, and disregards Schumpeter's (1934) contention that it is a function of changes in society and occurs in a variety of circumstances (Pittaway, 2005).

While the creation of a new business is an accurate description of one of the many outcomes of entrepreneurial activity, entrepreneurship encompasses far more than business start-ups, and derives from the creative power of the human mind (Sautet and Kirzner, 2006) and is characterised as a behavioural characteristic of individuals expressed through innovative attributes, flexibility and adaptability to change (Swedberg, 2000; Wennekers and Thurik, 1999). In general, enterprise and entrepreneurship are multidimensional concepts, with definitions depending largely on the focus of the research undertaken (Verheul *et al.*, 2001). In this paper, we take a broad definition of enterprise and entrepreneurship, which reflects the development of public policy, encompassing activities ranging from supporting business start-ups to promoting a change in culture.

2.2 Enterprise and public policy

Traditionally, enterprise policy has been centred on business start-ups and support for small-business growth (Audretsch *et al.*, 2007; Stevenson and Lundstrom, 2001). SMEs are seen as wealth and employment creators, but which are often in need of specific assistance to help them survive and grow (Bridge *et al.*, 2003). The general goal of SME policy, therefore, is to strengthen the existing base of small enterprises by ensuring they are able to compete in the marketplace and are not disadvantaged by their size (Stevenson and Lundstrom, 2001). Policy making is deemed necessary when smaller businesses are considered to be particularly vulnerable to "market failures" compared with larger businesses, and when such market failures are likely to be permanent unless steps are taken to address them (Audretsch *et al.*, 2007). Despite this traditional emphasis on SMEs and market failure, enterprise policies have developed to become more pervasive, with increasing interest in promoting entrepreneurship in its broader context; that is, not simply in terms of business start-ups or small-business growth. This has meant less interest in imperfections in the market, less interest in specific firms and "picking winners", and more

interest in individuals, rather than in businesses, and in long-term measures such as school-level education (Audretsch *et al.*, 2007; Stevenson and Lundstrom, 2001).

Alongside the issue of market failure, entrepreneurship is also associated with the effective or failing nature of innovation systems within economies, with the flow of knowledge across organisations considered a crucial factor for effective innovation (Lundvall, 1995; Freeman, 1987, 1994; Cooke, 2004; Andersson and Karlsson, 2007; Cooke *et al.*, 2011; Harris, 2011). A key feature of the innovation system discourse has long concerned the role of both formal and informal networks of spatially proximate and co-located external organisations, such as universities, R&D labs and other firms or individuals, within the innovation process (Keeble *et al.*, 1999; Brown and Duguid, 2001; Cooke *et al.*, 2004; Huggins and Izushi, 2007; Mattes, 2012). It is generally through the networks underpinning systemic innovation processes that firms access knowledge that they do not, or cannot, generate internally based on their own capabilities (Meagher and Rogers, 2004; Lichtenthaler, 2005; Sammarra and Biggiero, 2008; Tomlinson, 2010; Bergholtz and Waldstrøm, 2011). In this line, Audretsch and Lehmann (2005) refer to entrepreneurs as a knowledge filter addressing the gap between new knowledge and that referred to by Arrow (1962) as economic or commercialisable knowledge, which requires intentional and often complex efforts to access and assimilate. Successful economies are associated with efficient innovation systems and knowledge filters resulting from high levels of entrepreneurship, while weaker economies are those with failing innovation systems and low levels of entrepreneurship, and therefore require policy intervention.

It is important to distinguish between firm/SME-level policy and entrepreneurship policy, and these are summarised in Table I. The comparison highlights three major differences in policy: first, the focus on individuals rather than firms; second, the focus on pre-start-up vs post-start-up support (entrepreneurship development vs business development); and, third, a broad definition of the institutions which impact on entrepreneurship. The impact of a broad set of institutions is key to modern policy making, as attempts to foster a culture of enterprise aim to embrace the education community, the media and the general population, in addition to regulatory, financial and business-support institutions (Stevenson and Lundstrom, 2001; Verheul *et al.*, 2001).

Feature	Small-business policy	Entrepreneurship policy
Objective	Firm growth, productivity	Motivate more new entrepreneurs
Target	Existing firms, businesses	Nascent entrepreneurs/new business starters, individuals (people)
Targeting	"Pick winners" (i.e. growth sectors, firms)	General population/subsets (i.e. women, youth)
Client group	Easy to identify "existing"	Difficult to identify "nascent"
Levers	Direct financial incentives (tax credits, loans, guarantees)	Non-financial, business support (networks, education, counselling)
Focus	Favourable business environment (i.e. tax regime, reduce red tape)	Entrepreneurial culture/climate (i.e. promote entrepreneurship)
Delivery system	Well established	Lots of new players (need orientation)
Approach	Generally passive	Proactive outreach
Results orientation	More immediate (results in fewer than four years)	More long term (results can take longer)
Consultation	SME associations	Forums do not generally exist

Source: Stevenson and Lundstrom, 2001

Table I.
Differences between small and medium-sized enterprise (SME) and entrepreneurship policy

The development of enterprise policy from a focus on business start-ups to a wider approach has given policy makers a broad-ranging remit to promote entrepreneurship. In attempting to summarise the broad approach now taken by policy makers to promote entrepreneurship, Verheul *et al.* (2001) state that there are five broad types of policy measure used by governments to facilitate entrepreneurship, consisting of demand, supply, resources, value and preferences and decision making. In general, economic theory holds explicit implications for government intervention to promote entrepreneurship. As indicated above, Schumpeter (1934) views the entrepreneur's role as causing disequilibrium, while Kirzner (1973) emphasises the role of moving the economy towards equilibrium as a result of entrepreneurs being alert to new opportunities in existing circumstances. Both views are important in terms of policy intervention, since if government can influence levels and types of entrepreneurship it is a lever by which to provide economic management.

Baumol (1990) proposes that the supply of entrepreneurship is constant, but its distribution across productive, unproductive and destructive activities is affected by institutional arrangements and the social pay-off structure. Baumol's theory has further implications for government intervention, since policy making has the possibility of promoting all three activities. A key issue is that policy may promote unproductive activities through incentivised "rent seeking" based on acquiring government grants, resulting in entrepreneurs moving away from previously productive activities that satisfied consumer desires and led to economic growth. Nevertheless, policies geared towards enhancing entrepreneurship and stimulating enterprise development have become increasingly prevalent across advanced economies (Audretsch *et al.*, 2007; Gilbert *et al.*, 2004), although the measures of success and the time spans to be covered remain keenly contested (Anyadike-Danes and Hart, 2006; Bridge, 2010; Greene *et al.*, 2004, 2007; Shane, 2009).

2.3 Regions and entrepreneurship

With increasing globalisation, it can be argued that sub-national spatial levels have become more important than nations in the development of economic growth (Storper, 1997; Camagni, 2002; Scott and Storper, 2003; Krugman, 2005), particularly in terms of firm entry, competition and learning (Fritsch and Schmude, 2006). Regional development concerns the upgrading of the economic, institutional and social base, with entrepreneurship that is able to unlock wealth being a prime source of development (Amin, 1999). Consequently, entrepreneurship is central to regional economic growth (Audretsch and Keilbach, 2004; Malecki, 2007). Entrepreneurship has potentially short-, medium- and long-term consequences for regions (Fritsch and Mueller, 2004; Mueller *et al.*, 2008). Efficient firms grow and survive, while inefficient firms decline and fall (Audretsch and Keilbach, 2004), and as a result the total effect upon employment can, therefore, be either positive or negative, depending upon the magnitude of the three elements (Fritsch and Mueller, 2004; Mueller *et al.*, 2008).

The reason why some locations gain competitive advantage and grow more than others, and why some once successful locations have failed to develop in step with changes in the economy is a matter of keen debate in economics (Westlund and Bolton, 2003; Kitson *et al.*, 2004). More generally, regions are considered to be important sources of economic development and entrepreneurship, and a source of competitive advantage within the increasingly globalised economy (Scott, 1995; Cooke, 1997; Amin, 1999; Werker and Athreye, 2004; Malecki, 2007; Steyaert and Katz, 2004).

At the core of entrepreneurship lies culture, which can be defined as a set of shared values, beliefs and expected behaviours, which are often most manifest at the regional level (Hayton *et al.*, 2002; Hechavarria and Reynolds, 2009; Huggins and Williams, 2009; Huggins and Thompson, 2012). Culture shapes what individuals perceive as opportunities, and therefore entrepreneurial alertness is linked to judgment, creativity and interpretation (Hofstede, 1991; Sautet and Kirzner, 2006; Hechavarria and Reynolds, 2009). Effective institutions and a culture supportive of entrepreneurship make it possible for economic actors to take advantage of perceived opportunities (Sautet and Kirzner, 2006). Regions with an entrepreneurially conducive culture may increase their competitive advantage by attracting investment, skills and talent (Turok, 2004; Huggins and Thompson, 2012). Furthermore, regions with strong entrepreneurial traditions also have a competitive advantage if they are able to perpetuate it over time and generations (Audretsch and Fritsch, 2002; Parker, 2004; Mueller, 2008).

Entrepreneurship can be considered to be self-reinforcing in nature and often concentrates geographically because of the social environment, as individuals follow societal clues and are influenced by what others have chosen to do (Feldman, 2001; Minniti, 2005). At the regional level, rates of entrepreneurship often vary greatly (Glaeser, 2007). Regions that foster entrepreneurial dynamism harness economic growth, with a critical mass of firms providing opportunities for employment, competition and knowledge generation (Porter, 1995; Anderson, 2005). Furthermore, successful regions will attract migrants from elsewhere who are alert to entrepreneurial opportunities, or to opportunities to sell labour in a specific market where wages may be advantageous (Anderson, 2005). As Seabright (2004) states, “the most innovative people have always been footloose, restlessly seeking out opportunities over time and space” (p. 111). A city with a million people potentially offers more than ten times the opportunities for discovery than a town of 100,000 and can attract more people from outside areas (Ikeda, 2008).

Regions, therefore, can become “incubators of new ideas” and provide opportunities for entrepreneurship to take place, and for discovering valuable new knowledge (Glaeser, 2002; Ikeda, 2008). Within regions, especially cities, successful neighbourhoods need at first to “feel safe” in order to harness entrepreneurship (Jacobs, 1961). Neighbourhoods that encourage informal contact at all hours of the day and night, harness the self-monitoring “eyes on the street” necessary for feeling safe and for the emergence of informal networks of trust (Glaeser and Sacerdote, 2000). This informal contact allows for potential coordination among individuals and assists in the entrepreneurial process (Ikeda, 2008).

Entrepreneurial activity can create its own feedback cycle, slowly moving society to a higher level of entrepreneurial activity, with a high density of successful new venture creation by local entrepreneurs offering role models people can conform to in the future (Verheul *et al.*, 2001). Regions, therefore, can influence entrepreneurial activities via a shared culture or set of formal and informal rules (Werker and Athreye, 2004). In places where entrepreneurship is seen as providing valuable rewards, and entrepreneurs are seen as role models, a sustaining entrepreneurial culture can be formed (Saxenian, 1994). In a competitive environment, entrepreneurs will be alert to opportunities and contribute to economic development (Audretsch and Keilbach, 2004). However, changes in levels of entrepreneurship and contributions to economic development will take time to emerge, and as such any impacts may only be seen in the long term (Huggins and Johnston, 2009; Huggins and Williams, 2009). Alternatively places can be uncompetitive and lack entrepreneurial dynamism because they are deficient in the key strengths which make leading regions prosper and develop (Huggins and Johnston, 2009).

At the regional level, it is clear that differences in entrepreneurial culture exist (Levie and Hart, 2009; Huggins and Thompson, 2012). Entrepreneurial regions can be understood as those with strong traditions of entrepreneurship within their communities (Audretsch and Fritsch, 2002; Parker, 2004; Mueller, 2006), and as this is maintained over time the capacity of a region to generate further entrepreneurial activity and innovation is built up and has a positive impact on regional economic performance (Audretsch and Keilbach, 2005; Feldman, 2001; Minniti, 2005).

In a series of works, Rodriguez-Pose, Storper and colleagues (Rodriguez-Pose and Storper, 2006; Rodriguez-Pose, 2013; Storper, 2005, 2008; Storper *et al.*, 2007; Farole *et al.*, 2011) have developed a framework of community – which appears to represent a spatially localised notion of institutions – and society – which conversely represents spatially broader institutions – in order to better place institutionalist approaches central to regional development, in the process highlighting the importance of the geographical context in examining institutional models of economic growth. Both community and society are considered to impact on economic development through the expectations and incentives provided to economic agents (Farole *et al.*, 2011).

Moulaert and Nussbaumer (2005) refer to the term “community” to define the nature of human interactions within groups that can be defined according to geographic, sociological, political or economic considerations, whereby “local communities” are considered as an appropriate level for practices related to improvement through social innovation. In this sense, cultural concepts such as collective action can be conceptualised as a continuum of forms of action coordination, with specific actions deriving much of their impetus from the characteristics of community and place (Habermas, 1989; Miller, 1992). In this sense, community culture may complement, and in some situations substitute, for formal institutions in the process of economic development (North, 1990; Rodriguez-Pose and Storper, 2006; Farole *et al.*, 2011).

Emerging research suggests significant links between community culture and attitudes to entrepreneurship at the local and regional level, with place-based traits such as the observance of social rules, social cohesion and embracement of work and education found to positively associated with stronger, more enterprising business cultures, indicating that a cohesive community increases the entrepreneurial confidence of individuals (Huggins and Thompson, 2012). Therefore, community cultural characteristics such as social cohesion may represent a potential strength which policy makers can potentially enhance as an economic development tool to stimulate entrepreneurship.

3. Regional governance and enterprise policy: the case of the UK

The regional approach to enterprise policy is designed to drive economic development and enable regions to improve their relative competitiveness, as well as reducing the imbalance that exists within and between regions (HM Treasury, 2007a; Pearce and Ayres, 2009). The emphasis on fostering entrepreneurship within regions is significant, as previously enterprise policy lacked a regional dimension and compounded entrepreneurial disparities across regions (Storey and Johnson, 1987). Historically, regional economic policy has focused on trying to attract firms from elsewhere (Acs and Szerb, 2007). Such top-down approaches have mainly been concerned with importing economic activity to uncompetitive areas by a system of incentives which relied on “hard” policy instruments such as infrastructure and financial subsidies (Halkier and Danson, 1997; Acs and Szerb, 2007).

These approaches, however, degenerated into a negative sum game for the national economy as a whole (Acs and Szerb, 2007). As a consequence regional policy has changed

profoundly, with a shift towards bottom-up approaches focused on supply-side measures (Halkier and Danson, 1997; Amin, 1999; Lagendijk and Cornford, 2000; Webb and Collis, 2000; Acs and Szerb, 2007). A new model of regional policy has emerged which is based on improving indigenous firms through softer measures such as advice and training (Halkier and Danson, 1997) and fostering entrepreneurship (Acs and Szerb, 2007).

In terms of regional entrepreneurship performance, differences in entrepreneurial activity rates between regions may in part be explained by differences in the attitudes of the population towards entrepreneurship. As such, Levie and Hart (2009) examine differences in attitudes and perceptions at the regional level (Table II), finding that individuals in London are twice as likely to expect to start a business in the next three years as residents in other regions. Furthermore, respondents in London, South-East England, South West England and the East of England are significantly more likely to agree that they have the skills to start a business than respondents in Wales, Scotland and Northern Ireland. Table II also indicates that new firm start-up rates, as measured by new VAT registered companies, in Wales, Scotland and Yorkshire and the Humber are below the national UK average, highlighting entrepreneurial underperformance in these regions.

With the election in the UK of a Labour Government in 1997, a number of policy approaches to promoting enterprise, especially in lagging regions, were introduced, with the overall aim being to improve productivity, close the enterprise gap with other leading economies and enhance social inclusion (HM Treasury, 2002; Mueller *et al.*, 2008). A significant step was the devolvement of economic development and entrepreneurship strategy and delivery to regional levels. The introduction of Regional Development Agencies (RDAs) across England and the transfer of policy making to devolved administrations in Scotland, Wales and Northern Ireland, along with other policy initiatives such as the Local Enterprise Growth Initiative, saw the gradual spatial devolution of policy (Huggins and Williams, 2009). Indeed, the Labour Government can be considered to have put regions and regionalism back on the UK policy agenda (Gibbs, 1998; Pearce and Ayres, 2009). The policy view, in this case, is that the best way to improve economic performance and overcome disparities is to invest in the drivers of productivity, including entrepreneurship; encourage greater regional and local flexibilities (HM Treasury, 2004); and empower agencies to spread economic well-being and opportunity to everyone in their region (HM Treasury, 2007a).

To support policy development, the government established nine regional RDAs in England and transferred regional policy making to devolved administrative governments in Scotland, Wales and Northern Ireland. By working through these agencies, the government aimed to make sustainable improvements in the economic performance of all UK regions, reducing the persistent gap in economic growth rates between regions (HM Treasury, 2007a). The political argument stated that there was nothing inevitable about regional disparities in the UK, and that lagging regions could boost the national economy by exploiting their indigenous strengths via a “bottom-up” approach allowing for regional and local flexibility (Gonzalez, 2011).

In the devolved regions of the UK, such as Scotland and Wales, the policy autonomy they have achieved in areas related to both entrepreneurship and innovation form part of processes referred to as the “hollowing out” of the state (Jessop, 2004), with growing significance given to issues of place and spatial proximity in economic development and innovation processes (Huggins and Izushi, 2007). The power structures within which relevant institutions interact necessarily affects how economic and innovation systems operate regionally and nationally (Kitagawa, 2007; Huggins and Kitagawa, 2012). The structures and strategies of devolved economic governance are often interrelated in a

Table II.
Regional
socio-economic
data, start-up rates,
attitudes and
perceptions of
entrepreneurship in
the UK's regions
(per cent unless
stated otherwise)

	GVA per capita (£) (2010)	Gross weekly median full time pay (£ monthly)	Unemployment rates (January 2012)	Economic activity rates (Working Age)	% population with NVQ4 + – working age	VAT registrations per 10,000 resident adults	I expect to start a business in the next three years	I know someone who has started a business in the last 2 years	There a good start-up opportunities where I live	I have the skills, knowledge and experience to start a business	Fear of failure would prevent start-up
East of England	18,996	479.1	6.8	81.8	26.1	43	5.8	25.5	33.0	50.1	38.8
East Midlands	18,090	456.6	8.2	80.9	25.4	37	6.8	24.9	25.4	48.2	34.9
London	35,026	627.4	10.2	75.5	38.6	68	12.5	29.6	36.7	55.2	39.9
North-East	15,744	435.9	10.8	76.8	23.9	28	6.2	24.1	23.0	45.9	36.3
North-West	17,555	460.0	9.3	76.8	25.6	37	6.1	23.2	27.2	46.4	37.5
Northern Ireland	15,651	439.1	6.5	71.2	25.7	32	6.1	26.2	23.3	41.5	44.5
<i>Scotland</i>	<i>20,220</i>	<i>473.6</i>	<i>8.7</i>	<i>79.7</i>	<i>33.8</i>	<i>35</i>	<i>5.1</i>	<i>22.3</i>	<i>33.7</i>	<i>45.4</i>	<i>36.0</i>
South-East	21,924	513.6	6.5	82.4	31.5	48	6.2	29.1	32.2	51.0	35.2
South-West	18,669	453.8	6.3	81.8	28.3	40	6.3	27.3	27.3	48.4	36.0
<i>Wales</i>	<i>15,145</i>	<i>440.8</i>	<i>9.1</i>	<i>75.4</i>	<i>26.5</i>	<i>28</i>	<i>5.5</i>	<i>24.4</i>	<i>21.8</i>	<i>45.8</i>	<i>34.7</i>
West Midlands	17,060	456.4	9.1	77.3	24.5	36	6.0	23.2	22.0	50.2	38.3
<i>Yorkshire and Humber</i>	<i>19,917</i>	<i>450.8</i>	<i>9.8</i>	<i>78.1</i>	<i>25.0</i>	<i>35</i>	<i>5.5</i>	<i>24.6</i>	<i>22.9</i>	<i>47.1</i>	<i>37.0</i>
UK	20,476	488.7	8.4	78.7	28.9	42	6.8	25.8	28.8	49	37.2

Sources: UK Office for National Statistics. Levie and Hart (2009: Tables IIIa and V). UK Department of Business, Innovation and Skills

complex way (Jones *et al.*, 2005), shaped by patterns of intergovernmental interaction and existing governance structures between national and sub-national actors. For instance, when comparing economic development financing and devolved state action across the UK, Cooke and Clifton (2005) identify emerging and different “institutional structures of economic governance”.

A burgeoning literature has emerged on sub-national governance in an attempt to interpret these developments (e.g. Keating, 1997, 2005; Pike and Tomaney, 2004, 2009; Jones *et al.*, 2005; Lobao *et al.*, 2009). One of the central questions for regional policy in the devolved UK policy context is the extent to which there is sufficient fiscal decentralisation and capabilities within the regions to promote growth and convergence (Frenz and Oughton, 2005). In the case of Northern Ireland, devolution is a process that continues to encounter numerous barriers, and enterprise policy is still very much an emergent theme, with until recently there being “no public progress on the development of the enterprise strategy for Northern Ireland” (Enterprise Northern Ireland, 2010, p. 3). Although a regional enterprise strategy is being established in Northern Ireland, the more developed and embedded nature of policies in Scotland and Wales allows a more valid comparative analysis with the situation in England.

As shown by Figure 1, regional enterprise policy in the UK can broadly be categorised as intervention targeting the economic or social drivers of entrepreneurship. In terms of economic drivers, the key specific modes of intervention can be summarised as: *start-up strategies* – the key direct mode of entrepreneurship policy related to the formulation of a regional business start-up strategy. The setting of start-up targets has formed an important part of regional enterprise strategies, but whilst target setting, in terms of the generation of new business starts, is recognised by most regional policy makers as a key component of strategy development, some consider it to be divisive to flexible and long-term policy making.

Complementary forms of business support – in addition to the promotion of business start-ups, government has invested in the provision of a complementary range of business advice and guidance. Many of these programmes are delivered at a regional or local level, with regional and local agencies able to generate their own schemes. The most significant policy commitment has been the establishment of Regional Venture Capital Funds designed to encourage risk funding for start-ups.

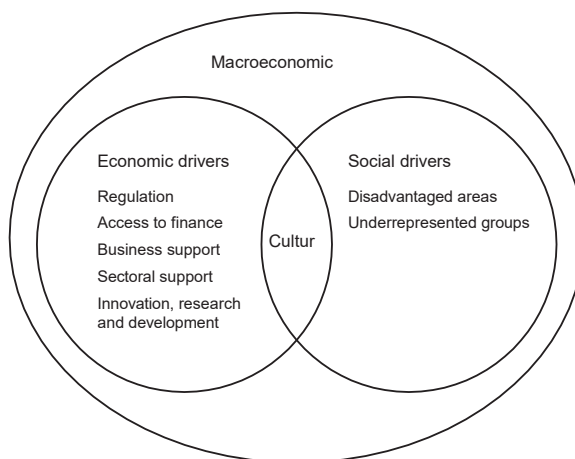


Figure 1.
Policy drivers
of regional
entrepreneurship
in the UK

Cluster policies and innovation ecosystems – an increasingly common form of complementary business support administered at the regional level has concerned so-called cluster policies, usually in the form of support for a set of related industries considered to be of regional strategic importance. The components of these cluster policies are particularly related to improving linkage, cooperation and collaboration across regional actors undertaking activities in these related sectors. Future policy in this area appears to lie in fostering networks across universities and enterprises, rather than a focus on supporting certain industries, with policy now focusing more on the catalysing of regional innovation “ecosystems”. This focus on innovation at the regional level has partly been a response to the increased emphasis on innovation as a driver of productivity and the perceived importance of innovation and R&D in ensuring that enterprises are in a position to capitalise on global trends by developing and commercialising innovative products, processes and services.

Alongside the main “economic” policy drivers of entrepreneurship are a range of more social and cultural drivers largely relating to: the promotion of entrepreneurship in disadvantaged locations; increasing rates of entrepreneurship within underrepresented groups; and the more general stimulation of a culture of regional entrepreneurship, particularly among young people. Both the economic and social drivers of entrepreneurship overlap in terms of their aim to facilitate more entrepreneurial regional cultures. Finally, macroeconomic policies are included as an overarching area of intervention, in terms of issues related to regulation, interest rates, tax rates and the like. Although these are largely the preserve of national level policy makers, regional policy makers play a role in this respect through the provision of intelligence to national policy makers on the potential regional impact of particular macroeconomic policies.

In the following three sub-sections of the paper, key developments in regional governance related to enterprise policy in England (based on developments in Yorkshire and the Humber), Wales and Scotland are reviewed preceded by a short socio-economic overview of each of the case study regions.

3.1 Yorkshire and the Humber/England

The Yorkshire and Humberside region is situated in the north of England in the UK. The region has a population of around five million people, many of whom live in the major UK cities of Bradford, Leeds, York, Sheffield and Hull. During the industrial revolution, the textile, steel and coal industries all grew rapidly, making the region a major contributor to the UK’s prosperity. The subsequent decline of traditional industries has continued, and a restructuring of the economy has been ongoing. Yorkshire and Humberside is classed as an uncompetitive region as it lags the rest of the UK on many indicators. Once one of the heartlands of the manufacturing industry in the UK, the decline in employment in heavy industry has left a legacy of relative deprivation which is still being tackled today. For example, in terms of indicators such as gross value added per capita, productivity and gross weekly pay the region lags the UK average.

As shown by Table II, the region of Yorkshire and the Humber represents a region that is not only lagging economically, but especially so in terms of its entrepreneurial performance. It, therefore, represents an interesting and valid choice as a case study region in which there is apparently a clear need for policies to stimulate the establishment of an entrepreneurial culture as means of facilitating economic development. Although other regions such as the North-East England could be chosen as case study region, the Yorkshire and Humber region is particularly representative of the challenges facing English regions beyond the relatively prosperous Greater South-East.

In England as a whole, regional enterprise policy and strategy between 1999 and 2010 fell under the responsibility of the RDAs (Harding *et al.*, 1999; Webb and Collis, 2000; Pearce and Ayres, 2009). The RDAs were established under the RDAs Act 1998 and formally launched on 1 April 1999 (Bridge *et al.*, 2003; Fuller *et al.*, 2002). They were tasked with improving the relative economic performance of their region and to reduce social and economic disparities within and between regions (HM Treasury, 2001; McVittie and Swales, 2007; Pearce and Ayres, 2009). Since being established RDAs collectively spent over £2 billion on strategies to support competitiveness, investment and enterprise (RDA National Secretariat, 2007), and had a budget of £2.1 billion in 2008/2009 and £2.1 billion in 2009/2010 (HM Treasury, 2007b). Alongside this, advice and guidance for small businesses and entrepreneurs was delivered by the Business Link network (Huggins and Williams, 2009).

While the Business Links had previously operated separately from the RDAs, responsibility for them was given to the RDAs as part of the Labour Government's business support simplification programme, which aimed to reduce the number of business support services from approximately 3,000 to no more than 100 by 2010 (Department of Trade and Industry, 2007; HM Treasury, 2007a, 2008). With the reduction in the number of support agencies and the regional organisation of Business Links, the government stated that the simplification programme provided the opportunity to enhance support and the core role of Business Links by simplifying what is available to customers (HM Treasury, 2008).

In July 2007, the UK Government published its review of sub-national economic development and regeneration which set out plans to ensure that every region and locality of the UK could benefit from rising prosperity (HM Treasury, 2007a). The review stated that the government had made considerable progress in developing the institutional and policy framework necessary to promote growth and regeneration across the country (HM Treasury, 2007a). To further develop sub-national approaches to policy development, the review outlined plans to refocus powers and responsibilities to support economic growth at the regional, sub-regional and local level (HM Treasury, 2007a; Pearce and Ayres, 2009).

A key role was outlined for the RDAs, which were tasked with an enhanced strategic role to develop a single regional strategy to be agreed with local authorities, and a "sharpening" of their role so that they had a clearer focus on increasing economic growth with increased scrutiny by local authorities and strengthened performance management by Central Government (HM Treasury, 2007a, 2008; Pearce and Ayres, 2009). To do this, the government aimed to drive up entrepreneurship in the regions (HM Treasury, 2007a, 2008). The report also identified a key role for local authorities in harnessing entrepreneurship and tackling deprivation (HM Treasury, 2007a). The policy view was that economic development and neighbourhood renewal are interdependent, with the aim being to tackle deprivation so that all localities can contribute to economic growth (Cabinet Office, 2005; HM Treasury, 2007a). Whilst it is clear that the Labour Government of 1997-2010 communicated a new regional policy (HM Treasury, 2007a), these strategies can be criticised for lacking clarity and offering only vague interpretations of what activities might take place in the regions and how regional development would be achieved.

The Conservative-Liberal Democrat Coalition Government that came to power in May 2010 subsequently replaced the RDAs with LEPs, which are joint local authority-business bodies to promote local economic development (HM Government, 2010). By 2013, 39 LEPs had been established, covering the majority of England, and the

change in governance is altering the nature of regional and local policy intervention, although the government states that the LEPs will “take the form of the existing RDAs in areas where they are popular” (HM Government, 2010, p. 10). The change in policy reflects the development of the concept of city regions, which examines how economic activity clusters around an urban core (Clifton, 2008), as LEPs aim to reflect clusters of economic activity rather than the apparent “artificial” boundaries previously drawn, for example, around the Regional Development Agency jurisdictions. In Yorkshire and Humber, LEPs have been introduced covering York and North Yorkshire, Leeds City Region, Humber and Sheffield City Region.

Furthermore, the Coalition Government reintroduced enterprise zones, which aim to foster locally led approaches to harnessing entrepreneurship (HM Government, 2010; Department of Communities and Local Government (DCLG), 2011). Enterprise zones are based on similar formulations introduced by the Conservative Government during the 1980s, and aim to provide financial incentives for local authorities and communities to support and encourage local housing and business growth. Their role is to support LEPs to establish collaboration between the public and private sector, as well as between different authorities to ensure that economic decisions are more business-led, lead to planning reform to ensure planning policy supports growth, and provide direct support through a regional growth fund to give further help to areas where there are particular challenges or opportunities for local growth (DCLG, 2011).

In the Yorkshire and Humber region, the RDA, Yorkshire Forward (2006a, b), was charged with enterprise strategy. It stressed the importance of “the wealth creators, the entrepreneurs, those are willing to mortgage their homes to invest in an idea and to realise a dream – the risk takers” in fostering economic growth in the region (Yorkshire Forward, 2006b, p. 13). Yet business start-up and total entrepreneurial activity rates highlight that the region continued to lag behind the South of England on key measures of entrepreneurship and competitiveness (Yorkshire Futures, 2007, 2008).

Furthermore, rather than fostering entrepreneurship, and in common with Wales and Scotland, the biggest growth in employment in the Yorkshire and Humber region was seen in the public sector (Huggins and Day, 2005), with the region’s capacity and capability to create and innovate new ideas and translate these into economic value stymied by the fact that knowledge-based businesses (i.e. firms operating in industries predicated on above average levels of investment in innovation, principally the high-technology manufacturing and service sectors (Huggins and Izushi, 2007)) form only 16 per cent of the total business stock, compared to a UK average of 21 per cent (Huggins and Day, 2006). Despite significant policy investment into harnessing higher levels of entrepreneurship, transparent impacts have been limited. While there was large growth in public sector employment, the Coalition Government announced significant cuts in public spending, which have impacted on levels of public sector employment (HM Government, 2010). While the government contends that public sector job losses will be offset by private sector growth, how entrepreneurship policy and strategy tackles this will be a key policy focus in coming years.

3.2 *Wales*

Located on the western edge of the UK, Wales is a region with a population of some 3.0 million people (5 per cent of UK citizens). The economy has traditionally depended upon industries such as farming, mining and quarrying and steel making, which have declined in significance in the past few decades. This decline has given rise to a more diverse economy, although the region is still emerging from a fundamental restructuring of its

economic base. Of the 12 regions in the UK, Wales is the least competitive (Huggins and Thompson, 2010). It has the lowest level of GVA per capita of all UK regions, coupled with levels of pay, productivity, employment and economic activity that are all significantly below the UK average (see Table II), and it is generally regarded as more peripheral and lagging than the core regions of London, the South-East of England and East of England.

In Wales, the National Assembly for Wales became operational in 1999. The National Assembly has responsibility for developing economic policies within the context of central UK policy frameworks, giving policy makers in Wales more autonomy than before, with policies being formulated by an executive previously called the Welsh Assembly Government, and now more simply the Welsh Government. The Welsh Development Agency (WDA) was established as far back as 1976 to further economic development, promote industrial efficiency and international competitiveness, and to improve the region's environment (Welsh Development Agency, 1997). The WDA ceased to exist in 2006, when it merged with the Welsh Government, which now has responsibility for developing regional economic strategy and operates business support policy and delivery (Welsh Development Agency, 2002; Welsh Government, 2010).

The Welsh Government has signalled a move away from previous business support mechanisms, where support was provided to any and all businesses, stating that "we should not try to second-guess the action of markets at the level of individual businesses and therefore we will reduce substantially our direct business support" (Welsh Government, 2010, p. 7). Alternatively, the Welsh Government states that it will focus resources on where the most value can be added, "acting as an enabler for the economy as a whole rather than a significant direct deliverer of services to individual businesses" (Welsh Government, 2010, p. 36). As part of these strategies, sector-based approaches are being developed to target support where policy makers see the greatest potential gains (Welsh Government, 2010).

Wales has traditionally been viewed as having a less entrepreneurial economy than other areas of the UK (Welsh Assembly Government, 2005), and is also considered to lack positive perceptions of entrepreneurship among the general public, little incentive for encouraging entrepreneurial behaviour, limited entrepreneurial education and fragmented and short-term support for new businesses (Welsh Development Agency, 2000). As such, fostering increased levels of entrepreneurship is of central importance to the Welsh economy (Brooksbank *et al.*, 2001; Welsh Assembly Government, 2005).

To improve levels of entrepreneurship an action plan was developed which contained the vision of "a bold and confident nation where entrepreneurship is valued, celebrated and exercised throughout society" (Welsh Development Agency, 2000, p. 19). The Welsh entrepreneurship action plan states that "within a generation Wales must establish itself as one of the most entrepreneurial nations in Europe" (Welsh Development Agency, 2000, p. 19) and contained the target of reaching the UK start-up rate of VAT registrations by 2006, equivalent to an increase of 50 per cent from 6,300 to 9,300 per annum (Welsh Development Agency, 2002). Since then, the overall rate of business start-ups has declined in the UK, but in Wales performance has improved (ERS, 2011). The Welsh Government has stated that "there remains a role for Government in encouraging entrepreneurship – it is vital for developing a strong economy and therefore crucial for our future prosperity" (Welsh Government, 2010, p. 43). The policy emphasises the need to focus on high potential start-ups, self-employment related to participation and on young people and graduates (ERS, 2011).

3.3 Scotland

Scotland is situated in the northern most part of the UK, and has a population of 5.3 million people. Compared with Wales and Yorkshire and the Humber, Scotland is more economically robust, with significantly higher levels of GVA per capita and average earnings (Table II). Also, its skills base is relatively well developed, with a highly educated workforce. However, much of its competitiveness and high value added activity is concentrated in the capital city Edinburgh or neighbouring Glasgow, which is by far the largest city in region. In this respect, a key weakness of Scotland's economy is that it suffers from a number of dual economy effects, both in terms of spatial divisions, but also socio-economic divides in the form of high levels of deprivation and poverty in a number of places, especially among urban communities. Like Wales and Yorkshire, Scotland is still coming to terms with the loss of much of its traditional industry. To some extent, it has fared better in the respect, partly due to the strength of Edinburgh as an international centre of the business and financial services sector.

The Scottish Government was established in 1999 as the Scottish Executive, replacing the extant Scottish office of the time. Following the 2007 Scottish Parliament election, the Scottish Executive was renamed as the Scottish Government by the new Scottish National Party administration. Scotland has a long-established regional development policy in the form of the Scottish Development Agency (SDA) established in 1976 (Halkier, 1992). Following the Enterprise and New Towns (Scotland) Act 1990 the SDA merged with the Scottish Training Agency to form Scottish Enterprise, the main national economic development agency in Scotland, funded through the Scottish government (Bridge *et al.*, 2003).

Initially, Scottish Enterprise worked through a system of twelve local enterprise companies, with the Highlands and Islands Enterprise Agency operating in Northern and Western Scotland (Scottish Enterprise, 2007a). However, the local enterprise companies have been disbanded, although the 12 local offices were retained to enable flexible services to be provided (Scottish Enterprise, 2007a, b). Furthermore, the Business Gateway service, which was previously run by Scottish Enterprise and provided advice, support and guidance to entrepreneurs, has been transferred to the local authorities, thereby allowing for differences in the delivery of enterprise support (Scottish Parliament, 2011). Persistent unemployment, poverty and deprivation, coupled with a relative economic decline over the last century has driven Scotland to the philosophy of collective intervention to generate jobs (Danson, 1991). As such, attitudes towards entrepreneurship have been traditionally less positive than in other regions of the UK (Danson, 1994; Scottish Enterprise, 2007a).

Scotland's business birth rate strategy was launched in 1993 with the aim of raising the birth rate per head of the population in Scotland to that of the UK average by the end of 1990s, which was equivalent to an increase of 3.5 times its historic rate of growth (Scottish Enterprise, 2001). In recent years, entrepreneurial attitudes have been found to have improved, although the start-up rate still lags behind other regions, as does the intention to start a business in the next three years (Levie and Hart, 2010). Policy makers have stated that "Scotland has a large pool of potential entrepreneurs and people interested in starting a business" and – as shown by Table II – there is a relatively high proportion of individuals who consider that Scotland offers good start-up opportunities; the challenge is to overcome barriers to convert this perception into new businesses (Scottish Enterprise, 2007a, p. 47).

4. Methodology

The research approach adopted in this paper consists principally of an analysis of data collected from a series of 21 semi-structured in-depth interviews with key policy makers in

Wales, Scotland, and Yorkshire and the Humber. In-depth interviews are particularly applicable to policy research as they address objectives concerning contextual, diagnostic, evaluative and strategic issues and provide rich and worthwhile data (Burton, 2000). The interviews focused on the views, perspectives and experiences of regional policy making personnel engaged in entrepreneurship support.

In total, seven interviews were carried out in each of the regions. The respondents were either employed by, or advisors to, a devolved administration or other government body, including ex-Regional Development Agency executives and/or current Local Enterprise Partnership and local government executives (see list of organisations participating in the interviews below). All of the participants in the interviews were either involved with the development of enterprise policy or delivery of enterprise strategies, and were therefore identified as being influential with regards to policy development. A combination of face-to-face and telephone interviews were undertaken. It was a stipulation of the research that the participating individuals remained anonymous:

(1) Wales:

- Welsh Government Department for Business and Enterprise.
- Welsh Government Department for Economic Development.
- Federation of Small Businesses, Wales.
- Finance Wales.
- Venture Wales.

(2) Yorkshire:

- Yorkshire Forward, the Regional Development Agency for Yorkshire and the Humber.
- Sheffield Local Enterprise Partnership.
- Leeds Local Enterprise Partnership.
- Government Office for Yorkshire and the Humber.
- Leeds City Council.
- Sheffield City Council.

(3) Scotland:

- Scottish Enterprise Development Officers.
- Scottish Enterprise, Strategy and Economics Department.
- Director of Regional Competitiveness, Highlands and Islands Support Agency.
- Economic advisors to Scottish Government.

The focus on the supply, as opposed to the demand, side of policy and intervention represents a deliberate attempt to unpack and unpick the issues regional policy makers face in terms of the governance and the formulation of strategic policy. Although the demand side, in the form of existing and potential entrepreneurs, is clearly crucial in understanding the effectiveness and applicability of different forms of intervention, there has been a plethora of evidence from policy and academic surveys over many years which has continued to largely confirm the dissatisfaction of the recipients of intervention with the support they have received or been offered. The aim of the analysis

presented below is to gain a better understanding of the challenges regional policy makers face in seeking to formulate more effective policy in response to this evidence.

The interview schedule was initially piloted among the first regional policy makers to take part, however little change was made to its overall content. The semi-structured nature of the interviews meant that a number of the scheduled questions raised further questions and issues which were discussed and explored. This provided a broad and comprehensive view and understanding of the institutional context in which the actors considered themselves to be operating. The framework provided the scope to ascertain both relevant data and provide an interpretative account of the role of regional policy makers. The interviews were digitally recorded and transcribed. From the transcriptions, responses were coded into themes to allow policy areas to be analysed that build on the outputs of the literature review. The analysis of the data explored themes that emerged from the interviews, rather than being imposed by the researcher, using the constant comparative method of analytic induction (Bryman, 1989, 1998; Silverman, 2000).

As a first step in our analysis a review of relevant policy documents was also undertaken, with the study identifying all relevant reports published by government and its agencies at either a national or regional level (in this case, within the lagging regions covered by the study). Reports were then selected for inclusion based on an assessment of the quality of each document in terms of their relevancy for this study, i.e. where there are substantive mentions of policies and issues relating to entrepreneurship and enterprise policy.

The key types of policy documents covered by the review are: national government white papers and strategy documents; national government reviews of regional policy; and regional policy and strategy documents. The findings from the documents were synthesised and coded, with the contents also used to develop and structure the themes emerging from the in-depth interviews.

5. Findings

In this section, the findings from the analysis are categorised and presented according to three broad themes, namely: first, regional governance; second, regional enterprise policy; and third, regional enterprise culture. In order to support the analysis, a series of indicative quotes from policy makers pertaining to the key themes are presented in Tables III-V.

5.1 *Regional governance*

In Wales, the WDA had previously been charged with enterprise development policy and strategy. However, it merged with the Welsh Assembly Government in 2006, and as a consequence of this many of the policy makers interviewed in Wales considered that enterprise policy was now less of a priority and that support was less focused. The policy makers stated that as enterprise policy is now centralised within the Welsh Government the governance structures prevent effective enterprise policy development or the administration of support.

As indicated by the comments in column 1 of Table III, policy makers stated that while the economic renewal plan for Wales (Welsh Government, 2010) makes mention of entrepreneurship it does not contain sufficient emphasis on it. Rather than focusing on supporting entrepreneurs, the policy makers stated that the plan focuses on sectors which are seen to be critical to future economic development in Wales, but this emphasis was criticised by others. In Scotland, business support has been devolved to the local authority level. As shown by the comments in column 2 of Table III, policy makers stated that this resulted in a lack of joined-up strategic thinking and variations in quality.

Perceptions of policy makers
in Wales

"The WDA had its faults, it was big and bureaucratic, but the benefit of it was that it was independent of the government"

"The abolition of the WDA has been a disaster for enterprise policy in Wales. The Entrepreneurship Action Plan and other things they did weren't perfect, but at least they were striving to support more enterprise [...] The enterprise agenda has become blurred within WAG [...] I can't think of one enterprise support programme that is now running"

"There is now a Department of Enterprise which took over WDA's role. But who is their customer? The customer of the WDA was the entrepreneur or the SME, but the customer of the Department is the Assembly government. That means that policy will not be focused on the needs of the entrepreneurs"

"I would question the strength of those sectors. I don't think Wales is

competitive in those sectors, we don't have anything to build on, so it seems that policy makers are developing these approaches more out of hope that any real expectation that we can succeed in this area"

Perceptions of policy makers
in Scotland

"It is not joined-up so the quality is different depending on where an entrepreneur goes for support [...]. In one sense, it is good that everything is not centralised and generic. However, in reality it means that everybody does things differently, they don't learn from each other and quality suffers"

"It is a mixed picture because it is locally driven and locally decided. Some of the support is no doubt good, but there is a real difference depending on where an entrepreneur accesses support"

"The Enterprise Zones are turning back the clock really. It has all been done before and I don't think it produced great results"

"Replacing the RDAs was hasty. The benefits of the Local Enterprise Partnerships remain to be seen. It is likely that there influence will vary, some will be good, some will be bad as there isn't much joined-up thinking between them"

Perceptions of policy makers
in Yorkshire and the Humber

"The RDAs were large and bureaucratic but perhaps some of their core functions should have been maintained. Now we have no regional lead on enterprise development and strategy and it could become very fragmented"

"Hopefully the Local Enterprise Partnerships are a step forward. With the RDAs and Business Link being wound down it has cleared the decks really, and gives us a new chance to focus support on what matters [...] things like high-growth start-ups, those with the potential to create employment, rather than any start-up"

"The Local Enterprise Partnerships emphasise the need for private sector involvement. That will be critical to whether they succeed or not [...] Over the past 10 years or so enterprise policy and strategy has been delivered by the public sector, but it needs much more private sector leadership if it is to succeed"

"The cluster approach became confusing [...] It wasn't distinctive as

each region had very similar clusters that they were trying to develop and they all felt that they had particular strengths in them [...] Some sectors will decline and others will grow, so we need a much more inclusive look at economic development which allows for variation so strengths can be built on"

Table III.
Perceptions of policy
makers on regional
governance –
indicative comments

In the Yorkshire and Humber region, the policy makers provided mixed views on the role of the English RDAs with some stating that they had not been cost-effective and that evaluating impacts was difficult (column 3, Table III). The Coalition Government's move to replace the English RDAs with LEPs (HM Government, 2010) was viewed as a governance "experiment" which would benefit some places but not all. Policy makers in the region further stated that new governance arrangements also presented opportunities to the regions, but that these opportunities needed to be carefully managed and required effective collaboration between a range of stakeholders. In contrast to the Welsh Government's emphasis on specific sectors, English regional economic development policy has moved away from sector approaches. Previously, cluster policy was a key part of English regional strategies (Department of Trade and

Table IV.
Perceptions of
policy makers on
regional enterprise
policy – indicative

Perceptions of policy makers in Wales

"Enterprise policies are an intrinsic part of our regional economic strategy. Our region needs more entrepreneurs and more people with enterprising attitudes"

"There are a lot of warm words with regards to entrepreneurship but often it doesn't translate into action. There is a preference for start-up strategies as they are seen to be the easiest method, but we need to think about who is getting support and whether it is having a broader impact on regional economies"

"We need to get better at identifying the high-growth businesses that will make the difference in terms of creating jobs and improving productivity. We haven't really had a good track record of doing this and it is challenging as picking out the winners isn't straightforward. However, we do need to be more focused on where support will have the greatest impact"

"If we can get businesses that have a turnover of around £2 million to grow that would have the biggest difference. They should be supported in terms of planning for expansion, looking at export markets, whatever will help them expand"

"There has been lots of support for start-ups [...] but very little for high growth businesses. Wales needs more high growth firms, not more lifestyle firms"

"They are the sectors that every region wants to see develop. All of the clusters have hoped to build up things like life sciences, advanced manufacturing, energy businesses and creative industries, but not every region can see growth in those areas [...] We have to put emphasis on what might attract high growth businesses in, whatever sector they are in, and we can only do that through investment in skills and improving infrastructure"

Perceptions of policy makers in Scotland

"We all want the same thing in the regions. We all want more entrepreneurs and higher economic growth"

"Policy makers don't understand things on the ground. They don't understand what things are like for the typical entrepreneur"

"Support for entrepreneurship has been spread too thinly. It needs to more focused on businesses that will have an impact and can grow"

"There has been too much signposting [...] just moving people around from one advisor to another"

"We need to look at strengthening the economic fabric, not direct support. Policy makers should look at what can be done to boost demand, rather than what can be done to push up the number of start-ups which may not help anyway"

"Supporting small start-ups is fine, the car mechanics, hairdressers, window cleaners, service companies like that, but it will only have limited impact. They might help the business start-up targets but will do little for economic development. We need to focus more on the businesses that will make a difference, the ones that will create jobs"

Perceptions of policy makers in Yorkshire and the Humber

"We want more businesses and a more positive culture about entrepreneurship"

"We have had some success for example in South Yorkshire where we have been able to build on the success of Advanced Manufacturing and some of the strengths that South Yorkshire had in terms of its industrial heritage, so things like the Advanced Manufacturing Park have been a success [...] But if you look at the regional picture overall we haven't really built up strengths in the sectors we tried to target"

"Despite the emphasis on clusters, it is difficult to see where the success has been. Leeds has done reasonably well as a city in recent years, and has built up some creative industries, but the real growth has been in financial services and in many ways the city has become too reliant on that. The recession hit that sector hard and there have been significant job losses because of that [...] The region hasn't seen growth across the board in the sectors that were targeted"

"Every region wants biosciences. They want creative industries. They want the industries of tomorrow, those that will grow and create future jobs. But just because all of the regions want them doesn't mean businesses will invest there"

"The LEPs will have much less of a regional dimension and the focus is much more locally based. They don't have the resources that the RDAs had"

"The LEPs will have private sector leadership working closely with the public sector [...] Hopefully that will mean that they reflect real strengths in the local business community, rather than being imposed from a regional policy perspective"

Perceptions of policy makers in Wales	Perceptions of policy makers in Scotland	Perceptions of policy makers Yorkshire and the Humber
<p>"We are behind other parts of the UK in terms of developing our enterprise culture. The Entrepreneurial Action Plan made some progress but not as much as we would like to have seen"</p> <p>"People in Wales don't see entrepreneurship as an option for them. We need to change that mindset but it is a long-term task"</p> <p>"The Renewal Plan has some mention of an 'investment culture' and 'innovation culture' but the enterprise culture, and what that means for Wales, seems to have been somewhat forgotten about"</p> <p>"The renewed commitment to developing the Youth Entrepreneurship Strategy in the Economic Renewal plan is welcome [...] There are no quick fixes for fostering a more positive culture so we need continued commitment to supporting teaching which creates enterprising people in our schools and Universities"</p> <p>"We need to ensure that our future employers and employees, whatever they do, are equipped with the skills to be enterprising. They need to be able to calculate risks, spot opportunities, respond to failure [...] The Youth Entrepreneurship Strategy helps to do that and I'm glad there is commitment to it"</p> <p>"In Wales, there are good linkages between the entrepreneurship agenda and education. I don't think there are to the same extent in the other regions. We have developed curriculum materials for all school age groups, and enterprise is now part of the Welsh Baccalaureate, so it is very much embedded"</p> <p>"We need to grow the companies we have, not to spend too much time on creating new companies. Growth has to come from exporting. We need to support more businesses which have the potential to export as that will have a positive impact on the economy"</p>	<p>"Policy makers don't understand things on the ground. They don't understand entrepreneurs. They need to concentrate on the economic fabric, the conditions that help entrepreneurs rather than trying to intervene directly"</p> <p>"Changes in enterprise culture will only be brought about with improvement in the economy. If the economy grows, then there are more opportunities and people will take them. So we need to concentrate on getting the economy growing, and the culture will take care of itself"</p> <p>"The birth rate has not changed but culture has. There is a more positive perception of entrepreneurship among Scottish people now"</p> <p>"Although programmes like the Birth Rate Strategy have not met their targets they have succeeded in raising the profile of entrepreneurship among the population and among policy makers. There is much more recognition now that Scotland needs more entrepreneurs and that our people have the skills and capabilities to start businesses and make them succeed"</p> <p>"We don't have a core entrepreneurship policy. It is implicit in some other policy areas but there is nothing of the equivalent of the birth rate strategy [...]"</p> <p>We shouldn't go back to that, but we may need to revisit the overall policy and approach of Scotland to entrepreneurship to ensure things are coherent and joined-up"</p> <p>"We now have more students involved in thinking about entrepreneurship, thinking about business issues. There are good links between businesses and schools, and there has been good guidance from stakeholders on what works well so the people delivering activities can learn good practice"</p> <p>"There has been really good engagement in it. Teachers have been trained in enterprise education so the delivery of activities is good [...] It will take time to see the impacts but I think there can be optimism about it as so many people have engaged in positive activities"</p>	<p>"We have made too much of enterprise culture. Of course we need more entrepreneurs but we need to be more realistic about how that might come about and understand better the limits of our interventions"</p> <p>"Things have changed. We have had an abundance of support in recent years for people wanting to start-up but there aren't the resources to do that now. We have to be much smarter about what we are looking to foster as part of our entrepreneurial strategy and think more clearly about high-growth potential"</p> <p>"There is a requirement to deliver five days of enterprise education in schools and there has been some activity done at the regional level but it is limited. Also, what is delivered in schools is not entirely clear. There is flexibility for schools, but often they do not know what they should or should not be delivering"</p> <p>"There is little guidance and sharing of best practice. Schools often do not know what they should be delivering as part of their enterprise education commitments"</p> <p>"We need to do more with less. We need to choose more effectively what will work and what won't and learn from the past"</p> <p>"We need to encourage businesses to expand their markets either nationally or internationally"</p> <p>"There has been an over-supply of enterprise support in recent years. But now that it is being cut back because of public sector funding cuts we need to make the right choices about what works and what doesn't. We need to learn policy lessons as we can't do everything"</p>

Table V.
Perceptions of policy makers on regional enterprise culture – indicative comments

Industry, 1998, 2002; Peck and McGuinness, 2003), but policy makers in the Yorkshire and Humber region stated that while sector approaches had been popular with RDAs they had declined in relevance in recent years.

5.2 Regional enterprise policy

In examining enterprise policy in the three regions, it is clear that such policies have been a key part of regional economic development strategies. In addition, the broad priorities for enterprise policy are found to be very similar across the regions, with the key focus being on supporting business start-ups and harnessing young people's entrepreneurial perceptions and attitude (Table IV). However, while many policy makers stated that entrepreneurship had become an important part of the regional economic development agenda, there is considered to be a lack of understanding as to how policies can be best implemented, often leading to simplistic solutions (Table IV).

Rather than focusing on direct intervention to support individual entrepreneurs, some of the policy makers stated that the emphasis needed to be placed on the background conditions which support entrepreneurship. Policy makers in Wales and Scotland stated that while business birth rate strategies had been an intrinsic aspect of entrepreneurship policy, there was a requirement to move away from an "any business will do" approach (towards more focused support on high-growth businesses (columns 1 and 2, Table IV)).

In discussing the need for a refocus of activity, some policy makers stated that there was a recognition that birth rate strategies had been limited in their impact. In Wales and Scotland, the entrepreneurship action plan and birth rate strategies were seen by the policy makers as focusing too heavily on business start-up targets, rather than where and when support could be most beneficial (columns 1 and 2, Table IV).

Similar views were found among policy makers in the Yorkshire and Humber region, where business start-up targets were established by Yorkshire Forward (column 3, Table IV). Initially, a target of doubling business start-up rates by 2010 had been set; however, it was later conceded that this target was unlikely to be achieved with start-up rates at 31 per 10,000 adults compared to a UK average of 39 per 10,000 (Yorkshire Forward, 2006a; Yorkshire Futures, 2007, 2009).

The Yorkshire and Humber policy makers stated that a great deal of investment had been made in "support for all" entrepreneurs, but that this had not been cost-effective as resources had been directed towards businesses with little potential for growth. The short-term pressures of meeting start-up targets were criticised by the policy makers for supporting too many "lifestyle businesses" which had little prospect of having a positive impact on the local economy through generating employment or improving productivity.

These criticisms of start-up targets are reflected in studies demonstrating that, as such, these do not significantly improve rates of entrepreneurship (Greene *et al.*, 2004, 2007). For example, Greene *et al.* (2007) examine start-up approaches over three decades and find that while rates may increase in the short-term, in the longer term increases in start-up rates slow and the death rates of the new businesses increase significantly.

Furthermore, such targets may simply serve to support the least able, as the net effect will be to support those with the least to lose, for example the unemployed or those lacking in the skills to be an entrepreneur (Greene *et al.*, 2004, 2007; Shane, 2009). Across the Wales, Scotland and Yorkshire and the Humber, policy makers were critical of the generic nature of support based on targets, which was seen to have only limited potential (Table IV).

As the literature review indicates, policy in Wales has developed a distinct sectoral element. Key industries are supported as a method of harnessing further entrepreneurship (Welsh Government, 2010). The perception of many of the Welsh policy makers was that

the economic renewal plan focuses on sectors which are seen to be critical to future economic development in Wales, rather than on specifically supporting entrepreneurial development. This emphasis on sectors was criticised by some policy makers who questioned whether or not Wales has genuine strengths in the sectors identified in the plan (column 1, Table IV). Again, similar concerns were echoed in the Yorkshire and Humber region, where stakeholders stated that cluster strategies had become less popular among policy makers (column 3, Table IV).

Policy makers in Yorkshire and Humber stated that while cluster policy had been a key aspect of RDA strategy, the emphasis was changing to more bottom-up approaches. In part, policy makers stated that this reflected changing governance arrangements brought about by the demise of the RDAs and the introduction of LEPs, alongside a recognition that previous cluster strategies had limited impact on regional economies. Some policy makers stated that clusters had been created out of a desire to develop high-growth potential businesses in industries that were seen as being able to impact on employment, productivity and innovation in the region. However, with hindsight policy makers considered that these clusters lacked distinctiveness, and in many ways did not build on historical strengths in the region. To many of the policy makers, a lack of success in developing clusters was considered to be due to the “generic” nature of the sectors identified. Policy makers in the region also stated that as a result of these issues regional policy in England moved away from cluster strategies towards a more “bottom-up” approach. In part this is reflected by the governance of LEPs which includes private sector representation.

While policy choices, such as bottom-up development/low regulation or top-down intervention/high-support, are not mutually exclusive (Sola *et al.*, 2007; Van Stel *et al.*, 2007), policy makers stated that the policy landscape had changed due to public sector funding cuts. Policy makers stated that under the Labour Government of 1997-2010 there were abundant enterprise support programmes, but with the public sector cuts introduced by Conservative-Liberal Democrat coalition, choosing between policies had become more important due to the stronger requirement to maximise impact.

Many of the policy makers stated that in future the focus of policy should be on supporting those businesses with the ability to grow and contribute to the regional economy. However, some policy makers recognised that there were challenges in being able to “pick winners”, i.e. those businesses with the potential for growth. Yet despite this, the policy makers stated that it was of paramount importance to support businesses with potential so that job losses in the public sector could be offset by growth in the private sector, and to ensure that lagging regional economies could grow. Finally, some policy makers stated that business support interventions need to be replaced by approaches which emphasise the need for bottom-up development and “getting the economic, legal and political institutions right” to allow entrepreneurship to take place.

5.3 Regional enterprise culture

The aim of this section is to examine the connection between policies and their selection, and the bid by policy makers to stimulate the long-term cultural change required to foster more entrepreneurial and enterprising activities within their regions. In general, the challenge of creating a positive enterprise culture was recognised by the policy makers, who stated that commitment to changing culture needed to be long term in nature (Table V). Overall, the policy makers stated that a key challenge for effective policy making is understanding what “enterprise culture” means. Indeed, despite its importance to economic development, what constitutes culture is often vague (Olson, 2007). Therefore,

while culture is fundamental to the success of economic development policy reforms, it is clearly challenging to change and affect (Boettke, 2001; Sautet, 2005).

If policies are to succeed they must have a clear sense of the culture they are targeting and what improvements they are hoping to make. The policy makers stated that although each of the UK regions had aimed to affect enterprise culture, they had started from a vague understanding of culture. Despite these concerns, other policy makers stated that there had been some success with regards to fostering a more positive enterprise culture. This was mainly considered to be due to the increased emphasis placed on entrepreneurship by policy makers through programmes such as the Welsh entrepreneurial action plan and the Scottish birth rate strategy. The policy makers further identified that enterprise policy had evolved and now contained far less emphasis on supporting individual entrepreneurs than it did in the early years. In Wales, policy makers stated that the previous entrepreneurial action plan aimed to tackle the weak-enterprise culture, but that the Economic Renewal Plan (Welsh Government, 2010) contained much less emphasis on this issue (column 1, Table V).

While scepticism was found among Welsh policy makers regarding the emphasis on sector-specific support, positive perceptions were found regarding attempts to foster a more positive enterprise culture through education. The Welsh policy literature demonstrates the perception that there are high levels of latent untapped entrepreneurship potential amongst young people in the region (ERS, 2011), and this view was reflected in interviews with the policy makers. In particular, the Youth Entrepreneurship Strategy, which contains a commitment to fostering and engendering interest and commitment to entrepreneurship in Wales through investment in entrepreneurship education from primary through to further education and higher education, was highly regarded by policy makers in Wales. A key strength of the Youth Entrepreneurship Strategy was considered by the policy makers to be the result of effective collaboration between themselves and education providers.

Policy makers in Scotland and England also stated that enterprise activities in education were important to regional economic strategies (columns 2 and 3, Table V). In Scotland the “Determined to Succeed” programme (Scottish Executive, 2004) aims to foster enterprising capabilities among young people. The programme was seen as a success by the policy makers as it engaged school students in entrepreneurial activities and established partnerships between schools and businesses. Policy makers in the Yorkshire and Humber region, however, said that collaborative links between policy and education were not as evident as in Wales and Scotland, and that delivery was fragmented with variable quality.

There was recognition among all policy makers that enterprise education strategies are by nature long term with benefits only being seen across generations. Regional economic strategies have recognised that influencing culture is a long-term process (Welsh Assembly Government, 2005; Scottish Executive, 2004; Yorkshire Forward, 2006a).

Although policy makers stated that there had been failures with regards to reaching targets, for example, in relation to business start-ups, they are considered to have contributed to fostering cultural development in the UK’s regions by reinforcing positive behaviour. For example, in Scotland the birth rate strategy is considered to have initiated wider engagement in entrepreneurship among policy makers, and changed thinking within the educational system, the finance sector and among policy makers (Blazycya, 2003). As a result, building a culture of enterprise became a crucial element of strategy development (Scottish Enterprise, 2007b).

6. Discussion and conclusion

From a theoretical perspective, this paper suggests that differences in rates of economic development across regions are at least partly a function of differentials in rates of entrepreneurship and enterprise development (Fritsch and Mueller, 2004; Mueller *et al.*, 2008; Malecki, 2007). Furthermore, it is argued that regional entrepreneurship differentials emerge due to the spatial and place-based nature of three underlying factors driving entrepreneurship: the nature of markets (Kirzner, 1973; Baumol, 1990; Huggins and Williams, 2009); the nature of innovation systems (Lundvall, 1995; Freeman, 1987, 1994; Cooke, 2004); and the nature of place-based cultures, communities, and the institutions they establish (Storper, 2005, 2008; Rodriguez-Pose, 2013). In the regions examined in this paper market failure is manifest by an apparent lack of incentives, opportunity and investment mechanisms to engage in entrepreneurship (Kirzner, 1979; Audretsch and Keilbach, 2004).

Innovation systems failure, on the other hand, occurs in these regions due to the lack of the effective coordinating and governance mechanisms that underlie highly productive regional entrepreneurship and innovation-driven economic development (Cooke, 2004). Mechanisms such as networks and clusters, which in more entrepreneurial regions are formed through the organic and evolutionary interdependency emerging between entrepreneurs and other economic agents as a result of the recognition and necessity for knowledge and innovation-based interactions beyond the market, appear to be less apparent in entrepreneurially weak regions (Cooke, 2004; Porter, 2003; Desrochers and Sautet, 2004).

Third, entrepreneurially weak regions appear to possess cultural and institutional traits that are not as predisposed to entrepreneurial activity as those in more leading regions (Rodriguez-Pose and Storper, 2006; Farole *et al.*, 2011; Huggins and Thompson, 2012). The place-based differentials in mindsets and “psyche” can be related to the economic history of regions, such as the legacy left by the previous dependence on extraction industries and the large-scale manufacturing of products such as steel, and the subsequent shift to a more deindustrialised economic base (Brooksbank *et al.*, 2001; Huggins and Johnston, 2009).

Taken together or individually, the above three factors – market failure, innovation systems failure and cultural “limitations” – indicate that lagging regions will continue to diverge economically from leading regions if the limitations on regional entrepreneurial capacity and capability are addressed not. More specifically, these factors suggest two potential requirements: first, the introduction of public policy in the form of a range of interventions and support mechanisms to help alleviate these failing and limitations; second, the introduction of a system of policy governance that gives regions the autonomy and devolved power to establish interventions and support mechanisms that are appropriately attuned to the particular entrepreneurial challenges they each face.

As the preceding analysis has shown, and as is summarised by Figure 2, the development and evolution of public policy and associated governance mechanisms in the UK has shown a strong adherence to addressing those factors that the emerging form of regional entrepreneurial theory presented above suggests are limitations and failings in entrepreneurially weak regions. First, there has been a recognition of the need for place-based and territorial governance systems through the introduction of devolved governments in Scotland, Wales and Northern Ireland, as well as the establishment of first RDAs and then LEPS across England. Second, policies have been developed to address market failure through regional start-up strategies and business support mechanisms. Third, policies have been established to address system failures

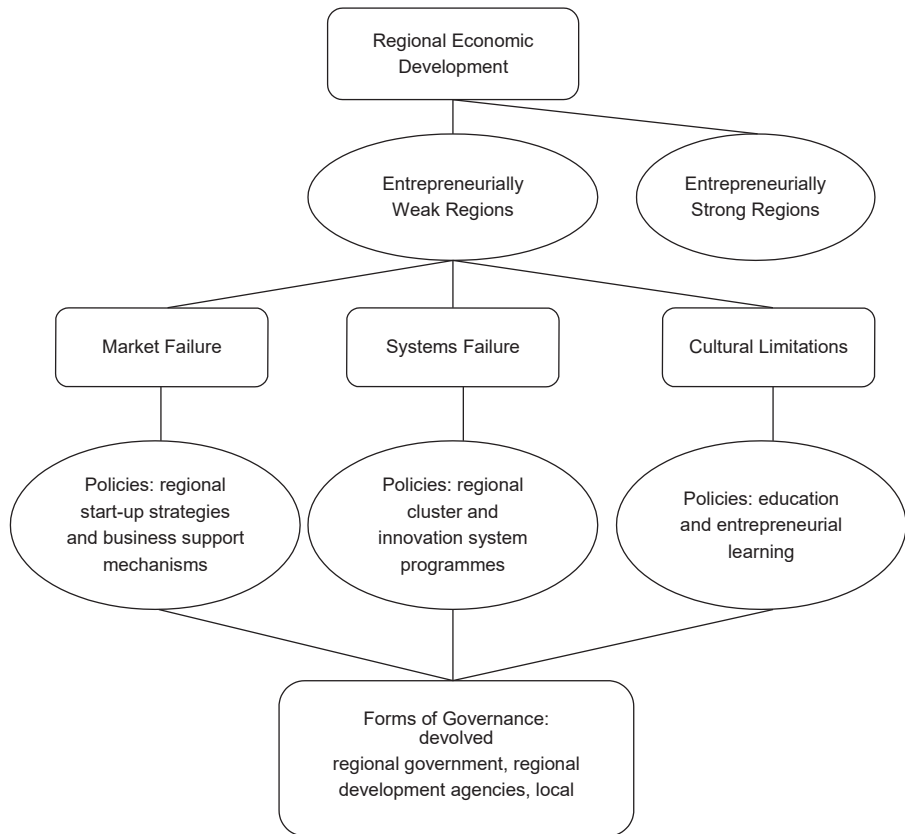


Figure 2.
Theories and
policies to address
differentials in
regional
entrepreneurial
performance

through regional cluster and innovation system programmes. Finally, longer-term intervention related to education and entrepreneurial learning has been initiated to facilitate positive regional cultural change.

From an intellectual perspective, the above positively points toward the establishment of governance and policy frameworks that have been both led and informed by the theory underpinning an explanation of regional differentials in entrepreneurial capacity and capability. However, from a more applied perspective it tells us little about the effectiveness of the policies and governance systems that have been introduced. Therefore, this final section of the paper seeks to provide an interpretation of the preceding findings, first from the perspective of issues connected to regional governance, second from the perspective of entrepreneurship policy formulation, along with recommendations for the future.

6.1 Regional governance

Table VI presents a summary of the responses to key issues emerging from the interviews with regional policy makers. Clearly, enterprise support is both an implicit and explicit feature of regional economic development policy, both of which are becoming more focused in their scope, particularly due to government resource issues. Although there is a degree of commonality regarding the key areas of exploration, there are contrasts in the governance arrangements and strategic approaches across regions,

Question

- (1) To what extent does enterprise policy and strategy form a key part of regional economic development strategy?
- (2) How important are business start-up strategies as a part of regional enterprise policy?
- (3) What are the enterprise policy priorities for your region?
- (4) Which enterprise activities do you consider to have been particularly successful in the region?
- (5) Which enterprise activities do you consider to have not been successful in the region?
- (6) What processes have been used to help prioritise enterprise activity and funding?
- (7) How will recent political changes impact on the ability of your region to foster higher rates of entrepreneurship?
- (8) How will governance arrangements change (in relation to enterprise and economic development) in your region in the coming years?

Summary of key responses

- (1) Harnessing entrepreneurship is central to regional economic strategy
- (2) Broad definitions of entrepreneurship are used
- (3) Enterprise policy is approached in a number of ways, with two key types: short-term business support measures and long term measures which aim to harness cultural change
- (1) Start-up strategies are important; but targets have not been helpful or useful
- (2) Entrepreneurship policy should not be seen as simply a business start-up strategy
- (3) Previously, success at the regional level has been linked to meeting start-up targets imposed centrally, and this has led to tensions in central–local policy making with regard to monitoring impacts
- (4) Supporting start-ups is still important, but there is recognition that they do not allow lagging regions to close the gap with other regions, as they will only grow in line with the national start-up rate
- (1) Policy is becoming more focused and that is leading to greater emphasis on supporting high-growth businesses and longer term interventions in the education system to improve the enterprise culture
- (1) Interventions to improve culture in schools are seen as being (potentially) successful although the benefits will only be able to be measured in the long term
- (2) In each of the regions, policy makers see perceptions of entrepreneurship as career choice improving due to interventions in the education system
- (1) Cluster strategies have not improved economic development in the lagging regions
- (2) More successful and prosperous regions have maintained their ability to attract investment in high growth sectors
- (1) Each of the regions has reviewed its governance structures and priorities
- (2) With changes in structure and less money to spend on interventions, support is becoming more focused while retaining emphasis on short-term and long-term drivers of entrepreneurship
- (1) In England and Scotland, there is a general shift towards more local level interventions, while in Wales support is becoming more centralised
- (2) It will take time for the governance structures to be fully embedded and therefore commitment is required to see them through
- (1) In England, there is uncertainty around the scope and remit of the LEPs. They are taking time to develop and embed themselves in policy and practice
- (2) In Wales and Scotland, policy makers stated that they hoped there would be no more changes in the coming years, so that some long-term strategy building can take place within settled governance arrangements

Table VI.
Summary responses
to key questions
posed to regional
policy makers

resulting in policy moving in opposite directions across regions. The fact that regional governance systems are evolving in different ways is to some extent a double-edged sword. Positively, perhaps, it is resulting in more variety in regional policy mechanisms. On the other hand, however, it is not allowing regional policy the stability and patience policy makers consider their strategies to require to prove their effectiveness.

In Wales, entrepreneurship policy is becoming more centralised, with English policy becoming ever more decentralised through structures such as the LEPs and programmes such as the Enterprise Zones. This means that policy in Wales is less likely to be able to account for uneven geographies of entrepreneurship and local economic conditions. Scotland has similarly seen further devolution of enterprise strategy to the local level, with local authorities being given responsibility for delivery of support. While this provides flexibility in delivery, concerns were raised by policy makers with regard to the lack of joined-up strategies for harnessing entrepreneurship and variability in the quality of advice and support offered.

With the change of government in the UK from the Labour Government of 1997-2010 to the Conservative-Liberal Democrat coalition, governance arrangements have also changed in England in light of the introduction of LEPs and enterprise zones. These new governance arrangements may be able to bring about progress in enterprise policy development if they harness effective partnerships between the public and private sectors, and also if they consider links between urban and rural economies – particularly as enterprise policies have generally thus far lacked any distinct approaches to rural enterprise.

6.2 Policy formulation

The analysis demonstrates that policy formulation falls into two broad typologies: first, interventions addressing short-term concerns, such as business start-up interventions; and second, interventions addressing the long term such as education policy and attempts to influence culture. Previous enterprise development policies have been linked to business start-up strategies, with each of the three regions having targets for increasing the number of new ventures through the adoption of an “any business will do” approach. As the interview evidence indicates, however, policy makers are increasingly required to make significant choices about what actions they take to support entrepreneurship. With fewer resources available for supporting business start-ups and the survival and growth of existing firms, the choices made in the coming years will have an impact on each of the regions’ capability to foster higher levels of entrepreneurship and thereby improve their economies.

Policy, therefore, is moving away – albeit perhaps slowly and uncertainly in some areas – from supporting any and all entrepreneurs to a greater focus on high growth businesses. However, much of the success of activities in this area rests on the ability of enterprise support agencies to “pick winners”, i.e. those that will be successful and benefit growth (Desrochers and Sautet, 2004, 2008). Kirzner (1979) argues that policy makers do not always have the incentive, and do not always possess the knowledge that would help them, to succeed in the selection process. Clearly, if this is the case, there is no reason to think that this form of support will achieve a positive outcome (Kirzner, 1985; Desrochers and Sautet, 2004, 2008).

It is clear that changing governance arrangements are facilitating the evolution of enterprise policy. For instance, the Welsh Government has refocused enterprise support away from aiming to support all businesses to more focused strategies which aim to provide an economic environment which can harness entrepreneurship and

targeted support for specific sectors (Welsh Government, 2010). Scottish Enterprise has reoriented its business support initiatives away from increasing the number of business start-ups in favour of encouraging the growth of existing firms, with the rationale for the change being recognition that the business birth rate strategy has “failed” (Scottish Enterprise, 2010). In England, with the disbandment of the RDAs and creation of LEPs, policy and delivery is also evolving, with a diminished regional dimension and more focus on where resources are seen to have the biggest impact (HM Government, 2010).

6.3 Future policy formulation

In terms of future policy development, the continual alteration of the geographic scale of sub-national intervention with every change of political administration is at odds with the type of policy patience that is vital if entrepreneurial cultures are to be successfully nurtured in lagging regions. Therefore, while the government may change the geographic level at which it intervenes, it should not seek to wholly dismantle the components of existing policies, but build upon them to ensure their sustainability, continued momentum and the best opportunity to improve regional economic development. Particular consideration should be given to the need for target setting to be more realistic in terms of the timescales within which success or otherwise can be effectively measured. Immediate impact is less likely in the area of entrepreneurship policy, compared with other economic development policy areas, and requires long-term engagement.

In general, the study finds that policy makers have not learnt previous lessons regarding the ineffectiveness of business start-up targets. As such, rather than focusing on start-ups policy makers should strive to understand the enterprise culture in their regions and how the perceptions of entrepreneurs and potential entrepreneurs impact on entrepreneurial outcomes. Cultures of entrepreneurship vary markedly across population groups and geographical areas, and individuals may be motivated by social goals rather than profit, and if policies are to succeed they must have a clear sense of the culture they are targeting and the improvements they are seeking to make (Williams and Williams, 2011).

In terms of governance arrangements, centralised policy will continue to favour top-down approaches to policy, including sector strategies, while decentralised policy allows for more bottom-up development and variation in approaches. While, for example, the Welsh policy approach of supporting specific sectors can only be judged over the long-term, such strategies may demonstrate that UK regional economic development policy makers must do more to learn lessons from other regions (Tully and Townsend, 2002; Martin and Sunley, 2003; Desrochers and Sautet, 2004, 2008; Huggins and Izushi, 2007; Huggins, 2010).

Finally, the findings from this paper strongly suggest that enterprise policy requires long-term commitment, with interventions being required to survive changes in approaches to governance if they are to ever be effective; something which has been far from the case in recent years. While policies such as business birth-rate strategies have illustrated policy makers proclivity for short-term targets, there is a need for approaches which take a longer-term view of enterprise development. Furthermore, start-up rates should not necessarily be expected to act as a measure of success in closing enterprise gaps between regions (Anyadike-Danes and Hart, 2006). To an extent, regional start-up rates are linked to the strength of the national economy, and as such regional policy in this area may be limited, resulting in it being questionable whether policy will naturally lead to increased

levels of entrepreneurship or even that “more is better” (Bridge, 2010). Indeed, start-up targets may simply serve to support lifestyle businesses with little prospect of contributing positively to regional employment, innovation or productivity and may displace existing entrepreneurial activity (Greene *et al.*, 2004, 2007; Shane, 2009).

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