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# Adaptive capacity and the responses of local governance actors to evolutionary political-economic change: lessons from the Heart of the South West Local Enterprise Partnership

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**UNIVERSITY OF  
PLYMOUTH**

**ADAPTIVE CAPACITY AND THE RESPONSES OF LOCAL GOVERNANCE ACTORS TO  
EVOLUTIONARY POLITICAL-ECONOMIC CHANGE:  
LESSONS FROM THE HEART OF THE SOUTH WEST LOCAL ENTERPRISE PARTNERSHIP**

by

**TIM SYDENHAM**

A thesis submitted to the University of Plymouth in partial fulfilment for the degree of

**DOCTOR OF PHILOSOPHY**

School of Geography, Earth and Environmental Sciences

**April 2022**

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### **Author's declaration**

At no time during the registration for the degree of Doctor of Philosophy has the author been registered for any other University award without prior agreement of the Doctoral College Quality Sub-Committee.

Work submitted for this research degree at the University of Plymouth has not formed part of any other degree either at the University of Plymouth or at another establishment.

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# **Adaptive capacity and the responses of local governance actors to evolutionary political-economic change: lessons from the Heart of the South West Local Enterprise Partnership**

**Tim Sydenham**

## **Abstract**

This thesis critically examines how micro-level adaptive processes and capacities operate and unfold in local/regional economic development governance in the context of cumulative and often disruptive political-economic change. It argues that states often seek to promote the adaptability and growth of local/regional economies by reconfiguring subnational governance arrangements but the evolutionary consequences of centrally driven state transformation processes for local/regional adaptation remain unclear. Evolutionary economic geography (EEG) provides concepts, mechanisms and models of adaptation but has tended to focus on firms and macro-structural economic change and pay limited attention to how the critical micro-level adaptive processes at work are influenced by power relations, political factors, and the state.

This thesis focuses on England's evolving economic development governance landscape to investigate how institutional configurations and governance mechanisms promote or inhibit how local governance actors adapt to change and enact place-based leadership. Addressing EEG's need for more qualitative case studies, the research employed secondary document analysis, in-depth interviews with 'elites' – senior-level professionals and politicians – and meeting observations enabled by gatekeeper-informants to examine the emergence and evolution of the Heart of the South West Local Enterprise Partnership.

The research showed that, in novel and incoherent institutional-geographical contexts permeated by intensive state restructuring, local agents are predisposed to focus more on the immediate political problems generated by their central government principals than on addressing longer-term economic problems that are, ostensibly at least, the purpose of restructuring. The thesis argues that this can have an acculturating effect as adaptation to the pressures of evolutionary state transformation becomes routinised in local/regional economic development partnerships. Micro-level adaptation unfolds as a power-inflected, multi-dimensional process with political and economic strands. Static institutional fixes are undermined by dynamic adaptive processes, and micro-level adaptive capacities – learning, networking, storytelling and sensemaking – are diverted by governance mechanisms in ways underplayed in existing research. By critically examining the risks inherent in the state's continuing experimentation with scales and forms of economic development governance, the thesis informs academic and policy endeavours to understand and facilitate political-economic change in a way that more effectively nurtures local/regional adaptive capacity.

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## Abbreviations

|       |  |
|-------|--|
| BIS   | Department for Business, Innovation & Skills               |
| CAS   | Complex Adaptive Systems                                   |
| CloS  | Cornwall & Isles of Scilly                                 |
| CLGU  | Cities & Local Government Unit                             |
| EEG   | Evolutionary Economic Geography                            |
| EU    | European Union   |
| GD    | Generalized Darwinism                                      |
| GOR   | Government Office for the Region                           |
| GPE   | Geographical political economy                             |
| HotSW | Heart of the South West                                    |
| LEP   | Local Enterprise Partnership                               |
| LGF   | Local Growth Fund  |
| MAA   | Multi-Area Agreement                                       |
| MOD   | Ministry of Defence  |
| NEET  | Not in Education, Employment or Training                   |
| PBL   | Place-based Leadership                                     |
| PCC   | Plymouth City Council                                      |
| RDA   | Regional Development Agency                                |
| SNR   | Sub-National Review of Economic Development & Regeneration |
| STEM  | Science, Technology, Engineering & Mathematics             |
| SWRDA | South West Regional Development Agency                     |
| TEC   | Training & Enterprise Council                              |

## **1. INTRODUCTION**

### **1.1 Research background and rationale**

#### **1.1.1 *Empirical focus***

In England, local/regional economic development governance has been subject to ongoing restructuring (Pike *et al.*, 2015). In 2010, the newly elected UK Coalition government perpetuated this trend by dismantling regionalism, positioning 'localities' as the natural units of political-economic geography and introducing thirty-nine Local Enterprise Partnerships (LEPs) to provide vision and strategic leadership 'to help strengthen local economies' (HM Government, 2010b). Arguing that localities should make their own choices and accept the consequences of those choices, the Coalition initially adopted a permissive stance towards the appropriate geographical scale and institutional form of partnerships (Clarke & Cochrane, 2013). Localities with a history of collective action reshaped existing partnerships (Pugalis, Shutt & Bentley, 2012), but those facing legacies of administrative fragmentation and institutional friction had to forge new partnerships on the basis of novel and often incoherent geographies that were inconducive to rapid mobilisation and collective adaptation (Balch, Elkington & Jones, 2016; Pugalis *et al.*, 2015).

From 2010 to 2016, local governance actors faced continuing institutional change. Early criticism of LEPs as 'toothless tigers' (Pugalis & Shutt, 2012), and an intervention by Lord Heseltine (2012) to argue that inter-locality competition for funding would stimulate

growth, prompted a 'significant' expansion in LEPs' responsibilities including bidding for and delivering their share of a new £12 billion Local Growth Fund (National Audit Office, 2016a). Seeking to encourage local growth while retaining influence over the spending of supposedly autonomous LEPs, central government experimented with a succession of governance mechanisms including novel funding instruments and competitive 'deal-making' modes of interaction (O'Brien & Pike, 2019). Continuing experimentation left the actors responsible for enacting 'place-based leadership' (PBL) and unlocking growth navigating a complex and evolving political-economic landscape. These dynamics are illustrative of wider processes and debates within the economic geography literature. The experience of England's LEPs is therefore an opportunity to examine how processes of state transformation, intended to promote local/regional economic change, shape local governance actors' capacities to adapt to and enact such change.

### ***1.1.2 Policy context***

Amid stubbornly uneven levels of growth and development (OECD, 2021), understanding why some economies get locked into suboptimal trajectories, lose dynamism and become uncompetitive (Hudson, 2005b), while other economies break free from such paths (Harrison, 1984), remains an important policy and academic endeavour (Hodgson, 1993; OECD, 2018; Simmie et al., 2006). In Western nations, neoliberal discourses emphasising market-driven growth and locational competitiveness mean that local/regional economies have become targets for policies intended to enhance economic performance (Brenner, 2004; Jessop, 1993; Storper, 1997). Driven by the idea that 'good governance' and PBL at the subnational level

promotes resilience and growth, attention has turned to improving and streamlining local/regional economic development governance (Hudson, 2006; OECD, 2019; Pike & Tomaney, 2009; Rodríguez-pose, 2013; Sotarauta & Beer, 2017).

Local governance actors are thus positioned ostensibly as crucial players in the shaping of economic evolution (Bristow & Healy, 2014a). Such actors are expected to mobilise and coordinate collective action on the basis of a geographically and historically sensitive long-term vision and sense of direction around which diverse actors and organisations can coalesce (Beer & Clower, 2014; MacKinnon et al., 2019). It is argued that, through such means, ‘place leaders’ can shape the trajectory of local/regional economies (Grillitsch & Sotarauta, 2020; Stimson, Stough & Salazar, 2009). However, coalition building in complex, multi-actor networks is difficult (Harvey, 1989) and actors must adapt to a diverse array of pressures including global economic integration and restructuring, de-industrialisation, technological disruptions, and recessionary shocks (Martin, 2010).

The evolving processes of state transformation that characterise local/regional governance typically arise from central governments’ search for appropriate scales and forms to promote the adaptability of subnational economies without relinquishing their ability to influence and control the direction of economic development to ensure it remains consistent with government priorities (Pike et al., 2015). Experimentation with institutional configurations and governance mechanisms, often entwined with the pursuit of other policy goals (e.g., net zero) and responses to other events (e.g.,



recession and budget austerity), means that economic development governance is subject to cumulative and often disruptive change (Fuller, 2018; Kim & Warner, 2018; O'Brien & Pike, 2019; Pike *et al.*, 2018). Local governance actors, who operate 'in the shadow of hierarchy' (Jessop, 2004), must therefore shape local/regional economic evolution in a political context that is itself undergoing evolution and/or transformation.

Despite the policy emphasis on PBL and institution building as enablers of economic evolution (Beer *et al.*, 2019), it remains unclear how local governance actors collectively enact purposive adaptation in the face of such political-economic change (Oosterlynck, 2012; Uyarra *et al.*, 2017). This suggests that central governments seek to influence and facilitate micro-level adaptive processes with only limited understanding of how they operate and unfold at the local/regional level (Bristow & Healy, 2014a). For instance, how do different institutional configurations and governance mechanisms promote or inhibit adaptation in particular places with diverse, and sometimes contested, origins, inheritances, and trajectories? How does central government's experimentation with different scales and forms of governance over time affect micro-level adaptive processes in different contexts? What are the evolutionary consequences of centrally driven state transformation processes for local/regional adaptation?

Such questions are important because if we can understand how local governance actors make sense of, and respond to, political-economic change, and how power relations and institutional dynamics influence local economic evolution, then we can begin to think more effectively about facilitating change in a way that better nurtures

local/regional adaptive capacity. An improved understanding of such processes thus holds promise for informing efforts to construct and embed local institutional frameworks that enable and ‘empower’ local governance actors to shape economic change – a key tenet of the UK government’s ‘plan for growth’ (HM Treasury, 2021b, p.78).

### ***1.1.3 Theoretical background, research problem, and gaps in existing research***

The ‘evolutionary turn’ in economic geography has opened up new ways of thinking about economic change (Boschma & Martin, 2007). In contrast to neoclassical, equilibrium-based accounts of economic forces (Krugman, 1991), evolutionary approaches in economic geography (EEG) focus on how dynamic processes of cumulative change lead over time to uneven geographical development (MacKinnon, 2008).

The notion of the dynamic, cumulative, differential and often irreversible unfolding of paths over time is at the heart of evolutionary accounts of economic change (Hodgson, 1993). It explains why local/regional economies tend towards ‘path dependence’: ‘an inability to shake free of their history’ (Martin & Sunley, 2006, p.399). According to this concept, the developmental sequences of local/regional economies, including any initial advantages, are reinforced by positive feedback mechanisms that can ‘lock-in’ particular path trajectories (Arthur, 1989; David, 1985; Martin, 2010). By this process, the very assets – natural; infrastructural and material; industrial and technological; institutional;

and human and relational (MacKinnon *et al.*, 2019; Martin & Sunley, 2006) – that foster economic growth and competitiveness can, over time, lock economies into trajectories of decline or growth (Grabher & Stark, 1997). Grabher's (1993) analysis of the decline of the industrial Ruhr area in Germany, for instance, illustrates how an economy's initial strengths can become obstacles to change by 'crowding out' innovation. EEG research argues that the ability of local/regional economies to 'de-lock' themselves and 'break free' from such suboptimal trajectories, and create and evolve new paths, rests on their 'adaptive capacity' (Hu & Hassink, 2017). It is therefore crucial to understand what determines their capacity to adapt (Martin & Sunley, 2006).

As will be discussed in Chapter 2, the EEG literature provides a rich palette of concepts, mechanisms and models of evolution and adaptation (Martin & Simmie, 2008). However, it has tended to focus on macro-structural economic change (Boschma & Martin, 2007) and pay limited attention to the micro-level adaptive processes at work (MacKinnon *et al.*, 2019; Grillitsch & Sotarauta, 2020). In 'complex adaptive systems' (CAS) theory, macro-structural change and adaptation emerge from micro-level interactions (Bristow & Healy, 2015; Hu & Hassink, 2017; Martin & Sunley, 2007). In contrast to complex biological systems where self-organisation is typically regarded as a *spontaneous* process (Darwin, 1998; Hodgson & Knudsen, 2006), in the socio-economic sphere, emergence and adaptation are conceptualised as *reflexive* and *intentional* evolutionary processes (Hannan & Freeman, 1984; Lamarck, 2011) with knowledgeable human agents the source of the novelty that generates evolutionary momentum (Beinhocker, 2006).

Understanding the adaptability of complex local/regional economic systems therefore requires an understanding of the micro-level adaptive learning and behaviour of networked agents (Martin & Sunley, 2015). However, this has not yet been satisfactorily developed in EEG because, despite recent endeavours to accommodate the role of agency (e.g., Dawley, 2014; MacKinnon *et al.*, 2019), too little EEG research has examined micro-level interactions (Bristow & Healy, 2014a). Key questions for EEG research remain (Bristow & Healy, 2014b; Pike *et al.*, 2016): (i) *who* is undergoing adaptation to *what*? (ii) *who* is demonstrating adaptability to *what*? and (iii) *how* do different micro-level adaptive processes operate in different contexts?

EEG's response to these questions has also been criticised for being too firm-centric (Pike *et al.*, 2009) and for underplaying political factors (Morgan, 2012; Oosterlynck, 2012) and the shaping role of the state (Bristow & Healy, 2014a; Dawley, 2014; Hodgson, 2009). State 'rescaling' and 'reshaping' processes are enacted in the pursuit of political-economic objectives and agendas that are often contested (Brenner, 2004; Jessop, 2004). Conceptualising the state as a complex social relation (Poulantzas, 1978) or peopled organisation (Jones *et al.*, 2004), wherein political forces with differential capacities are engaged in a continual process of scalar and strategic selectivity aimed at harnessing state power (Jessop, 1990), directs attention towards the interactions of governance actors (Bristow & Healy, 2014b). Micro-level struggles over the construction of particular state forms at particular scales make institutional emergence a complex and power-inflected evolutionary process (Jessop, 2001; Martin & Sunley, 2015). The

very act of state transformation unleashes periods of uncertainty and fluidity (Pike *et al.*, 2015). Place leaders must therefore respond to both economic change *and* the continually evolving processes of state transformation intended to help shape this change. This thesis argues that, while governance actors and their micro-level interactions and power relations play a crucial role in the evolution of local/regional economies (Pike & Tomaney, 2009), existing EEG research underplays the extent to which these actors adapt and demonstrate adaptability to pressures associated with state restructuring.

As will be discussed in Chapter 3, state intervention can unfold in unintended ways (Bell & Hindmoor, 2009). In complex systems, governance is contingent and provisional, and steering attempts can prove counterproductive even for those who institute them (Jessop, 2003). Power dependence in governance networks means that attempts by central government to dominate the exchange through governance mechanisms provoke ‘unintended consequences’ (Hudson, 2007; Stoker, 1998) which can prompt yet more experimentation (Bell & Hindmoor, 2009). This fuels a continuing, dialectical interplay between state structures and the strategies of social forces (Jessop, 1990). Local/regional governance is, in this sense, a large-scale, unfolding, principal-agent problem (Storper, 2013). The literature emphasises that local governance actors often resist central control (Davies, 2005; Harvey, 1989; Hudson, 2006; Jones *et al.*, 2004) or seek to interpret it to their own purposes (MacKinnon, 2000; Sabatier, 1986). However, this thesis argues that an evolutionary perspective reveals micro-level responses to state

transformation unfolding in other ways, with important implications for understanding adaptive processes and capacities at the local/regional level.

An emergent, evolutionary ‘geographical political economy’ (GPE) approach has begun the process of integrating economic and political factors and examining how power, politics, and state actors shape local/regional economic adaptation (MacKinnon *et al.*, 2019; Pike *et al.*, 2009). However, empirical evidence remains sparse and EEG lacks in-depth, qualitative case studies (Boschma & Frenken, 2009; Bristow & Healy, 2014a; Hu & Hassink, 2015; MacKinnon *et al.*, 2009). Despite continuing efforts to optimise PBL and subnational governance in a way that promotes resilience and growth (OECD, 2019; Pike & Tomaney, 2009; Rodríguez-pose, 2013; Sotarauta & Beer, 2017), too little is known about how local governance actors seek to exercise ‘change agency’ (Grillitsch & Sotarauta, 2020) and respond and adapt to pressures in the context of such political-economic change.

## **1.2 Research aim, design, and questions**

### **1.2.1 Research aim and contribution**

This thesis aims to advance understanding of how micro-level adaptive processes and capacities operate and unfold at the local/regional level in the context of cumulative, and often disruptive, political-economic change. It does so by investigating how, and drawing on what capacities, governance actors involved in the Heart of the South West (HotSW) LEP enacted, responded and adapted to such change from 2010 to 2016.

The thesis contributes to EEG research by enriching understanding of how micro-level adaptive processes operate and how this is influenced by power, politics, and shifting central-local relations. Addressing calls for embedded agents, institutional dynamics and power relations to be incorporated into an evolutionary perspective (MacKinnon *et al.*, 2009; Martin & Sunley, 2015), it integrates insights and concepts from the EEG, state rescaling and governance literatures to characterise state transformation as an evolutionary process and pressure necessitating adaptive capacity. Providing much-needed empirical evidence (Bristow & Healy, 2014a; MacKinnon *et al.*, 2009), the thesis reveals the adaptive processes and capacities – including learning, networking, storytelling and sensemaking – through which local governance actors seek to enact PBL and exercise change agency in the context of political-economic change. It identifies tensions between state restructuring and micro-level adaptive processes, and it explains how and in what contexts the disruptiveness of central government’s experimentation with institutional configurations and governance mechanisms can divert local governance actors’ adaptive capacity. By revealing and critically examining the risks inherent in the state’s tinkering with, and optimisation of, local/regional economic development governance, the thesis informs academic and policy endeavours to understand and facilitate political-economic change in a way that more effectively nurtures local/regional adaptive capacity.

### **1.2.3 Research questions**

This thesis adopts an evolutionary approach to examine the emergence of the HotSW LEP and investigate how, and drawing on what capacities, the local governance actors involved in this power-inflected process enacted, responded and adapted to political-economic change. It aims to advance understanding of how micro-level adaptive processes and capacities operate and unfold at the local/regional level in contexts permeated by intensive state restructuring. The thesis seeks to be theoretically informed and theoretically informative, employing conceptual insights to analyse empirical evidence and using empirical findings to examine theory (Castellacci, 2006). Given this deductive-inductive dialectic (Yeung, 1997), the following research questions were formulated to direct both empirical and theoretical investigations through the HotSW LEP case study:

1. How did processes of state transformation unfold? This question directs attention to structural factors including the institutional regime (North, 1990) and wider political-economic processes (MacKinnon *et al.*, 2019). It focuses on how institutional fixes, funding regimes and governance mechanisms unfold (Deas, Hincks & Headlam, 2013), how this affects principal-agent relations (Storper, 2013), and the unintended consequences of such experimentation (Bell & Hindmoor, 2009). It foregrounds questions of power: how political forces, with differential capacities, engage in scalar and strategic selectivity (Jessop, 1990), and how local and national state and non-state bodies navigate shifting central-local relations (Pike *et al.*, 2015).



2. How did actors experience and respond to the pressures they faced? This question focuses on the micro-level adaptive *processes* at work, including how actors make sense of exogenous pressures and endogenous developments (Pike, Dawley & Tomaney, 2010), interpret their changing roles, responsibilities and relationships (Jones *et al.*, 2004), perceive opportunities (Jessop, 2001), modify their behaviour (Martin & Sunley, 2015) and seek to enact PBL and shape the trajectories of local/regional economies (Grillitsch & Sotarauta, 2020). It directs attention to micro-level interactions and adaptation (Bristow & Healy, 2014b) – central-local and local-local – and how different actors play different roles and exert different levels of influence in different contexts (Grillitsch & Sotarauta, 2020).
  
3. How were actors able to enact purposive adaptation in this context? This question focuses on micro-level adaptive *capacity* (Hu & Hassink, 2017), on how actors' purposive adaptation and attempts to evolve path trajectories are enabled or inhibited by actors' differential capacities to adapt (Jessop, 2001). It directs attention to how power, politics, processes of state transformation and particular institutional-geographical contexts influence, and are influenced by, actors' harnessing of particular adaptive capacities (Bristow & Healy, 2014a; MacKinnon *et al.*, 2019) and how an improved understanding of such capacities may inform efforts to facilitate political-economic change in a way that more effectively nurtures local/regional adaptive capacity.

### **1.2.2 Research approach and considerations**

This thesis ‘follows the path’ (Peck & Theodore, 2012; Pike *et al.*, 2016) of the HotSW LEP during the period 2010 to 2016 to examine how micro-level adaptive processes unfold in economic development governance networks undergoing political-economic change. With its novel and polycentric institutional-geographical arrangements (encompassing seventeen mainly rural local authorities intersecting five functional economic areas), the HotSW LEP offers a critical case example of the multiple pressures necessitating micro-level adaptive capacity in many LEPs and more widely in subnational partnerships subject to complex, evolving, multi-scalar forms of governance.

As will be discussed in Chapter 4, ‘critical’ single-case studies can be used to operationalise conceptual insights and develop and modify theories (Barzelay, 1993; Yin, 2014). In ‘critical realism’ – the perspective adopted in this thesis – theory building and conceptualisation help to develop understanding (Sayer, 1992) while recognising that theories cannot capture the full complexity of social reality and the ways theory-laden interpretations of research findings are context-dependent and constructed from a particular vantage point (Maxwell, 2012).

Critical realist and evolutionary perspectives on economic transformation are aligned in (i) viewing the complexity of social reality and economic systems as driven by the interactions of actors who are embedded in social structures and particular historical and geographical contexts (Castellacci, 2006; Essletzbichler, 2009) and (ii) focusing on

the processes and mechanisms through which economies and societies are transformed (Bhaskar, 1979; Veblen, 1898; Witt, 2003). Neither perspective prescribes a particular methodological approach (Boschma & Martin, 2007; Pike *et al.*, 2016; Yeung, 1997), though critical realists prefer qualitative methods 'owing to the deep and context-dependent insights into real processes that case-study based research makes it possible to achieve' (Castellacci, 2006, p.871).

To address the gaps identified in existing research on how power-inflected micro-level adaptation works in the detail, a single-case design was selected to achieve the 'deep contextualisation' (Martin & Sunley, 2015) and 'rich detail' (Silverman, 2017) that intensive single-case studies offer over cross-unit analysis (Flyvbjerg, 2011). The HotSW LEP featured important sub-units of analysis: the individual actors (and organisations) involved, and three significant political-economic processes (evolutionary, institutional, and governance-related) through which the roles and relationships, actions and interactions, beliefs and capacities of actors could be examined. However, this qualitative, single-case approach – which employed in-depth 'elite' interviews, meeting observations, a critical review of secondary sources, and triangulation – has implications for the interpretation of findings and the forcefulness of explanations (Hoggart, Lees & Davies, 2002). This is important because this thesis makes tentative claims about the implications of particular institutional-geographical contexts for the operation and unfolding of micro-level adaptive processes. In Chapters 4 and 10, these implications and limitations are discussed and potentially fruitful avenues for future comparative research are explored.

Before introducing the research questions, it is necessary to define and clarify some terms. In this thesis, the term ‘political-economic’ is deployed in its classical sense – rather than, for instance, its Marxian or neoclassical sense – and refers simply to the interaction of political and economic factors and relations (Hooks & Crookston, 2013). In respect of analytical levels, the terms ‘local/regional’ and ‘subnational’ are used largely interchangeably because, conceptually, defining localities and regions is challenging and context-dependent (Hudson, 2007; Pike, Rodríguez-Pose & Tomaney, 2007; Storper, 1997) and, empirically, LEPs occupy a geographical (and administrative) space between English regions and local authorities. Different scales are, however, distinguished where there are important theoretical, empirical, or contextual grounds for doing so.

The boundaries of local/regional economies are conceptualised as both territorial and relational (Goodwin, 2013). Reflecting this thesis’ attentiveness to power and politics, places are (in relational terms) viewed as ‘historically constructed assemblages of actors whose interests will sometimes diverge and come into conflict’ (MacKinnon *et al.*, 2009, p.139). It is difficult to distinguish between ‘endogenous’ and ‘exogenous’ pressures facing local/regional economies and their actors and institutions because the boundaries of local/regional economies are open and porous, particularly in relational terms (MacKinnon *et al.*, 2019), and because the interpenetration of such pressures is profound and recursive (Martin & Sunley, 2006). For analytical purposes, however, this thesis often distinguishes between endogenous and exogenous pressures based on its

conceptualisation of the HotSW economy as a CAS (Bristow & Healy, 2015; Martin & Sunley, 2015).

Distinguishing between institutional and agentic levels of analysis (e.g., LEPs/local authorities vs individual actors) does not imply an arbitrary separation between structure and agency. As will be discussed in Chapter 2, institutions and structures should be understood in relation to their mutually constitutive and recursive relationship with actors (Giddens, 1984; Jessop, 1990). Actors are, in this sense, embedded in structures of social relations (Granovetter, 1985). A further distinction is drawn between the finite *process of adaptation* and the recurrent *capacity for adaptability* (Grabher & Stark, 1997; Hu & Hassink, 2017; Pike, Dawley & Tomaney, 2010). In these terms, *adaptation* is the *process* by which actors adapt to pressures (Mackinnon, 2017) and *adaptability* is the dynamic *capacity* to shape evolutionary trajectories (Pike, Dawley & Tomaney, 2010). The research questions reflect these distinctions.

### **1.3 Thesis structure and content**

Having introduced key policy issues, themes and ideas in this chapter, Chapters 2 and 3 situate this research in recent theoretical debates and review the EEG, state rescaling and governance literatures to identify conceptual insights that inform the remainder of the thesis.

Chapter 2 reviews the EEG literature (the main theoretical foundation of this thesis), examines its key concepts, mechanisms and models of evolution, and establishes the importance of adaptation and adaptability in evolutionary explanations of local/regional economic change. Three gaps are identified in existing EEG research: (i) its limited understanding of how micro-level adaptive processes and capacities operate and unfold in particular contexts; (ii) its lack of empirical research, particularly qualitative case studies; and (iii) its relative neglect of the role of the state. To inform the thesis' approach to the first, the chapter addresses questions of structure and agency, drawing on ideas from institutional, relational and political approaches to economic geography. It critically reviews the 'opportunity space' framework – Grillitsch & Sotarauta's (2020) endeavour to operationalise 'embedded agency' in EEG research – and explores forms of micro-level adaptive capacity including learning, networking, storytelling and sensemaking. The chapter examines PBL as a means for enacting purposive adaptation in governance contexts wherein the state plays an important shaping role. Chapter 3 conceptualises the state in 'strategic-relational' terms and integrates ideas from the EEG, state rescaling and governance literatures to characterise: (i) state transformation as a power-inflected evolutionary process and (ii) local/regional governance as a large-scale, unfolding, principal-agent problem. The chapter examines how pressures associated with processes of state rescaling and reshaping can produce unintended consequences.

Chapter 4 sets out the research approach. It discusses the alignment of evolutionary and critical realist perspectives and the selection of the HotSW LEP case study. It considers

the methodological implications and limitations of a qualitative, case study approach, addresses ethical considerations, and emphasises the importance of triangulation, reflexivity, positionality, and context. Chapter 5 establishes the case study context and background by examining the introduction and evolution of LEPs. It loosely adopts a 'follow the path' approach and deploys concepts from Chapters 2-3 to unveil the continually evolving processes of state transformation that characterise the recent history of economic development governance in England. Chapters 6-8 deploy concepts from Chapters 2-3 to examine how state transformation processes unfolded in the HotSW LEP, providing richly detailed empirical evidence and 'following the path' of economic development governance in and around the HotSW LEP area from 2010 to 2016.

Chapter 6 examines how the HotSW LEP emerged from the dismantling of regionalism and evolved in its early years. It examines the pressures associated with processes of state transformation and how these were exacerbated by novel and incoherent institutional-geographical arrangements that created conflicts of allegiance and engendered prolonged bouts of sensemaking. The chapter unveils the evolutionary and adaptive processes evident during this period of change (2010-2014).

Chapter 7 focuses on the 2013-14 negotiation of the Plymouth City Deal, the first central-local 'deal' to be agreed in the HotSW area. The chapter examines how the city of Plymouth emerged from a lengthy period of crisis, how the City Deal partnership and proposal were constructed, and how local actors and institutions navigated shifting

central-local relations. It argues that learning, networking, and storytelling capacities enabled local governance actors to secure a City Deal but any emergent PBL was undermined both by relatively weak ties of association across the partnership and by central government's decision to shift its focus to Growth Deals.

Chapter 8 focuses on the evolutionary and adaptive processes, and the central-local, local-local, and intra-LEP tensions, evident during the 2014-16 negotiation of three Growth Deals. It examines the unintended consequences of central government's state restructuring and 'competitive localism' rhetoric, arguing that the HotSW LEP's conversion to a 'conduit for funding', in the context of its complex institutional-geographical arrangements, both enabled and inhibited the operation and unfolding of micro-level adaptive processes and capacities. The chapter explores how cumulative short-term adaptation to central government steering regularly 'crowded out' longer-term strategy and project development.

Chapter 9 discusses the major findings and examines their significance in the context of the wider literature. To inform its analysis and explanations, it reconfigures the 'opportunity space' framework to incorporate institutional and power dynamics, arguing that empirical evidence demonstrates that these are critical factors in analyses of PBL and purposive adaptation in a governance context. Drawing on principal-agent theory and evolutionary theories of learning as a 'problem-driven' adaptive process, the chapter examines the (unintended) consequences of state restructuring for the operation and unfolding of micro-level adaptive processes and capacities. Building on



research on the importance of stability, scale and 'spatial imaginaries' in institution building, and incorporating notions of 'strong and weak ties' and 'institutional loyalty', it discusses how actors' embeddedness in particular institutional-geographical contexts may shape how micro-level adaptive processes unfold. It elaborates these arguments by examining how actors' 'loosely coupled' networking capacities are harnessed and diverted in the context of evolutionary political-economic change, and the implications for central government's continuing experimentation with institutional configurations and governance mechanisms.

In conclusion, Chapter 10 summarises findings, draws together the main arguments, considers policy implications, discusses the strengths and limitations of the research, and advocates future research avenues.

## **2. EVOLUTIONARY ECONOMIC GEOGRAPHY (EEG): MICRO-LEVEL ADAPTIVE CAPACITY**

### **2.1 Introduction**

Chapters 2 and 3 review the two main bodies of work that inform this thesis – EEG and state rescaling / governance – to explore why some subnational economies adapt to change more easily and effectively than others, leading to uneven development, and the role of governance actors in these differential outcomes. The chapters synthesise insights and concepts to characterise state transformation as an evolutionary process in which actors' economic and governance environments are locked in a recursive political-economic relationship. The aim is to situate the thesis in the wider literatures and develop a conceptual framework for analysing how micro-level adaptive processes operate and unfold in contexts of political-economic change.

This chapter investigates the basis for claims that an evolutionary perspective brings a 'unique' (Essletzbichler, 2009) contribution to understanding the uneven development of local and regional economies. However, it argues that, if evolutionary accounts are to explain the adaptability of local/regional economies more fully, then the roles of human agency/actors, institutions, and power relations need to be incorporated more fully into EEG. The chapter achieves this by drawing on ideas and themes that have received more attention in overlapping approaches to economic geography: institutional and relational perspectives (Martin & Sunley, 2006), and an evolutionary GPE approach (MacKinnon *et al.*, 2019).

The chapter is divided into three main parts. Part A critically reviews EEG literature and key concepts, establishes the importance of adaptability to the evolutionary approach, and identifies gaps in relation to human agency/actors, institutions, and power relations (Martin & Sunley, 2015). Part B addresses critical questions of human agency and its recursive relationship with structure (Jessop, 1990), introducing the concept of *embedded* agency (Granovetter, 1985; Martin, 2003). It also introduces the EEG concept of ‘opportunity space’, which seeks to delineate the scope for exercising human agency at any given time, in any given place, by any given agent (Grillitsch & Sotarauta, 2020). Part C turns from the *role/importance* of human agency, and the *opportunities/constraints* on its exercise, to *how* individual actors exercise agency to adapt to change and evolve path trajectories, exploring this through forms of adaptive capacity drawn from EEG and other pertinent literatures.

## **PART A: EVOLUTIONARY ECONOMIC GEOGRAPHY (EEG)**

### **2.2 How economies change/evolve over time, leading to uneven development**

Why some economies become locked into particular trajectories, losing dynamism and becoming uncompetitive (Hudson, 2005b), when other economies de-lock themselves from such paths (Harrison, 1984), has long been the subject of academic and policy debate (Hodgson, 1993; OECD, 2018; Simmie *et al.*, 2006).<sup>1</sup> An evolutionary approach emphasises the path-dependent and historical nature of economic development

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<sup>1</sup> Using commonly cited examples of weak and strong local/regional economic adaptation, Hudson examines the protracted decline of an old industrial region, North East England, and Harrison the path evolution of Route 128 in Massachusetts, USA, from declining textiles ‘rustbelt’ to emergent high-technology complex.

(Storper, 1997). In contrast to neoclassical, equilibrium-based accounts of economic forces (see, for instance, Krugman, 1991), an evolutionary approach rejects the notion of static equilibrium (Hodgson, 1993), and focuses instead on the dynamics of cumulative causation (MacKinnon, 2008). This notion of the cumulative and differential *unfolding* or *unrolling* of paths over time is at the heart of evolutionary accounts (Hodgson, 2009). As such, 'the dynamic process itself takes on an essentially historical character' (David, 1985, p.332). In his account of evolutionary economic theorising, Hodgson argues that many economic theorists have now accepted that the future development of an economic system is affected by the path it has traced out in the past which 'contrasts with the preceding view that, within limits, from whatever starting point, the system will eventually gravitate to the same equilibrium, and thus real time and history could be safely ignored' (Hodgson, 1993, p.203-204). EEG is therefore distinctive in recognising the importance of time and history to a scientific understanding of local/regional economic development (Henning, 2019). History matters in EEG because 'industrial history is literally embodied in the present' (Walker, 2003, p.126) and, therefore, 'the economy inherits the legacy of its own past' (Martin & Sunley, 2006, p.400).

The 'evolutionary turn' in economic geography has, therefore, opened up new ways of thinking about *economic change* and how *processes of cumulative change* lead over time to uneven geographical development (Boschma & Martin, 2007). These fundamental concerns of EEG can be traced back to Thorstein Veblen in 1898, who asked why economics is not an evolutionary science (Veblen, 1898). Veblen argued that, treated as

such, an evolutionary economic science becomes ‘a theory of a process, of an unfolding sequence’ (Veblen, 1898, p.375). Veblen introduced the core evolutionary concept of *adaptation* to explain how these processes of cumulative change, mediated through *the human factor*, unfold over time: ‘The economic life history of the individual is a cumulative process of adaptation of means to ends that cumulatively change as the process goes on, both the agent and his environment being at any point the outcome of the past process’ (Veblen, 1898, p.391). Veblen therefore established the importance of cumulative change and adaptation to an evolutionary account of economic change. Boschma and Martin (2007, p.539) argue that, even today, the basic concern of EEG remains the *forces* of economic change and adaptation, and ‘the processes by which the economic landscape – the spatial organization of economic production, distribution and consumption – is transformed over time.’

In terms of transformational forces, EEG has a particular focus on the *endogenous* processes and mechanisms through which the economy *self-transforms itself from within* (Witt, 2003), the primary source of which is the generation of *novelty* (Hodgson, 1993; MacKinnon *et al.*, 2019). Novelty has been characterised as *adaptability*, a more radical form of evolutionary change, as opposed to the slower-burning change typically associated with *adaptation* (Boschma, 2015a). The notion that economic systems, particularly capitalist systems, contain forces that continually generate novelty and change is associated with Joseph Schumpeter (Schumpeter, 1987) who argues that capitalism, as an evolutionary process, is a form of economic change that cannot stand still: ‘that incessantly revolutionizes the economic structure *from within*, incessantly

destroying the old one, incessantly creating a new one. This process of Creative Destruction is the essential fact about capitalism. It is what capitalism consists in and what every capitalist concern has got to live in' (Schumpeter, 1987, p.83, original italics). Schumpeter's account of the novelty and self-transformation at the heart of the capitalist economic system, generated by entrepreneurial activity and technological development, has inspired a number of EEG works (see, for instance, Dosi *et al.*, 1988). The generation of novelty, together with Veblen's notions of dynamic and cumulative change and adaptation, are foundational ideas in EEG (Hodgson, 1993). Boschma and Martin therefore argue that:

theories on economic evolution have to satisfy three basic requirements: they must be *dynamical*; they must deal with *irreversible* processes; and they must cover the generation and impact of *novelty* as the ultimate source of self-transformation. (Boschma & Martin, 2007, p.537, original emphases)

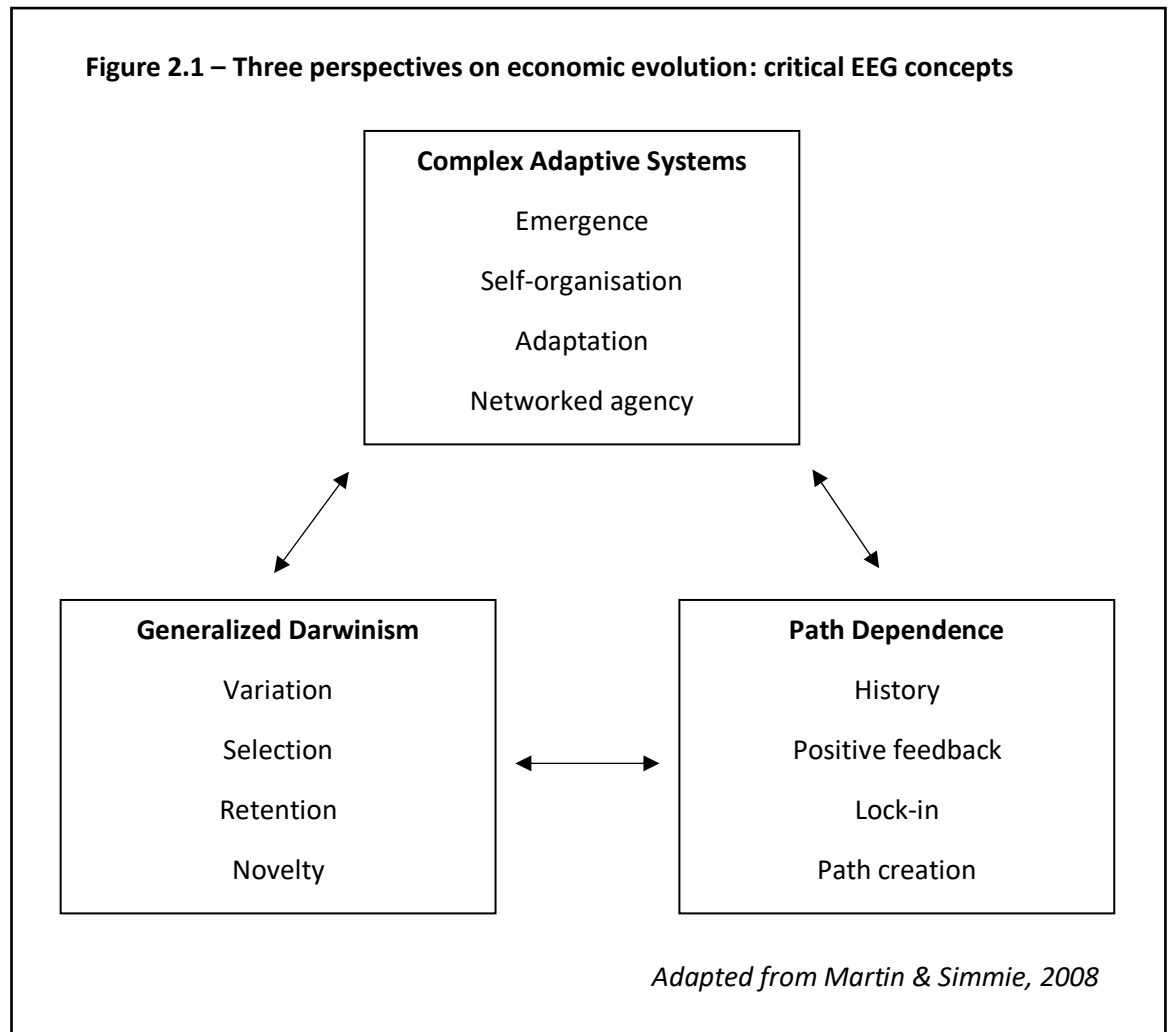
While these requirements of theories on economic evolution are generally accepted in the EEG literature (MacKinnon, 2008), EEG has been criticised for a theoretical and methodological pluralism (Boschma & Frenken, 2006). It has been argued that there is not yet a single, coherent or widely agreed body of theory or methodology that defines the evolutionary approach (Boschma & Martin, 2007), that this 'massive hybridization of theory and method has left it rather analytically adrift' (Dopfer & Potts, 2004, p.537), and that different models of evolutionary change may be applicable to some economic processes and spatial scales but not others (Martin & Sunley, 2015). There have been calls for a clearer, more systematic, theoretical, conceptual and methodological

framework (Essletzbichler, 2009; Grabher, 2009; MacKinnon *et al.*, 2009; Martin & Sunley, 2015; Pike *et al.*, 2016) and a more coherent research paradigm (Essletzbichler & Rigby, 2007). On the other hand, pluralism and methodological openness have been characterised as its strength because the attraction of an evolutionary account is 'precisely its permissiveness towards heterodox perspectives and approaches, and it is perhaps for this reason that a growing number of economic geographers have begun to explore evolutionary economics as a basis for their subject' (Boschma & Martin, 2007, p.538).

### **2.3 Critical concepts in EEG**

Theoretical, conceptual and methodological debates are ongoing, but there is consensus as to the broad aims and objectives of those economic geographers adopting an evolutionary approach: (i) 'to explore what evolutionary principles can be identified that help to explain change and transformation in the economic landscape' (Martin & Sunley, 2015, p.714); and (ii) 'to reveal how situating the economy in space adds to our understanding of the processes that drive economic evolution [...] to demonstrate how *place matters in determining the nature and trajectory of evolution of the economic system*' (Boschma & Martin, 2007, p.540, original italics). Despite the plethora of theories, concepts and methods deployed, three main theoretical perspectives have been identified in EEG (Martin & Simmie, 2008, p.712): generalized Darwinism, complex adaptive systems, and path dependence. These overlapping perspectives (Figure 2.1) are now reviewed in search of 'a richer palette of concepts, mechanisms and models of

evolution and change' (Martin & Sunley, 2015, p.712) to be operationalised in research on the adaptive capacity of actors in local economic development governance.



### 2.3.1 Generalized Darwinism

Generalized Darwinism (GD) asserts that the key ideas and principles in Darwinian evolution provide a general theoretical framework for understanding evolutionary change in non-biological domains, including the socio-economic sphere (Essletzbichler



& Rigby, 2007; Hodgson & Knudsen, 2006). Influenced by Malthus' notion of the overproduction of offspring in population systems (Malthus, 1798), which leads to 'a frequently recurring struggle for existence' (Darwin, 1998, p.7), Darwin formulated a causal explanation of cumulative change predicated on a 'processual algorithm' of 'sequential, step-by-step developments' (Hodgson, 2009, p.170). This evolutionary process and its key Darwinian concepts can be summarised as follows (adapted from Gould, 2002):

- *Overproduction of offspring.* All organisms tend to produce more offspring than can survive in the environment.
- *Variation.* Offspring are not carbon copies of an immutable type but vary among themselves.
- *Retention.* At least some variation is passed down to future generations by way of inheritance and replication (Martin & Sunley, 2015) or heredity and continuity (MacKinnon *et al.*, 2009).
- *Selection.* If many offspring must die given nature's limited ecology, and individuals in all species vary among themselves, then survivors tend to be those with variations that are fortuitously best suited to changing local environments. The offspring of survivors tend to resemble their successful parents, and the accumulation of these favourable variants through time produces evolutionary change.

Darwin's fundamental contribution to evolutionary theory was not the idea of evolution itself but the notion of cumulative change taking place through this processual

algorithm, in particular his ‘principle of preservation’ or ‘natural selection’ (Hodgson & Knudsen, 2006; Radcliffe-Richards, 2000) and which, in its GD form, means ‘the differential survival of entities’ (Dawkins, 2006, p.33). Entities, including humans, that are more adapted to their environment have a survival advantage over others (Hodgson & Knudsen, 2006). In EEG, there have been various attempts to use Darwinian concepts to understand the unfolding of local and regional economies over time (Martin & Sunley, 2015; Plummer & Tonts, 2013). Notions of *variation* – or ‘related variety’ (Pike, Dawley & Tomaney, 2010) – *retention* and *selection* have been deployed in studies of the evolution of local/regional economies, populations of firms and industries, and plant-specific technologies (Essletzbichler & Rigby, 2007; Martin & Simmie, 2008; Martin & Sunley, 2015; Nelson & Winter, 1982). A key question in EEG research is how selection operates and at what spatial level (Boschma & Martin, 2007; Essletzbichler & Rigby, 2007). Selection units proposed include firms, technologies, modes of regulation (Essletzbichler & Rigby, 2007), organisational routines (Aldrich, 1999; MacKinnon, 2008; Nelson & Winter, 1982), individual habits and social institutions (Hodgson, 2008; Veblen, 1898). But increasingly, concerns have been raised about the application of Darwinian principles to EEG (Martin & Sunley, 2015; Vromen, 2007; Witt, 2003).

There are questions about the extent to which Darwinian evolutionary theory provides scope for human intentionality and creativity in its mutation-based explanation of *novelty* (Hannan & Freeman, 1984). While Malthus posited that scarcity associated with overpopulation was a necessary spur for innovation (Malthus, 1798), it has been argued that, in Darwinian evolutionary theory, there is no agency and that evolution is blind

(Hannan & Freeman, 1984). Darwinian notions of variation, retention and selection are in this sense insufficient for explaining processes of human creativity (Martin & Sunley, 2015; Witt, 2003). Some evolutionary theorists have instead turned to the Lamarckian theory on the inheritance of acquired characteristics (Lamarck, 2011): 'Almost all evolutionary theories in social science claim that social evolution has foresight, that it is Lamarckian rather than Darwinian in the sense that human actors learn by experience and incorporate learning into their behavioural repertoires' (Hannan & Freeman, 1984, p.150). Nelson and Winter defined their own influential evolutionary theory of economic change as Lamarckian (MacKinnon *et al.*, 2009; Nelson & Winter, 1982). Hannan and Freeman argue that, to the extent that 'learning about the past helps future adaptation, social change is indeed Lamarckian – it transforms rather than selects' (Hannan & Freeman, 1984, p.151). However, Hodgson and Knudsen, comparing this aspect of Lamarckian theory to Darwin's notion of *artificial* rather than *natural* selection, emphasise that Darwinism and Lamarckism are not mutually exclusive, and that Lamarckism depends on the Darwinian principle of selection as 'an explanatory crutch' for its evolutionary explanations (Hodgson & Knudsen, 2006, p.13). Nevertheless, the view is emerging that 'additional principles and concepts for explaining the processes of economic change and evolution also need to be considered' (Martin & Sunley, 2015, p.714).

This argument highlights a broader debate on how and to what extent GD can be applied to economic geography (Essletzbichler, 2009; Essletzbichler & Rigby, 2007; Hodgson, 2009; Hodgson & Knudsen, 2006; MacKinnon *et al.*, 2009; Pike *et al.*, 2009; Vromen,

2007). If GD is a metatheoretical framework rather than a complete theory (Hodgson, 2009) concerned with the adoption of Darwinian ideas and principles at an *abstract* level to explain socio-economic evolution (Essletzbichler & Rigby, 2007; Hodgson & Knudsen, 2006), this raises questions about its explanatory power and whether its abstract principles provide an adequate basis for EEG (Martin & Sunley, 2015). Even if it is preferable to eschew discussion of the merits and demerits of GD and ‘go to the investigation and specification of the details right away’ (Vromen, 2007, p.22), ‘auxiliary explanations’ are still required (Hodgson, 2009). In EEG, the meaning of Darwinian principles and the mechanisms through which variation, retention and selection operate will differ from other domains (Essletzbichler & Rigby, 2007; Hodgson & Knudsen, 2006). The task is not to determine equivalency between biological and socio-economic-geographical processes but to provide novel insights; to do so, ‘a richer palette of concepts, mechanisms and models of evolution and change’ are required (Martin & Sunley, 2015, p.712). While Darwinian principles are necessary to an evolutionary understanding of economic change, they are never sufficient (Hodgson & Knudsen, 2006). The value of an evolutionary perspective is rather as ‘*a way of thinking*, in our case about the unfolding and transformation of economic landscapes over time’ (Martin & Sunley, 2015, p.716-717, original emphasis).

### **2.3.2 Complex Adaptive Systems**

Complex adapted systems (CAS) theory provides important auxiliary ideas, consistent with Darwinian principles, including the *emergence of self-organisation* (Essletzbichler & Rigby, 2007; Hodgson & Knudsen, 2006; Kauffman, 1993; Martin & Sunley, 2007) that

gives CAS an *adaptive quality* (Martin & Sunley, 2007). Local/regional economies, conceptualised as CAS, are non-linear, non-deterministic, dynamic systems, distinguished by their emergent properties of 'self-organizing behaviour, driven by co-evolutionary interactions, and an adaptive capacity that enables them to rearrange their internal structure spontaneously' (Martin & Sunley, 2007, p.577). This adaptive capacity, or *economic resilience*, is evident in, for instance, the recovery, resistance, reorientation and renewal of local/regional economies in response to recessionary shocks (Martin, 2012; Pendall, Foster & Cowell, 2010). In CAS, macro-level economic structures emerge from micro-behaviours in response to both endogenous developments and exogenous pressures (Martin & Simmie, 2008) but are never reducible to these constituent parts (Martin & Sunley, 2015).

Critically, CAS theory foregrounds the spatial, relational and temporal interaction between networks of knowledgeable and intentional agents in this bottom-up explanation of evolutionary change (Bristow & Healy, 2015; Hu & Hassink, 2017; Martin & Sunley, 2007; Sotarauta & Srinivas, 2006). Self-organisation, which in complex biological systems emerges *spontaneously* from processes of cumulative change (Hodgson & Knudsen, 2006), is therefore more *reflexive* in the socio-economic-geographical sphere (Martin & Sunley, 2015). The differential capacities of agents make this a power-inflected evolutionary process (Cairney, 2013; Jessop, 1990); 'agents are aware of the context in which they operate and seek to modify their behaviour as a consequence' (Martin & Sunley, 2015, p.723), as highlighted in Bristow and Healy's study of the co-evolutionary behaviour and responses of diverse agents to economic crises in

Wales (Bristow & Healy, 2015). In CAS, agents are the source of the perpetual novelty that generates evolutionary momentum in complex socio-economic-geographical systems (Beinhocker, 2006; Kingdon, 1984) in a process redolent of Schumpeter's account of the novelty and self-transformation in the capitalist system (Bristow & Healy, 2014a; Martin, 2012; Schumpeter, 1987). Understanding the micro-level adaptive behaviour of agents who interact through constantly changing networks is therefore essential to understanding the evolution of complex systems (Bristow & Healy, 2014a).

### **2.3.3 Path Dependence**

The result of this perpetual novelty and adaptation in CAS is 'an *irreversibility* of change and a tendency towards path dependence in the system's trajectory and behaviour' (Martin & Sunley, 2007, p.577, original italics). Path dependence is itself a critical concept in EEG (Boschma & Martin, 2007), given the emphasis of an evolutionary approach on the dynamic, cumulative and irreversible unfolding of paths over time (Hodgson, 1993), as described earlier in this chapter. Path dependence is simultaneously an *emergent* property of the economic landscape and a key mechanism through which that landscape *emerges* (Martin & Sunley, 2015) and is therefore highly place-dependent and embedded in socio-spatial relations (MacKinnon *et al.*, 2009; Martin & Sunley, 2006; Pike *et al.*, 2016). There are three main, interrelated versions in EEG (Martin & Sunley, 2006): technological 'lock-in', illustrated by the case of the QWERTY keyboard (David, 1985); dynamic increasing returns, illustrated by the seemingly insignificant historic events which, when magnified by positive feedback, led to the dominance of petrol- over steam-powered cars (Arthur, 1989); and institutional

hysteresis, in which temporary shocks and disturbances have permanent effects on otherwise stable institutions (North, 1990). In each version, the defining characteristic of path-dependent processes and systems is *non-ergodicity* – ‘an inability to shake free of their history’ (Martin & Sunley, 2006, p.399) – wherein the initial advantages and developmental sequences of local/regional economies are reinforced by positive feedback mechanisms (David, 1985; Martin & Sunley, 2006) which can lock them into particular trajectories (Arthur, 1989; Tonts, Argent & Plummer, 2012). Path dependence, like selection (Hodgson, 1993), can therefore lead to suboptimal outcomes and negative *lock-in* over time (Martin & Sunley, 2006). Grabher’s analysis of the decline of the industrial Ruhr area in Germany shows how initial strengths can become obstacles to innovation, and trap an economy in rigid specialisation (Grabher, 1993).<sup>2</sup> The condition of post-socialist Eastern European economies generally illustrated that ‘the very mechanisms that foster allocative efficiency might eventually lock in economic development to a path which is inefficient viewed dynamically’ (Grabher & Stark, 1997, p.535).

Path dependence has, however, been criticised for its conceptual narrowness, the notion of lock-in unhelpfully emphasising inertia and continuity rather than evolution and change (Martin, 2010). This has turned attention to critical processes of *path-*

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<sup>2</sup> Grabher (1993) identifies the Ruhr’s initial strengths as industrial ‘atmosphere’ and associated infrastructure, strong political support from regional institutions, and close inter-firm linkages. However, in the face of changing demand and increasing competition in the 1970s and 1980s, these same strengths locked the Ruhr into a trajectory of decline – functionally, politically and (most importantly in Grabher’s analysis) cognitively. Grabher associates cognitive lock-in with *the weakness of strong ties*, a concept discussed later in this chapter.

*breaking* (Grillitsch & Sotarauta, 2020) or *de-locking* (Dawley, 2014) and *path creation* (MacKinnon *et al.*, 2019), and the development of a *path as process* approach in which the process of economic evolution is ‘understood as an ongoing, neverending interplay of path dependence, path creation and path destruction’ (Martin & Sunley, 2006, p.408). The experience of rural economies in Australia reveals ‘a complex blend of processes operating across multiple temporal and spatial scales’ (Tonts, Argent & Plummer, 2012, p.299). The emerging, burgeoning strand of EEG research on path creation (for a critical appraisal of recent work on path creation, see MacKinnon *et al.*, 2019) asserts that the ability of local/regional economies to ‘de-lock’ themselves and ‘break free’ from suboptimal trajectories and create new paths rests on their *adaptive capacity* (Dawley, 2014; Hu & Hassink, 2017; Martin & Sunley, 2006): ‘Ultimately, economic development is about the capacity of an economic system – be it a firm, an industry or a local economy – to adapt over time’ (Martin & Sunley, 2015, p.727). All three overlapping theoretical perspectives in EEG discussed above share this critical concern with notions of *adaptability*, variously exploring it from the angle of adaptation, novelty and path creation. An evolutionary account of economic change therefore foregrounds the importance of adaptability in response to both shorter-term shocks and longer-term disturbances (Boschma, 2015a; Martin, 2012; Simmie & Martin, 2010) and asserts that the development of local/regional economies over time rests in part on their ‘evolvability’ or capacity to adapt (Carroll, 2002; Cochrane & Maclaurin, 2012; Martin & Sunley, 2015; Nehaniv, 2003; Volkert, 2003).<sup>3</sup>

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<sup>3</sup> Evolvability, in its general usage, refers to the capacity of a system to evolve (Carroll, 2012) or the degree to which an evolving system is able to gain adaptive traits (Volkert, 2003).



## 2.4 Importance of path creation, de-locking and adaptability in EEG

A number of verbs have been deployed, often interchangeably, to explore *adaptive capacity*, including *adapt*, *adjust* and *transform* (Hassink, 2010). In the ecological systems literature, where notions of adaptive capacity and resilience<sup>4</sup> have long been deployed (Brand & Kurt, 2007; MacKinnon & Derickson, 2013; Martin, 2012; Wilson, 2014), *adaptability* is defined as the ability of a system to anticipate and respond to various stressors (Bettini, Brown & de Haan, 2015; Walker *et al.*, 2004) and is a capacity that can be harnessed (Engle, 2011). In EEG, conjugations of *adapt* are preferred because they emphasise ‘the different ways in which economic actors and organizations respond to changing circumstances’ (MacKinnon *et al.*, 2009), but a distinction is often drawn between the finite *process of adaptation* and the recurrent *capacity for adaptability* (Grabher & Stark, 1997; Hu & Hassink, 2017; Pike, Dawley & Tomaney, 2010). In these terms, *adaptation* is the process by which economic and social actors adapt to successive challenges and disturbances (Mackinnon, 2017) and *adaptability* is the dynamic capacity to effect and unfold multiple evolutionary trajectories (Pike, Dawley & Tomaney, 2010).<sup>5</sup> This approach turns attention to *how*, and drawing on what *capabilities*, strategic actors *enact purposive adaptation* to evolve the path trajectories of local/regional economies (Hu & Hassink, 2017). It helps to clarify research objects,

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<sup>4</sup> The idea of local/regional economic resilience resonates closely with EEG and is explored in: Hassink (2010); Hu & Hassink (2017); Martin (2012); Pendall, Foster & Cowell (2010); Pike, Dawley & Tomaney (2010).

<sup>5</sup> In resilience terms, adaptation can be seen as ‘resilience process’ and adaptability can be related to ‘resilience capability’ (Hu & Hassink, 2017, p.529).

subjects, and levels: who and/or what is undergoing *adaptation* to what, and who and/or what is demonstrating *adaptability* to what (Pike *et al.*, 2016)?

In response to calls for adaptability to be better understood in EEG – ‘we need to know much more about *what determines the ability of regional economies to adapt*’ (Martin & Sunley, 2006, p.418, original emphasis) – researchers have begun the process of identifying adaptive capacities (Dawley, Pike & Tomaney, 2010). The ‘pressures’ necessitating adaptive capacity – conceptualised as *shocks*, *disturbances* and *transitions* (Boschma *et al.*, 2017; Bristow & Healy, 2014a; Mackinnon, 2017) – are argued to include global economic restructuring and the mobile nature of capital, de-industrialisation and an ever-shifting competitive landscape, technological disruptions and recessionary shocks, changes in the policy, regulatory, institutional and instrumental environment and associated power dynamics, and local contextual factors (see, for instance, Brenner, 2004; David, 1994; Deas, Hincks & Headlam, 2013; Martin, 2010; Martin, 2012; Pike, Dawley & Tomaney, 2010). However, where adaptive capacities have been identified in the EEG literature, they have until recently been mainly at the industrial and firm level, for instance in the notion of diversified specialisation in the industrial structure of a local/regional economy (Martin & Sunley, 2006; Pike, Dawley & Tomaney, 2010), or as they relate to inter-firm relationships and networks, organisational diversity, and the absorptive capacity of local innovation systems (see, for instance, Farole, Rodriguez-Pose & Storper, 2011; Grabher & Stark, 1997; Martin & Simmie, 2008). It has been argued that the micro-unit of analysis in EEG is ‘the firm and its routines’ (Boschma & Frenken, 2006, p.292). However, CAS theory situates evolutionary change in the bottom-

up interaction of knowledgeable and intentional agents (Bristow & Healy, 2015; Hu & Hassink, 2017; Martin & Sunley, 2007). So a focus on firm-level adaptability commits the ‘ecological fallacy’ of reading off the adaptive capacities of agents from the firms and industries in which they are employed (Grabher & Ibert, 2006).

## **2.5 Gaps in EEG literature on adaptability: agency/actors, institutions, and power relations**

For the reasons identified above, attention has grown to the role of human agency/actors in the adaptive capacity of local/regional economies, with economic geographers drawing on ideas from relational, institutional and cultural ‘turns’ to fill perceived gaps in EEG (Boschma & Martin, 2007; Martin & Sunley, 2015). There is disagreement over the extent to which EEG constitutes a distinctive approach (Boschma & Frenken, 2009; Essletzbichler, 2009; Hodgson, 2009; MacKinnon *et al.*, 2009; Martin & Sunley, 2015; Pike *et al.*, 2016) and how an evolutionary perspective should be integrated with other perspectives (Martin & Sunley, 2006). These include the relational perspective with its focus on how economic agents act and interact in space (Bathelt & Gluckler, 2003; Storper, 1997), the institutional perspective with its exploration of the institutional structures that shape and mediate economic agency and action (Amin & Thrift, 1994; Farole, Rodriguez-Pose & Storper, 2011; Gertler, 2010; Martin, 2003; Rodríguez-pose, 2013), and questions of uneven development and unequal power relations raised by an evolutionary geographical political economy (GPE) approach (MacKinnon *et al.*, 2019; Pike *et al.*, 2009). However, there is consensus that these ideas

and themes need to be incorporated into EEG if evolutionary accounts are more fully to explain the adaptability of local/regional economies (Boschma & Martin, 2007).

It is acknowledged that, in theoretical and empirical studies of EEG, micro-level explanations for the differential unfolding of local/regional economic paths are under-explored (Boschma *et al.*, 2017; Grillitsch & Sotarauta, 2020), in particular the role of human agency (Bristow & Healy, 2014a; Huggins & Thompson, 2019; Martin & Sunley, 2006). The adoption of evolutionary concepts from the natural sciences and ecological systems literature has led to an emphasis on economic and innovation systems, industries, firms and inter-firm relationships (Bristow & Healy, 2014a; Martin & Sunley, 2007), and on 'the capacity of a regional economy to reconfigure, that is adapt, its structure (firms, industries, technologies and institutions)' (Martin, 2012, p.10). But EEG needs to be able to explain the full set of factors that have 'conditioned and shaped the evolutionary dynamics and trajectory of the spatial economic developmental system under study. This requires analysis 'downward', to micro-level processes including the role, decisions and purposive behaviour of individual key agents (Martin & Sunley, 2015). How such agents are enabled and constrained by contextual factors is arguably EEG's 'blind spot' (Grillitsch & Sotarauta, 2020; Uyarra *et al.*, 2017), and there remain unresolved questions about agency, institutions, and wider political-economic processes (MacKinnon *et al.*, 2019). Issues of agency and context are recognised as being 'underdeveloped' in EEG (Pike *et al.*, 2016), and there is still little understanding of how knowledgeable and intentional agents, who are constrained by durable institutions, can adapt to, and initiate, transformation and change (Boschma,

2015a; Boschma & Martin, 2007; MacKinnon *et al.*, 2009; Martin & Sunley, 2006; Martin & Sunley, 2015; Plummer & Sheppard, 2006). This is pertinent to the analysis of economic change because ‘locally distinctive and evolving, multi-scalar institutional architectures interact with the agency of individuals and organizations to help create particular evolutionary trajectories over time, leading to differentiated social and economic outcomes’ (Gertler, 2010, p.2). Questions regarding the handling of agency and structure in EEG are discussed in Part B.

## **PART B: STRUCTURE/AGENCY IN EEG**

### **2.6 Human agency and the adaptability of local/regional economies**

Human agency refers to the *capacity* of people to act (Gregory *et al.*, 2009). This is analytically distinct to human actors who are knowledgeable and reflexive (Giddens, 1984) and who exercise this agency by performing intentional, purposive and meaningful acts (Grillitsch & Sotarauta, 2020). This important analytical distinction (MacKinnon *et al.*, 2019) draws attention to Lamarckian notions (Hodgson & Knudsen, 2006) in EEG wherein evolving paths are conceived as ‘opening up *moments* for engagement and intervention where conscious and deliberative agency by participant actors and institutions can influence and even shape the quantitative extent and qualitative nature of the emergent paths and their trajectories’ (Pike *et al.*, 2016, p.138, original emphasis). Knowledgeable and reflexive human actors have the capacity, therefore, to adapt to changes in their environment and intentionally and purposively shape the path trajectories of local/regional economies (Bristow & Healy, 2014a; Dawley, 2014; Grillitsch & Sotarauta, 2020). But the agency of human actors is subject

to 'structural preconditions and contextual influences that shape its emergence and operation' (Martin & Sunley, 2006, p.430). Human actors need to be understood, therefore, in relation to structures and institutions (Giddens, 1984; Pike, Dawley & Tomaney, 2010).

## **2.7 Handling human agency and its recursive relationship with structure in EEG**

The structural contextualisation of human actors has been theorised in various ways across the social sciences, typically under the banner of *the new institutionalism* (March & Olsen, 1984; Selznick, 1996). It has been argued that there are three different analytical approaches: *rational-choice*, *sociological* and *historical* (or *evolutionary*) institutionalism (Hall & Taylor, 1996; Martin, 2003). EEG researchers tend to reject equilibrium-based accounts of economic forces (Hodgson, 1993) and have generally favoured socio-cultural or historical and evolutionary explanations offered by the latter institutionalisms over the pure rationality and 'ahistoricity' of the rational-choice model (Martin, 2003). This institutionalist approach enables economic geographers to analyse:

*to what extent and in what ways are the processes of geographically uneven capitalist economic development shaped and mediated by the institutional structures in and through which those processes take place?* (Martin, 2003, p.79, original emphasis)

The institutional regime constitutes 'the rules of the game in a society; more formally, the humanly devised constraints that shape human interaction' (North, 1990, p.477). It is typically differentiated (North, 1990) in terms of the 'institutional environment'

comprising the informal conventions, norms and routines and the formal rules and regulations that shape economic activity, and the 'institutional arrangements' that arise as a consequence of this institutional environment and are manifested in particular organisational forms (MacKinnon *et al.*, 2009; Martin, 2003; Rodríguez-pose, 2013). Critically, such institutions are characterised as *carriers of history* (David, 1994) that preserve and transmit existing social practices and routines (MacKinnon *et al.*, 2009), change incrementally over time (Essletzbichler, 2009), and shape the evolution of local/regional economies (Boschma & Frenken, 2009; Martin, 2003).

Institutions and routines guide the individual and collective behaviour of human actors (Essletzbichler & Rigby, 2007; Hodgson & Knudsen, 2006; Nelson & Winter, 1982). Different institutional regimes develop in different places (Rodríguez-pose, 2013) and interact with local/regional economic activity in a coevolutionary, mutually reinforcing way (Martin, 2003). Institutions are therefore critical to local/regional economies (Morgan, 1997), with economic success being partly dependent on *institutional thickness* (Amin & Thrift, 1994), a notion which describes the local/regional institutional ensemble and the extent to which these institutions interact and coalesce around common agendas (Coulson & Ferrario, 2007). The evolution of institutions is itself therefore place-dependent (Martin, 2003). Institutions are relatively stable (Hodgson, 1993) and change only slowly over time so institutional evolution 'tends to exhibit path dependence. Like the economy, institutions thus tend to inherit the legacy of their past' (Martin & Sunley, 2006, p.402). Institutional evolution has been conceptualised in various ways: as Darwinian units of selection subject to variation, retention and

mutation (Veblen, 1898); as institutional hysteresis in which temporary shocks and disturbances have permanent effects on otherwise stable institutions (North, 1990); and as institutional change taking place through processes of reform, defection and reinterpretation (Hall & Thelen, 2009). More recently, Martin has argued for the path-dependent evolution of institutions to be understood through mechanisms of 'layering', 'conversion' and 'recombination' that emphasise change rather than continuity, which he illustrates with the development of the Felgueiras footwear cluster in Portugal and the Cambridge high-technology cluster in the UK (Martin, 2010). An 'institutional genealogy' of economic development governance in England suggests that mechanisms of 'dismantling' and 'improvisation' are also at play (Pike *et al.*, 2015) and that, over time, institutional forms may become suboptimal and inefficient viewed dynamically (Hodgson, 1993; Rodríguez-pose, 2013). The literature has 'not yet explained in a satisfactory way which institutions matter, when they matter, and precisely how they shape growth' (Farole, Rodríguez-pose & Storper, 2011, p.59), but the evolutionary dynamics of institutions must be incorporated into EEG (Martin & Sunley, 2015).

The beliefs, intentions and actions of human actors cannot, however, be simply read from institutional architectures and social facts in a Durkheimian (Durkheim, 2003), top-down, deterministic way (Bevir, Rhodes & Weller, 2003; Gertler, 2010; Giddens, 1984). Human actors as social agents construct their environments through their intentional interaction with the world (Berger & Luckmann, 1967; Mead, 1934; Schutz, 1972). Agents do not merely react to external forces but are implicated in the construction and reproduction of institutional architectures through their agency (Pike, Dawley &



Tomaney, 2010) as actors in different arenas ‘reproduce, mindfully deviate from, and transform existing socio-economic-technological structures, socio-economic practices and development paths’ (Martin & Sunley, 2006, p.408). In turn, those structures and institutional architectures influence and to some degree regulate and condition the agency of actors (Hudson, 2004; Pike *et al.*, 2015). This conceptualisation of agency and structure draws in part on Giddens’ structuration theory with its argument that structures and social institutions should be understood in relation to their mutually constitutive and recursive relationship with social agents (Giddens, 1984). However, Giddens’ formulation has a tendency to isolate agency from structure and in so doing implies that a given structure ‘is equally constraining and/or enabling for all actors and all actions’ (Jessop, 2001, p.1222). Instead, Jessop favours a spatially and temporally sensitive (Jones *et al.*, 2004) strategic-relational approach (Jessop, 1990) which emphasises issues of power and ‘the differential capacities of actors and their actions’ to change different structures (Jessop, 2001, p.1223).

## **2.8 The paradox of embedded agency**

The attempt to avoid under- and over-socialised accounts and incorporate power relations is captured in the sociological concept of *embedded agency* in which economic action is embedded in structures of social relations (Granovetter, 1985). Granovetter’s notion of embeddedness has proven highly influential in economic geography (MacKinnon, 2008; Peck, 2005; Wai-chung Yeung, 2003). Building on Polanyi’s argument that the economy is an instituted process (Polanyi, 2001), Granovetter’s related notion of the socially-constructed economy (Granovetter, 1985) foregrounds ‘the process by

which economic institutions are produced, how they “lock in” patterns of sedimented or habituated behaviour, and how they become normalised’ (Peck, 2005, p.134-135). The *paradox of embedded agency* (Garud, Hardy & Maguire, 2007) in which these structures and social institutions are both constraining and enabling (Boschma, 2015a) functions by conceptualising agency as ‘distributed within the structures that actors themselves have created’ (Garud, Hardy & Maguire, 2007, p.961). Social agency is, from this perspective, not only distributed but also embedded (Garud & Karnøe, 2003). Geographers have built on this concept by characterising social agents as being both temporally *and* spatially embedded (Boschma & Frenken, 2006), though these dimensions are intertwined (Emirbayer & Mische, 1998), enabling them to analyse how economic processes are grounded in particular local and regional contexts (Amin & Thrift, 1994). It is therefore critical to situate actors within broader socio-spatial relations in particular time-space contexts (Pike *et al.*, 2016) because change can be seen to primarily occur in the relationship between actors and the context in which they find themselves (Hay & Wincott, 1998).

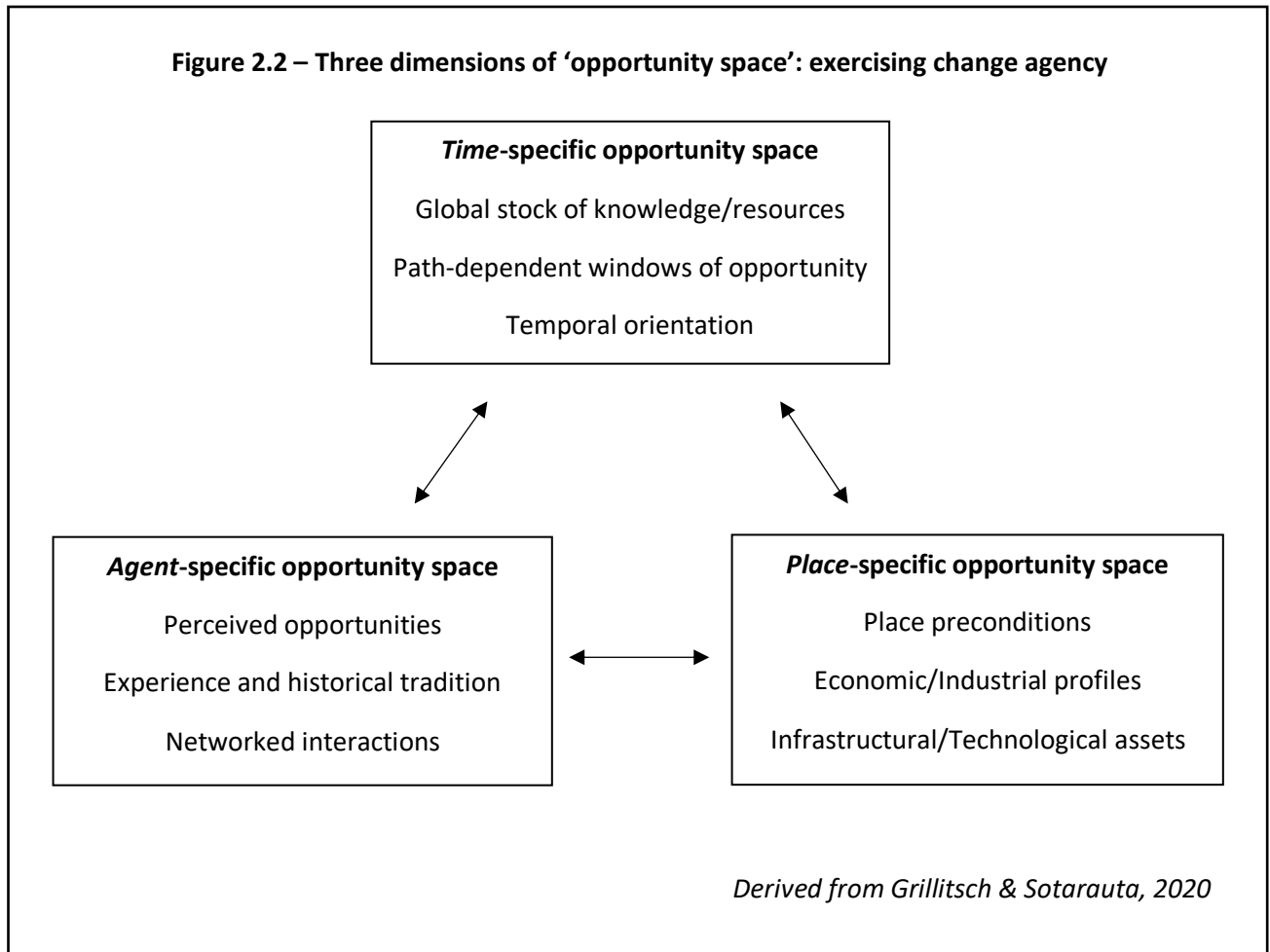
## **2.9 Mediating structure/agency through ‘opportunity space’**

A recent endeavour to operationalise *embedded agency* in EEG research is the ‘opportunity space’ framework (Grillitsch & Sotarauta, 2020). This framework is informed by the structure-agency debate in Giddens and Jessop and builds on the work of Granovetter and seeks to mediate between agency and structure by delineating the scope for exercising what Grillitsch and Sotarauta frame as ‘change agency’ at any given time, in any given place, by any given agent, in analyses of the path evolvability of

local/regional economies. In an *opportunity space*, 'change agency is related to structure by the time or set of circumstances that make a change possible' (Grillitsch & Sotarauta, 2020, p.713). The perception of opportunities and the capacity to realise them varies between agents within and between different places (Jessop, 2001). The conceptual framework reflects an important aspect of CAS theory, the foregrounding of co-evolutionary interactions of networked agents in the explanation of evolutionary change (Bristow & Healy, 2014a; Martin & Sunley, 2007), by locating agency 'not in the attributes of individual agents but in the relationships connecting agents in opportunity spaces' (Grillitsch & Sotarauta, 2020, p.716).

Opportunity spaces are themselves both place- and path-dependent, changing over time and differing from place to place, enabling and constraining agents but are also constructed and exploited by agents who act to continuously form and shape local/regional growth trajectories (Grillitsch & Sotarauta, 2020). Such agents demonstrate the capacities for *path-breaking* and *path creation* (MacKinnon *et al.*, 2019), and *purposive adaptation* (Hu & Hassink, 2017), associated with recent path dependence theory. Grillitsch and Sotarauta argue that the conceptual framework 'adds analytical leverage' to EEG research on the role of human agency/actors in the path evolvability of local/regional economies, and identify three dimensions of opportunity space: (i) *time-specific*, what is possible given the global stock of knowledge and resources at any moment in time; (ii) *place-specific*, what is possible given particular place preconditions; and (iii) *agent-specific*, perceived opportunities and the capacities of individual agents to effect change (Grillitsch & Sotarauta, 2020, p.714). These three

interrelated dimensions (Figure 2.2) are now reviewed to identify conceptual insights for operationalising and testing in research on the adaptive capacity of actors in local economic development governance.



### **2.9.1 Time-specific opportunity space**

Human agency is a temporally embedded process of social engagement and the agentic dimension of economic action can only be captured in its full complexity ‘if it is analytically situated within the flow of time’ (Emirbayer & Mische, 1998, p.963). The differential temporal horizons of actors and their capacity to shift horizons and modify

temporalities (Jessop, 2001) must be considered because evolutionary dynamics mean that the opportunity for actors to effect change varies over time and unfolds in a path-dependent way (Martin & Sunley, 2006). At each moment in historical time, the suite of possible future evolutionary trajectories or paths is conditioned by and contingent on both the past and current states of the system in question (Martin & Sunley, 2006). Notions of path dependence enable researchers to narrow conceptually the decision-making choices available (North, 1990). In transition theory (Boschma *et al.*, 2017), evolutionary ‘corridors of opportunity’ for actors to effect change both widen and narrow over time (Wilson, 2007) and sudden changes in the ‘boundaries’ of these decision-making corridors (such as major policy or technological developments, or new entrants and innovators disrupting the system) are characterised as ‘transitional ruptures’ (Wilson, 2014).<sup>6</sup> In policy terms, such moments can represent ‘windows of opportunity’ that open when problems, solutions and politics converge in time (Kingdon, 1984). The evolution of local/regional economies similarly presents ‘windows of locational opportunity’ (Storper & Walker, 1989) or ‘opening up’ moments or periods for actors to shape path trajectories (Pike *et al.*, 2016) but ‘only if the speed of response is commensurate with the temporal patterns of relevant environments’ (Hannan & Freeman, 1984, p.151). It is therefore critical to ‘follow the path’ of a local/regional economy to uncover how it travels, unfolds and manifests over time (Pike *et al.*, 2016).

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<sup>6</sup> Wilson (2007) examines the transition from productivist to post-productivist agriculture in Western Europe to conceptualise corridors of decision-making pathways and identify periodic ruptures. In EEG, phases of relative stability that are periodically disturbed and irrevocably transformed by actors have been associated with the biological notion of ‘punctuated equilibrium’ (see Martin & Sunley, 2006). These approaches highlight the importance of variation in the temporal characteristics of windows. The EEG literature differentiates between shorter-term shocks and longer-term disturbances and transitions (Boschma, 2015; Martin, 2012; Simmie & Martin, 2010), the terminology adopted in this thesis.

It is also critical to consider the temporal orientation of actors at any point in time (MacKinnon et al., 2019). An evolutionary approach emphasises the historical, path-dependent nature of economic development (Storper, 1997). However, it is argued that not only history but also *perceived* futures influence agentic processes and thus shape local/regional path trajectories (Grillitsch & Sotarauta, 2020, p.713). Human agency is ‘informed by the past (in its “iterational” or habitual aspect) but also oriented towards the future (as a “projective” capacity to imagine alternative possibilities) and towards the present (as a “practical-evaluative” capacity to contextualize past habits and future projects within the contingencies of the moment)’ (Emirbayer & Mische, 1998, p.962). Actors can assume different simultaneous agentic orientations (Emirbayer & Mische, 1998) and typically adopt one of three forms of agency depending on which one is ‘the dominant temporal orientation: routine (Giddens, 1984) when the past is dominant; sensemaking (Weick, 1995) when the present is dominant; and strategic (DiMaggio, 1988) when the future is the dominant temporal orientation held’ (Dorado, 2005, p.388). In EEG studies of the role of human agency/actors in the path evolvability of local/regional economies, actors’ deliberations about the future are particularly important, as illustrated by the visionary role played by state and non-state entrepreneurs and path advocates in the creation of post-industrial paths in Berlin and Pittsburgh (MacKinnon *et al.*, 2019). Such actors ‘reflect in a strategic manner’ on how paths and structures may evolve in the future and how their actions might affect this evolution (Grillitsch & Sotarauta, 2020, p.713).

### **2.9.2 *Place-specific opportunity space***

Actors are not only temporally but also spatially embedded (Emirbayer & Mische, 1998) in local/regional economies which have their own ‘unique, place-specific economic profiles, infrastructural configurations, institutional arrangements, and developmental trajectories’ (Brenner, 2004, p.3). These subnational economies are endowed with assets (Dawley, 2014) – natural; infrastructural and material; industrial and technological; institutional; and human and relational (MacKinnon *et al.*, 2019; Martin & Sunley, 2006) – and their path trajectories are dependent on how existing assets are used for new purposes by local/regional actors (Hu & Hassink, 2015). Economies inherit the legacy of their own past (Martin & Sunley, 2006), so time- and place-specific opportunity space is closely intertwined (Emirbayer & Mische, 1998; Grillitsch & Sotarauta, 2020). Local/regional assets equally exhibit strong path dependence (Martin & Sunley, 2006) and can lock an economy into a particular trajectory because the costs of renewing or replacing assets to implement an alternative strategy can outweigh the benefits, a challenge faced by post-socialist Eastern European economies (Grabher & Stark, 1997). Local/regional economies may be subject to quite different sources and mechanisms of path dependence, as may different industries within an economy, and the coevolution of path-dependent development means the lock-in of a particular path in one place may result in the locking-in or locking-out of a particular path elsewhere, leading to or reinforcing uneven development (Martin & Sunley, 2006). The examples of Berlin and Pittsburgh show that, in peripheral and old industrial economies in particular, knowledgeable actors play a critical role in ‘strategically coupling’ endogenous and

exogenous assets to mechanisms of path creation (Dawley, MacKinnon & Pollock, 2019; MacKinnon *et al.*, 2019).<sup>7</sup>

Grillitsch and Sotarauta focus on infrastructural, industrial and technological assets (Grillitsch & Sotarauta, 2020). This underplays the significance of non-material assets, and their conceptual framework gains analytical purchase if relational and institutional perspectives are incorporated here. The boundaries of local/regional economies are both territorial *and* relational (Goodwin, 2013). In this sense, places are socially constructed, often temporary, and have varying degrees of political-economic integrity (Allen, Massey & Cochrane, 1998). Understanding actors' relative commitment and orientation to particular 'spatial imaginaries' – manageable spaces of action demarcated for governance practices (Hincks, Deas & Haughton, 2017; Jessop, 2012; Watkins, 2015) – is important because, as Hay argues, 'actors are reflexive and strategic and they orientate themselves and their strategies towards the environment within which their strategic intentions must be realised' (Hay, 2002, p.9).

Conceptualising economies as 'stocks of relational assets' directs attention to 'the economy as relations, the economic process as conversation and coordination, the subjects of the process not as factors but as reflexive human actors, both individual and collective, and the nature of economic accumulation as not only material assets, but as

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<sup>7</sup> Strategic coupling involves actors and institutions harnessing and moulding assets to global markets and mechanisms of path creation (MacKinnon, 2012; MacKinnon *et al.*, 2019; Yeung, 2009). This notion is illustrated by a case study of strategic coupling processes associated with the Siemens offshore wind turbine plant in the Humber region of England (Dawley, MacKinnon & Pollock, 2019).



relational assets' (Storper, 1997, p.27). These relational assets are place-specific and comprise locally derived customs, conventions and informal rules of action (Jones & Macleod, 1999) that are embedded in broader governance and regulatory regimes (Martin & Sunley, 2006; Pike, Dawley & Tomaney, 2010) and mediated through multi-scalar institutional environments (MacKinnon *et al.*, 2019). Path-dependent local institutions can become suboptimal over time, particularly if a local institutional regime resists change (Martin, 2003) or if an overdependence on localised learning processes results in spatial myopia (Grillitsch & Sotarauta, 2020; Maskell & Malmberg, 2007). Actors are thus embedded in particular institutional-geographical contexts (Pike *et al.*, 2015), but the enabling, constraining and shaping effects of institutions are largely underplayed in Grillitsch and Sotarauta's elucidation of place-specific opportunity space.

### **2.9.3 Agent-specific opportunity space**

The perception of opportunities and the capacity to realise them differs between actors (Jessop, 2001); Grillitsch and Sotarauta take an evolutionary perspective to argue that this is to a large extent shaped by the experiences and encounters individuals have had in the past (Grillitsch & Sotarauta, 2020). The economic life history (Veblen, 1898) or historical experience (David, 1994) of individual actors shapes their knowledge, habits and instincts (Follett, 1926) and their scope for intentional action (Hodgson & Knudsen, 2006). Experience plays a critical role in decision-making (Goyal, 2005) and the individual learning process (Hannan & Freeman, 1984) because 'people make decisions in situationally specific contexts under conditions heavily laden with the associations drawn from past experience' (Ansell, 2011, p.103). Learning, or intelligent adaptation, is

a continuous process whereby ‘knowledge is created through the transformation of experience’ (Kolb, 1984, p.38). The reasoning of actors takes place against the background of a particular subjective or intersubjective web of beliefs that is shaped by the historical tradition inherited by any particular person (Bevir, 2010).

Grillitsch and Sotarauta emphasise that actors’ perceptions of opportunities are also influenced by their networked interactions and embeddedness in socio-spatial relations. It is helpful here to introduce notions of actors’ interconnectedness via strong and weak ties, in ‘loosely coupled systems’ (Grabher & Stark, 1997; Granovetter, 1973; Weick, 1976) that exhibit the self-organising behaviour associated with CAS (Martin & Sunley, 2007). The evolutionary advantages of loose coupling include the ability of elements of a network or system to adapt, mutate and generate novelty without the entire system being disrupted (Pike, Dawley & Tomaney, 2010). Weick (1976, p.7) suggests that loosely coupled systems ‘may be elegant solutions to the problem that adaptation can preclude adaptability.’ Storper, though, emphasises that actors, due to socio-economic-geographical factors, can be disadvantaged by the nature and extent of their network interaction and strong and weak ties (Storper, 2018). This directs attention to issues of power (Allen, 2003; Hudson, 2006).

#### ***2.9.4 Identifying weaknesses in the ‘opportunity space’ framework***

Grillitsch and Sotarauta (2020, p.706) acknowledge ‘the importance of structures of power and related spatial disparities.’ However, they fail to incorporate power dynamics

into their conceptual framework. An evolutionary GPE approach (MacKinnon *et al.*, 2009; MacKinnon *et al.*, 2019; Pike *et al.*, 2016) has begun to address this tendency of EEG research to neglect issues of power, politics and uneven development and political-economic regulation (Cumbers, Mackinnon & McMaster, 2003; Goodwin, 2004; Jones, 2008). This focuses attention on the struggles of actors who are embedded in power relations, 'with powerful actors often orchestrating and controlling the selection of particular path creation mechanisms' (MacKinnon *et al.*, 2019, p.124). From this perspective, places are viewed as 'historically constructed assemblages of actors whose interests will sometimes diverge and come into conflict' (MacKinnon *et al.*, 2009, p.139), and local/regional economic development is a 'power-inflected' evolutionary process (Martin & Sunley, 2015).

Grillitsch and Sotarauta's underplaying of power relations and the institutional regime reflects a related criticism that EEG research often 'neglects' the shaping role played by the state (Bristow & Healy, 2014a; Dawley, 2014; Hodgson, 2009; Oosterlynck, 2012). In this context, the governance of local/regional economic development is viewed as an institutional battle of ideas (Oliver & Pemberton, 2004), where path shaping strategies compete (Davies, 2005), where some political forces are more privileged by existing power structures than others (Jessop, 1990), and where state actors 'are not passive agents but can actively accommodate, revise, or resist broader political projects' (Jones *et al.*, 2004, p.92). Such power-sensitive accounts of local/regional economic development suggest that, if the 'opportunity space' framework is to help delineate the opportunity, or scope, for exercising 'change agency', it needs to recognise that

evolutionary economic change is 'never automatic but always contested and resisted' (Martin & Sunley, 2006, p.430).

## **PART C: MICRO-LEVEL ADAPTIVE CAPACITY**

### **2.10 How actors exercise agency to adapt to change and shape path trajectories**

Human agency is a critical but underexplored factor in the adaptability at the heart of EEG (Bristow & Healy, 2014b; MacKinnon *et al.*, 2019). Agency is embedded in structures and institutions, and the opportunity for actors to *exercise* it is shaped by their context (Granovetter, 1985; Martin, 2003). Actions are contested and resisted (Martin & Sunley, 2006) and therefore contingent (Bevir & Rhodes, 1999; Jessop, 1990). Local/regional path trajectories *emerge* from this networked interaction (Martin & Sunley, 2007). Economic evolution thus occurs at 'the nexus of intentional, purposive and meaningful actions of many actors, and the intended and unintended consequences of these actions' (Grillitsch & Sotarauta, 2020, p.707). Grillitsch and Sotarauta argue that some subnational economies adapt to change better than others, leading to uneven development, because of the successful construction and exploitation of opportunity spaces. They advance the proposition that actors deploy three types of change agency directed towards: (i) the economy, (ii) institutions, and (iii) places.

The first type of change agency, *innovative entrepreneurship*, reflects Schumpeter's idea of entrepreneurially-led and technologically-driven innovation and novelty (Schumpeter, 1987). Agents in the form of entrepreneurs and firms (MacKinnon *et al.*,

2019), 'breaking with existing paths and working towards the establishment of new ones' (Grillitsch & Sotarauta, 2020, p.710), take advantage of time-space opportunities (Shane & Venkataraman, 2000) to introduce novel activity and structural change in local/regional economies (Neffke *et al.*, 2018).<sup>8</sup> Second, *institutional entrepreneurship* involves the purposive adaptation of the enabling and constraining institutions (Martin, 2012) that provide the platform for the unfolding of entrepreneurial activities (Garud, Hardy & Maguire, 2007) and 'influence the diffusion and growth of new paths' (Grillitsch & Sotarauta, 2020, p.708). Institutional memory (Folke *et al.*, 2005) and a degree of stability in institutional arrangements contribute 'to constructing and nurturing adaptive capacity in place' (Pike, Dawley & Tomaney, 2010, p.68). However, institutional entrepreneurs (DiMaggio, 1988) 'mobilize resources, competences and power to create new or transform existing institutions' (Boschma *et al.*, 2017, p.35) in a process often characterised as gradual reconfiguration relative to the abrupt dislocation associated with Schumpeterian creative destruction (MacKinnon *et al.*, 2019).

Third, *place-based leadership (PBL)* involves the mobilisation and orchestration of collective action (Grillitsch & Sotarauta, 2020) and multi-scalar coordination (Pike, Dawley & Tomaney, 2010) considered integral to the evolutionary success of local/regional economies (Ayres, 2014; Sotarauta, Beer & Gibney, 2017; van den Berg & Braun, 1999). However, coalition building and the pooling of competencies in complex,

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<sup>8</sup> Neffke and colleagues draw on Swedish regional economic data to examine the roles different agents play in local/regional transformation, concluding that while incumbents reinforce a region's current specialisation, the unrelated diversification required for structural change mainly originates from new establishments, especially those with non-local roots (Neffke *et al.*, 2018).

multi-actor networks is difficult (Harvey, 1989). It requires the development of a collective, long-term vision and sense of direction around which diverse actors and organisations can coalesce (Beer & Clower, 2014; Borraz & John, 2004; MacKinnon *et al.*, 2019). Visions for new ‘spatial imaginaries’ must be constructed on the basis of a clear and convincing logic that enables their consolidation over time through integration into the institutional regime (Hincks, Deas & Haughton, 2017; Jessop, 2012; O'Brien, 2019). Place leaders utilise collaborative means (Beer & Clower, 2014), including social learning (Hall, 1993) and collective governance (Vallance, Tewdwr-Jones & Kempton, 2019), to build ‘capacities for reflexive, collective action’ (Storper, 1997, p.126) and influence, advocate, legitimise and empower path trajectories (MacKinnon *et al.*, 2019). PBL is fundamentally shaped by context (Bailey *et al.*, 2010) and is thus highly differentiated in its expression (Beer *et al.*, 2019).<sup>9</sup>

Of the three types of change agency identified, PBL seems particularly pertinent to research on the adaptive capacity of actors in local economic development governance (Ayres, 2014). But while the three types are useful notions for tying agentic action to mechanisms of path creation and evolutionary economic change (MacKinnon *et al.*, 2019), they overlook the *capacities* that enable economic agents including governance actors to exercise change agency: the capacities that determine their ability to adapt (Martin & Sunley, 2006).

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<sup>9</sup> An examination of PBL in twelve cities, regions and communities, in Australia, Finland, Germany, Italy, the US and the UK, finds commonalities in core features of PBL despite being highly differentiated in its expression (Beer *et al.*, 2019).

## **2.11 Exploration of three main forms of adaptive capacity**

### **2.11.1 Learning**

The EEG literature emphasises that actors exhibit two critical and dynamic adaptive capacities that are closely interconnected: the capacity to learn, and the capacity to interact through relational networks (Bristow & Healy, 2014a). An evolutionary perspective directs attention to the Lamarckian notion that actors learn by interacting with their environment (Hannan & Freeman, 1984): ‘learning by doing and learning through practice’ (Martin & Sunley, 2006, p.423). CAS theory foregrounds the role that social interaction plays in this learning process (Martin & Sunley, 2015), whereby actors continually adapt their behaviour based on observations of the system as a whole or of others around them, through interactive mechanisms such as learning (Bristow & Healy, 2014a). Evolutionary learning is, in this context, characterised as an experiential and reflexive process (Ansell, 2011; Kolb, 1984) and a ‘*distributed*’ activity that occurs at *multiple scales*’ (Ansell, 2011, p.89, original emphasis). Learning has long been recognised as critical to change and evolution in the broader policy arena (Bennett & Howlett, 1992). Evolutionary learning theories contrast with rational policy theories in which optimal policy conclusions are derived from static analysis: ‘the main conceptual advantage of learning is its explicit emphasis on change’ (Zito & Schout, 2009, p.1104). A number of explanations of policy change have been developed in the policy literature, all based on notions of learning: policy-oriented learning (Sabatier, 1986), political learning (Heclo, 1974), social learning (Bandura, 1977; Hall, 1993), and government learning (Etheredge, 1981). In these theories, learning emphasises change at both the

individual level, whereby experience 'leads actors to select a different view of how things happen ('learning that') and what courses of action should be taken ('learning how')', and the intersubjective level whereby human interaction leads to collective understanding (Zito & Schout, 2009, p.1103), resulting in policy transfer (Keating, Cairney & Hepburn, 2012). In EEG, Bristow and Healy argue that learning is key to understanding 'how different individual and collective agents behave in relation to different shocks and in different contexts, and what influences their decision-making and capacities to adapt' (Bristow & Healy, 2014a, p.928).

Agents in CAS are continually searching for new ways to adapt to the environment (Bristow & Healy, 2014a). Economic agents use both their own past experience and the experience of others to understand their environment and make decisions in the present (Goyal, 2005; Håkansson, Havila & Pedersen, 1999). Knowledge of the environment, and how it is changing over time, is therefore key to the ability of economic agents to understand how and in what ways they need to adapt in order to survive (Bristow & Healy, 2014a). Agents are temporally and spatially embedded (Emirbayer & Mische, 1998) in structures of social relations (Granovetter, 1985), drawing on the historical traditions they have inherited (Bevir, 2000), but have a capacity for *reflexivity* (Storper, 1997). Reflexivity is critical to learning and more generally to the knowledgeability of agents and the recursive ordering of social practices (Giddens, 1984): 'Agents, as reflexive beings, learn from their actions and adjust their strategies, which in turn changes the context' (Bevir & Richards, 2009b, p.137). Their differential capacity to engage in learning and to reflect enables actors to interpret the past and



understand the present in order to choose paths of action and shape the future (Geertz, 1993), what Jessop describes as ‘the reflexive use of history to make history’ (Jessop, 2001, p.1229-1230).

### **2.11.2 Networking**

The learning of agents from past and present experience is inseparable from their *interaction with other agents* (Bristow & Healy, 2014a). Levitt and March offer an organisational learning perspective, drawing on Nelson and Winter (Nelson & Winter, 1982), to argue that the experiential lessons of history are encoded in organisational routines that guide collective behaviour (Levitt & March, 1988). Here, established routines enable organisations to achieve distinctive competencies (Selznick, 1996) which reinforces the use of these routines through positive feedback mechanisms that can, if successful organisations fail to adapt quickly enough to changes in the environment, lead to *competency traps* (Levitt & March, 1988). This paradox of path-dependent learning is analogous to notions of *lock-in* in EEG (Grabher & Stark, 1997). Martin and Sunley argue that the two capacities required to ensure learning is path-breaking and de-locking are *reflexivity* (Visser & Boschma, 2004) and *interaction in different forms of social networks* which shapes the nature of the learning process and hence the capability to initiate new paths (Martin & Sunley, 2006). There is typically an inverse relationship between the density/intensity of the coupling of social network ties and openness to the outside environment (Grabher & Stark, 1997). An actor with strong ties may benefit from relations of trust and the reciprocal exchange of information and knowledge (MacKinnon, Cumbers & Chapman, 2002) but ties that are too strong, long-

standing and inflexible can hinder adaptive capacity in the long-run (Hu & Hassink, 2015) which in Grabher's analysis contributed to the economic decline of the Ruhr area (Grabher, 1993). Conversely, the strength of weak ties is their adaptive capacity (Boschma, 2015a) and propensity to stimulate novel ideas and innovation (Granovetter, 2005): 'where economic agents have the option of participating in many competing networks on the basis of loose ties, reciprocal relations, and independent intermediaries, the prospect of innovative learning through interaction seems to be enhanced' (Amin & Cohendet, 1999, p.92).

At the system level, these ideas are reflected in the *learning region* concept (Florida, 1995; Morgan, 1997), a spatially sensitive account of the *learning economy* (Lundvall & Johnson, 1994). This characterises the region as the locus of reflexive learning (Healy & Morgan, 2012) and the repository of tacit and specialised local knowledge (MacKinnon, Cumbers & Chapman, 2002) generated through intra-regional networking and interaction (Cooke & Morgan, 1993) that drives innovation (Cooke & Morgan, 1998). Inter-regional and informal interpersonal ties are as important as formal interorganisational and intra-regional ties (Grabher & Ibert, 2006; MacKinnon, Cumbers & Chapman, 2002). The proposition is that 'learning is the competitive outcome of heightened reflexivity' (Storper, 1997, p.31), that successful regions have a greater capacity for collective action and the ability to learn than 'failing' ones (MacKinnon *et al.*, 2009), and that regions which learn faster or better are more competitive (Storper, 1997) and more adaptable (Cooke & Morgan, 1993). Examples of such regions have been identified (Birch, MacKinnon & Cumbers, 2010; Cooke & Morgan, 1993; Hudson *et al.*,

1997; Storper, 1997).<sup>10</sup> But there are unanswered questions over what combination of strong or weak ties is most favourable to local/regional adaptability (Martin & Sunley, 2006) and the concept has been criticised for its fuzziness (Gertler, 2001; MacKinnon, Cumbers & Chapman, 2002) including its blind spot in relation to learning at the micro-level (Grillitsch & Sotarauta, 2020).<sup>11</sup>

Individual actors' interaction with their environment and networks of actors have long played a major role in learning theories (Zito & Schout, 2009). Early on, in a pragmatist melding of evolutionary ideas (including cumulative change and positive feedback) with a theory of learning (Ansell, 2011), Dewey emphasised the *experiential* basis of learning, which arises from confrontation with concrete problems (Dewey, 1938). Evolutionary learning occurs when this problem-driven perspective, reflexivity, and interactive deliberation work together in a recursive cycle (Ansell, 2011). The experiential learning cycle, and its trial-and-error approach (Moyson, Scholten & Weible, 2017), form the basis of a number of influential evolutionary learning theories (Bouwen & Taillieu, 2004). Argyris and Schon distinguish between *single-loop learning* (wherein actors question if

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<sup>10</sup> As examples of such 'successful' regions, Storper (1997) identifies the 'technology districts' in Northeast Central Italy, Paris and California. Cooke and Morgan (2003) distinguish between regions such as Baden-Württemberg, where characteristics of success are already evident, and others such as the Basque Country and Wales which they argue are actively engaged in learning from their more 'successful' neighbours.

<sup>11</sup> This thesis adopts the Grillitsch and Sotarauta (2020) approach of equating the micro-level with the human agent/actor-level, as opposed to Boschma and Frenken (2006) who equate the micro-level with the firm and its routines. The latter approach arguably reifies organisations. However, Bevir and Rhodes (1999) conceptualise organisations as being enacted by human agents/actors, in which sense organisations are 'convenient fictions' (Weick, 1995). Nevertheless, like Grillitsch and Sotarauta, this thesis acknowledges that individuals need to be seen in their respective organisational contexts and so, in empirical analysis, it is necessary 'to carve out the role of individuals from that of informal groups, networks or organizations' (Grillitsch & Sotarauta, 2020, p.709).

they do things right, and thus implement guiding assumptions) and *double-loop learning* (wherein actors reflect on whether they do the right things, and thus question and modify guiding assumptions) (Argyris & Schon, 1974; Flood & Romm, 1996). Grabher attributes the decline of the Ruhr to highly sophisticated single-loop learning systems crowding out the self-questioning ability to challenge underlying assumptions, meaning cumulative short-term adaptations intended to optimise the area's 'fit' to its specific environment undermined its long-term adaptability (Grabher, 1993). Double-loop learning requires both reflexivity (Pahl-Wostl, 2009) and social learning (Hall, 1993). March, drawing on Darwinian notions of variation, selection and retention (Hannan & Freeman, 1984), reframes this as a trade-off between the (single-loop) exploitation of existing competencies where returns are positive, proximate, and predictable, and the (double-loop) exploration of new alternatives where returns are uncertain, distant, and often negative (March, 1991). The differential distance in time and space, between learning and the realisation of returns in the adaptive process, can lead to the 'potentially self-destructive' tendency to substitute exploitation of known alternatives for exploration of unknown ones (March, 1991, p.85). In Kolb's reworking of the cycle – combining concrete experience, reflective observation, abstract conceptualisation, and active experimentation – learning transforms the very experience in which it is grounded through a continuous process of adaptation (Kolb, 1984). The four dialectically opposed modes of adaptation involved in this learning process mean 'learning is by its very nature a tension- and conflict-filled process' (Kolb, 1984, p.30).

This is especially so in CAS (Pahl-Wostl, 2009) where co-evolutionary learning emerges from and is complicated by the simultaneous adaptive behaviour of agents reacting to what other agents are doing (Bristow & Healy, 2014b; Levitt & March, 1988). These recurring patterns of interaction (Bristow & Healy, 2014a), based on dynamic, complex and often antagonistic relationships (Bristow & Healy, 2014b; Davies, 2005), can result in *learning from difference* (Sabel & Zeitlin, 2008) if actors are open to reframing problems through deliberative interaction with others (Ansell, 2011). Collective puzzlement (Heclo, 1974) and the development of competing strategies by coalitions of actors stimulate a recursive learning process (Sabatier, 1986). But they can also result in ‘a cacophony of orientations, perceptions, goals and world-views that confounds even minimal cohesiveness’ (Grabher & Stark, 1997, p.538). This complexity of loosely coupled systems (Weick, 1976), changing political and institutional landscapes (Jones *et al.*, 2004), and real-world economies, requires agents facing high costs of information-processing to evolve highly sophisticated heuristics (Bristow & Healy, 2014a) harnessed to a practical-evaluative capacity (Emirbayer & Mische, 1998): ‘Literally making sense of the moment with credibility and authority should not be underestimated in what can be confusing, uncertain and fearsome circumstances for people and places’ (Pike, Dawley & Tomaney, 2010, p.68). *Sensemaking* unfolds as a sequence involving ‘the ongoing retrospective development of plausible images’ that rationalise what people are doing, and animate and gain their validity from subsequent activity (Weick, Sutcliffe & Obstfeld, 2005, p.409-410). Actors interpret events differently (Folke *et al.*, 2005); conflicts of interest and the ambiguity of success hamper a collective interpretation of history (Levitt & March, 1988). Evolutionary learning has a ‘trans-situational’ logic that triangulates between past experience, the present situation, and an imagined future

(Ansell, 2011) and *storytelling* is critical in this context (MacIntyre, 1985; Weick, 1980): sensemaking is ‘the experience of being thrown into an ongoing, unknowable, unpredictable streaming of experience in search of answers to the question, “what’s the story?”’ (Weick, Sutcliffe & Obstfeld, 2005, p.410).

### **2.11.3 Storytelling**

The capacity of economic agents to make sense of or interpret shocks, disturbances and transitions, and articulate and shape agendas for action, using *storytelling* and *narratives*, augments their capacity to *learn* and to *interact through relational networks*. This constitutes a third micro-level form of adaptive capacity in complex socio-economic-geographical systems (Bristow & Healy, 2014a).<sup>12</sup> This projective (Emirbayer & Mische, 1998), strategic (DiMaggio, 1988) capacity to imagine alternative possibilities, and purposively narrate (Jessop, 2001) and effect (Dorado, 2005) change, underpins *place-based leadership* (Grillitsch & Sotarauta, 2020). In an evolutionary economic process characterised as ‘conversation’ (Storper, 1997), place leaders (Beer *et al.*, 2019), urban and policy entrepreneurs (Harvey, 1989; Mintrom & Norman, 2009), must be capable of framing, shaping and articulating the unfolding of a path’s trajectory (Pike, Dawley & Tomaney, 2010) and enrolling actors with a vision for its future (MacKinnon

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<sup>12</sup> In a recent study of the adaptive capacity of complex socio-ecological systems, Bettini, Brown & de Haan (2015) identify three critical micro-level forms of adaptive capacity that bear some resemblance to those drawn here from the EEG literature: the ability to learn (through double-loop and social learning), the ability to decide (through collaboration and negotiation), and the ability to act (through leadership, agenda framing and governance).

*et al.*, 2019; Schmidt, 2011).<sup>13</sup> Local/regional planning is, in this sense, persuasive storytelling (Throgmorton, 2003). Coherent stories (Goldstein *et al.*, 2015), or sensemaking narratives (Gains, 2011), are critical components of the capacity to influence (Beer *et al.*, 2019). Governance actors ‘learn through the stories they hear and tell one another, [...] getting the story straight’ (Rhodes, 2005) based on narrative probability (does it hang together?) and fidelity (does it ring true to experience?) (Weick & Browning, 1986). A narrative turn again directs attention to issues of power (Jessop, 2001) and therefore *emplotment*, ‘the way that diverse characters and events are tied into a coherent logical or temporal thread’ and the forces controlling that narrative (Goldstein *et al.*, 2015, p.1289). Flyvbjerg argues that power, not stories, is often what matters in local/regional development (Flyvbjerg, 1998) for ‘powerful actors will strive to eliminate or marginalize competing stories’ (Throgmorton, 2003, p.125). A more contingent view is that the success of actors and political forces is determined not only by structures of power relations but by the stories they tell (Bevir, 2011) and strategies they choose to adopt (Jessop, 1990).

## 2.12 Conclusion

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<sup>13</sup> A parallel argument is made in *discursive institutionalism* in relation to policy actors and policy change. Schmidt (2011) argues that *discursive institutionalism* constitutes a fourth *new institutionalism*, explaining the dynamics of policy change through discourse, its institutional contexts and the interactive processes by and through which discourse and ideas are generated and communicated. Fuller (2018) applies the approach in a case study of austerity discourses employed by Coventry City Council actors, including the ‘selection’ of pro-growth ‘economic imaginaries’ intended to mediate the adverse consequences of austerity.

This chapter has shown that, in evolutionary explanations of economic change, the ability of local/regional economies to evolve their path trajectories rests on their *adaptive capacity* (Boschma & Martin, 2007; Hu & Hassink, 2017; Martin & Sunley, 2006; Martin & Sunley, 2015). An important distinction is drawn between the finite *process of adaptation* and the recurrent *capacity for adaptability* (Grabher & Stark, 1997; Hu & Hassink, 2017; Pike, Dawley & Tomaney, 2010). Evolutionary accounts foreground *adaptability* – the dynamic capacity of economies to respond to both shorter-term shocks and longer-term disturbances (Boschma, 2015a; Martin, 2012; Simmie & Martin, 2010), and to effect and unfold multiple evolutionary trajectories (Pike, Dawley & Tomaney, 2010). EEG theorising to date has largely focused on illuminating how particular system structures and dynamics shape adaptive capacity (Bristow & Healy, 2014a). While recognising the need to analyse at a more general level what determines the ability of local/regional economies to adapt (Martin & Sunley, 2006), this review has identified a gap in the EEG literature in relation to human agency (Uyarra *et al.*, 2017).

All three EEG theoretical perspectives discussed above seek ways to accommodate the role of human agency in what is acknowledged to be a more reflexive evolutionary process than its biological equivalents (Hannan & Freeman, 1984), with researchers drawing on Lamarckian notions and developing agent-based accounts of path creation to address perceived conceptual shortcomings of GD and path dependence theory in relation to agency (MacKinnon *et al.*, 2019; Nelson & Winter, 1982). CAS theory explicitly foregrounds the interaction of knowledgeable and intentional agents in its bottom-up explanation of evolutionary change (Bristow & Healy, 2015; Hu & Hassink, 2017; Martin



& Sunley, 2007). In CAS, agents are the source of the perpetual novelty that generates evolutionary momentum (Beinhocker, 2006). Understanding the adaptability and evolution of complex spatial economic developmental systems therefore requires an understanding of the micro-level adaptive behaviour of networked agents (Martin & Sunley, 2015), but this has not yet been satisfactorily developed in EEG because, despite endeavours to accommodate the role of agency in EEG theory, too little EEG empirical research has examined micro-level interactions (Bristow & Healy, 2014a). Grillitsch and Sotarauta assert that EEG is ‘largely ignorant’ about microlevel explanations for the differential unfolding of local/regional paths and identify only three exceptions including their own contribution (Bristow & Healy, 2014a; Dawley, 2014; Grillitsch & Sotarauta, 2020). Of these, only one offers empirical evidence (Dawley, 2014).<sup>14</sup> Other recent exceptions aside (MacKinnon *et al.*, 2019), EEG lacks a body of empirical evidence – particularly qualitative, case study work (Bristow & Healy, 2014a; MacKinnon *et al.*, 2009) – on how actors exercise agency in order to adapt to change and contribute to the evolvability of the local/regional economy (Grillitsch & Sotarauta, 2020), which this thesis addresses.

Key questions for EEG research have therefore been formulated as (Bristow & Healy, 2014b; Pike *et al.*, 2016): (i) *who* is undergoing adaptation to *what*? (ii) and *who* is demonstrating adaptability to *what*? To advance understanding of such crucial EEG questions, empirical analysis must be founded on clear conceptual insights and vice

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<sup>14</sup> Dawley explores the path creation role played by state and non-state actors in the development of the offshore wind sector in North East England.

versa (Pike *et al.*, 2009). This review has identified PBL – conceptualised here as purposive adaptation in a governance context – as a particularly pertinent type of change agency (Grillitsch & Sotarauta, 2020) that can be conceptually underpinned by three main forms of adaptive capacity (learning, networking, and storytelling). These adaptive capacities have been conceptualised or applied mainly in the context of organisations (Argyris & Schon, 1974; Levitt & March, 1988; Weick, 1976) and inter-firm networks (Amin & Cohendet, 1999; Grabher & Stark, 1997), or in policy (Bennett & Howlett, 1992; Bevir & Rhodes, 1999; Hall, 1993; Zito & Schout, 2009) and environmental research (Bettini, Brown & de Haan, 2015; Folke *et al.*, 2005; Pahl-Wostl, 2009). In this thesis, the concepts will be tested, operationalised, and refined in empirical research into how actors in local economic development governance adapt to evolutionary change (Bristow & Healy, 2014a; MacKinnon *et al.*, 2019).

This review has conceptualised such actors as being embedded in structures and institutions (Granovetter, 1985) that are both constraining and enabling (Boschma, 2015a; Garud, Hardy & Maguire, 2007), reproduced, mindfully deviated from, and transformed by these same actors (Martin & Sunley, 2006). There are challenges in identifying how different actors behave in relation to different pressures and in different contexts, and what influences their capacity to adapt (Bristow & Healy, 2014a). There is a need for ‘some key parameters’ to frame an agency perspective in EEG (Bristow & Healy, 2014a, p.928), and the ‘opportunity space’ framework reviewed in Section 2.9 is a recent and as yet largely untested endeavour to operationalise *embedded agency* in EEG research (Grillitsch & Sotarauta, 2020). Drawing on relational and political economy

perspectives, the underplaying of power dynamics was identified as a potential weakness to be tested in empirical research.

Given EEG's existing focus on industrial structures and inter-firm networks (Bristow & Healy, 2014a; Martin & Sunley, 2007), it has also been criticised for neglecting the crucial role that institutions (Farole, Rodriguez-Pose & Storper, 2011; Martin & Sunley, 2015), governance (Bristow & Healy, 2014b), and the state (Bristow & Healy, 2014a; Dawley, 2014; Hodgson, 2009; Oosterlynck, 2012) play in shaping the path trajectories of local/regional economies. Questions of state regulation (Harvey, 1982; Hudson, 2005a), power and governance 'loom large' (Hudson, 2007; MacKinnon *et al.*, 2009). EEG research therefore needs to get 'beyond' questions of the firm and understand how state and governance actors shape local/regional economic development (Pike *et al.*, 2016), and how state personnel are important agents of continuity and change (Jones *et al.*, 2004). Understanding how micro-level processes of storytelling, sensemaking and learning interact in structures of social relations is essential to the study of the adaptive capacity of such governance actors (Folke *et al.*, 2005). This is particularly true for old industrial regions as their actors seek to learn, and articulate stories of recovery, in the shadow of central-local government hierarchies, interterritorial competition, power relations and politics (Dunlop & Radaelli, 2013; Pike, Dawley & Tomaney, 2010). There is a need for research that examines 'the various ways, forms, and levels of success in which state actors, such as policy makers, attempt to implement strategic agency and mindful deviation from established paths' (Dawley, 2014, p.98-99), which this thesis addresses. It contributes to closing EEG's governance gap (Bristow & Healy, 2014a) with

its empirical focus on the adaptive capacity of state and governance actors involved in local/regional economic development. The next chapter examines the governance environments in which these actors are embedded and the continually evolving state transformation processes to which they must adapt.

### 3. EVOLUTIONARY STATE TRANSFORMATION: RESCALING AND RESHAPING

#### 3.1 Introduction

The previous chapter examined theories on how *local/regional economies* change over time (Hodgson, 1993). It identified gaps in the EEG literature in relation to the role of human agency and micro-level forms of adaptive capacity (Bristow & Healy, 2014a), in particular the role of state actors and their governance contexts in local/regional economic evolution (Dawley, 2014). To inform this thesis' study of the latter, this chapter now examines how *the state* is evolving over time, a process driven in part by normative arguments that new state scalar configurations and 'good governance' can help to promote the adaptability of subnational economies (Brenner, 2004; Pike & Tomaney, 2009). State transformation is characterised in this chapter as an evolutionary process that is intertwined with the evolution of local/regional economies in a recursive political-economic relationship, each influencing, and influenced by, the other. This is not to lose sight of micro-level explanations, but to explore how state and non-state actors involved in local/regional economic development governance develop the capacity to adapt to the 'turbulence and flux' of state rescaling (Pike, Dawley & Tomaney, 2010, p.67) and contribute to the evolvability of their local/regional economies (Grillitsch & Sotarauta, 2020).

Processes of state transformation, especially *denationalisation* and *destatisation* (Jessop, 2002), form a crucial part of the real-world context for this thesis. State transformation is positioned as a dominant force, and one of the critical factors that

‘conditioned and shaped the evolutionary dynamics and trajectory of the spatial economic developmental system under study’ (Martin & Sunley, 2015, p.721). This chapter reviews the state rescaling and governance literatures for conceptual insights which can be operationalised in research on the adaptive capacity of actors in local economic development governance.

### **3.2 State rescaling and local/regional economic development governance**

Governance of economic development at the subnational level has attracted significant attention in both policy and academic circles as states have sought to enhance the competitiveness of their city-regional, sub-regional and regional economies (Jones, Goodwin & Jones, 2005; Macleod & Goodwin, 1999; OECD, 2019; Pike & Tomaney, 2009). This policy phenomenon has been driven in part by narratives of the state as insufficiently equipped to manage economic change given the increasingly complex and internationally networked nature of economic activity (Castells, 2010; Deas, Hincks & Headlam, 2013). Forces, including the abandonment of Fordism, global economic integration and the spread of pro-market liberalism, have occasioned a shift from the post-war Keynesian welfare state to what has been characterised as a post-Keynesian, post-Fordist, Schumpeterian competition state (Brenner, 2004; Jessop, 2002; Lobao, Martin & Rodríguez-Pose, 2009). This shift has undermined the post-war consensus that socio-economic organisation is largely the domain of the nation-state (Brenner, 2004; Jessop, 1993). Instead, cities and regions – particularly major urban regions – have become critical targets for policies intended to enhance local/regional economic growth capacities (Storper, 1997). Neoliberal discourses emphasising ‘market-driven growth,

flexibility and locational competitiveness' have served to establish subnational economies, each with their own 'unique, place-specific economic profiles, infrastructural configurations, institutional arrangements, and developmental trajectories,' as critical arenas for enhancing competitive advantages and attracting mobile capital investment (Brenner, 2004, p.3).

In response, nation-states have sought to establish, develop and strengthen subnational governance, driven by the idea that 'good governance' and place-based leadership at the local and regional level promote strong economic development and growth (Pike & Tomaney, 2009; Rodríguez-pose, 2013; Sotarauta & Beer, 2017). To facilitate this, there has been what Brenner terms a spatial reconfiguration or 'rescaling' of the state (Brenner, 2009). The nature and extent of this rescaling remains the subject of academic debate across the social sciences (Ayres, Flinders & Sandford, 2018; Cox, 2009; Kjær, 2004; Lobao, Martin & Rodríguez-Pose, 2009). One particular debate relates to the extent to which nation-states, in shifting from the traditional, centralised Weberian bureaucratic model (Weber, 1964), have ceded authority to non-state actors and other state scales to the point where it has weakened their capacity to govern (Enroth, 2013). Perspectives range from state-centric accounts (Peters, 2011; Pierre & Peters, 2000) to notions of autonomous, self-organising networks governing without government (Bevir & Richards, 2009a; Rhodes, 1996; Stoker, 1998). Brenner argues that the state retains a key, albeit spatially recalibrated and decentred, role in political-economic coordination and that economic development is now subject to complex, evolving, multi-scalar forms of governance (Brenner, 2004).

### 3.3 Conceptualising the state and state power in strategic-relational terms

Brenner argues that macro-structural processes of rescaling should be understood in terms of 'the contextually specific political strategies that engendered them' (Brenner, 2009, p.127). In this sense, his account of state rescaling can be characterised as a spatialization of Jessop's critical realist, strategic-relational theory of the state (Brenner, 2009). In *State Theory: Putting the Capitalist State in its Place* (Jessop, 1990), Jessop moves beyond earlier conceptualisations of the state as a mere instrument of capital interests (Offe, 1984). Thus, while Offe introduces the notion of *structural* selectivity to describe state power, Jessop highlights the contingent nature of state strategies by defining the state as a site of *strategic* selectivity. In doing so, Jessop conceptualises the state as 'a terrain upon which different political forces attempt to impart a specific direction to the individual or collective activities of its different branches' (Jessop, 1990, p.268). Jessop acknowledges that systemic bias means that some political forces will be better placed to impart that specific direction than others, given 'the capacities of specific forces to engage in steering and the vulnerabilities of specific forces to steering attempts' (Jessop, 1990, p.360). However, Jessop argues that ultimately the success of political forces will be determined not by structural factors but by the strategies they choose to adopt. This focus on strategically reflexive political forces derives from the other core concept of Jessop's strategic-relational approach, first advanced by Poulantzas, that the state is not a unitary political subject but rather a *complex social relation* (Poulantzas, 1978). Assessed in relational terms, the state 'as such has no power; is merely an institutional ensemble; it has only a set of institutional capacities



and liabilities which mediate that power; the power of the state is the power of the forces acting in and through the state' (Jessop, 1990, p.269-270).

Jessop's emphasis on the continuing, dialectical interplay between state structures and the strategies of social forces is important in two ways. First, it conveys an understanding of the state 'not as some lumbering bureaucratic monolith but as a (political) process *in motion*' (Peck, 2001, p.449). In Jessop's account, there are 'continuous cycles of definition and redefinition in which states shape society and social forces shape the state' (Jessop, 1990, p.361). This highlights the path-dependent nature of state restructuring (Brenner, 2009; Lim, 2017; MacKinnon & Shaw, 2010; Peck, 1998) which unfolds dynamically and cumulatively (Hodgson, 1993). The emergence of new state forms and institutions can therefore be characterised as a 'complex evolutionary phenomenon' (Jessop, 2001, p.1221).<sup>15</sup> Second, it raises questions of structure and agency, discussed in the previous chapter. Giddens' structuration theory informs Jessop's approach, with its argument that structures and social institutions should be understood in relation to their mutually constitutive and recursive relationship with social agents (Giddens, 1984). However, Jessop ultimately departs from Giddens' formulation, partly on the basis that Giddens' structuration theory has a tendency to isolate agency from structure and in so doing 'implies that a given structure is equally

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<sup>15</sup> There are similarities between neo-Marxist political economy and EEG perspectives: both are concerned with 'the transformation of the economy over time' (Boschma & Martin, 2007, p.539) and 'both assume economies in disequilibrium, focus on process rather than end states, and discard individual reductionism' (Essletzbichler, 2009, p.163). An evolutionary GPE approach argues for the integration of the two perspectives (MacKinnon *et al.*, 2009; MacKinnon *et al.*, 2019; Pike *et al.*, 2016). Boschma and Martin (2007) and Essletzbichler (2009) offer an alternative view, arguing EEG offers a different albeit complementary perspective.

constraining and/or enabling for all actors and all actions' (Jessop, 2001, p.1222). Instead, Jessop emphasises 'the *differential capacities of actors* and their actions to change different structures' (Jessop, 2001, p.1223, emphasis added). What is salient here for Brenner's account of state rescaling is the conceptualisation of the state as a social relation or 'peopled organisation' (Jones *et al.*, 2004) wherein political forces, with differential capacities, are engaged in a continual process of strategic selectivity in order to harness the power of the state. Jessop draws attention to the micro-foundations of state restructuring (Jessop, 2001), and his arguments create scope for the consideration of agency which is underplayed in Brenner's macro-structural account (MacKinnon & Shaw, 2010). In this context, Brenner argues that the question for processes of state rescaling is 'how and why political strategies are mobilized to transform established formations of state scalar organization and how such rescaling strategies in turn evolve over time (Brenner, 2009, p.127)'.

### **3.4 'Hollowing out' and 'filling in': processes of denationalisation**

Early 1990s accounts of state transformation characterised rescaling and associated trends affecting the national state, and its resulting loss of functions, in terms of 'hollowing out' (Jessop, 1993; Milward, 1996; Rhodes, 1994). In Jessop's account, the national state is being hollowed out by three interrelated processes: the *internationalisation* of policy regimes, *denationalisation*, and *destatisation* (Jessop, 2002). In the process, the national state's authority and functions are being redistributed *vertically* (upwards to supranational institutions and downwards to urban,

regional and local institutions and agencies) and *horizontally* (to non-state domains) (Brenner, 2004; Büchs, 2009).

The 'hollowing out' rhetorical device helped to draw attention to and encapsulate the ongoing fragmentation of the state including the geographical and institutional redistribution of national state authority and functions (Rhodes, 2007). However, the rhetoric of 'autonomous self-governing networks of actors' (Stoker, 1998, p.18) 'governing without Government' (Rhodes, 1996, p.667) employed by some of its proponents, particularly in the governance literature, drew substantial reaction (Anderson, 1995; Bell & Hindmoor, 2009; Peck, 2001; Pierre & Peters, 2000). By the late 1990s, there was growing criticism of the 'hollowing out' notion for failing to capture the complexity of the state transformation taking place (Wilson, 2000), and its proponents for confusing 'a hollowing-out of the state form with a hollowing-out of state power' (Macleod & Goodwin, 1999, p.522).

Peck argued that the process of state transformation underway constituted less of a diminishing and more a reorganising of state capacity, and that the question was therefore:

not the extent to which the national state has somehow become 'less' powerful in the process, but how it has become *differently* powerful. Hence the need to see 'hollowing out' as a qualitative process of state restructuring, not as a quantitative process of state erosion or diminution. (Peck, 2001, p.447)

It was argued, therefore, that despite growing interest in state transformation, ‘the actual mechanisms through which [state rescaling] processes take place remain vague and under theorised’ (Swyngedouw, 1996, p.1500). In response, to supplement the national state focused readings of the ‘hollowing out’ concept, notions of ‘filling in’ were developed (Goodwin, Jones & Jones, 2005; Jones *et al.*, 2005) to enhance understanding of the ‘complex changes in the relations between different levels/scales’ (Peck, 2001, p.447).

The ‘filling in’ notion was developed, conceptually and empirically, in the context of the devolution and subsequent reorganisation of economic governance that took place in the UK in the late 1990s (Goodwin, Jones & Jones, 2005). Its originators posited it as enriching and building on, rather than replacing, Jessop’s original conception of ‘hollowing out’, drawing attention to the process of *denationalisation* and its associated *vertical* redistribution of national state authority and functions (Jones *et al.*, 2005). Using the example of Regional Development Agencies (RDAs) in England and equivalent new state forms in Scotland, Wales and Northern Ireland, they argued that the hollowing out of the state at the national scale is typically associated with restructuring at other scales, and that by combining it with the concept of filling in, a framework of twin conceptual tools is established that is capable of analysing processes of state restructuring at all territorial scales (Goodwin, Jones & Jones, 2005). The two processes should not be viewed as scale-specific; hollowing out and filling in can occur at any scale, ‘each entails rescaling through a transfer of powers to/from other scales’ (Shaw & MacKinnon, 2011, p.28):

The use of the concept of 'filling in', then, focuses on the manner in which power is being transferred, and on the scales it is being transferred to. In other words, the very process of 'filling in' is geographically constituted and spatially constructed — in contrast to 'hollowing out', which can imply an abstract sense of restructuring away from one level only (the national). (Goodwin, Jones & Jones, 2005, p.425)

When enjoined to a substantive theory of the state, in this case Jessop's strategic-relational theory, notions of 'hollowing out' and 'filling in' are helpful conceptual tools for the understanding of state transformation (MacKinnon, Shaw & Docherty, 2008). Importantly, 'hollowing out' and 'filling' in should not be viewed as explanations in their own right or simply substituted one for the other, for the 'twin processes of 'hollowing out' and 'filling in' are also recursive – each influences, and is influenced by, the other' (Goodwin, Jones & Jones, 2005, p.433). This dialectical relationship echoes the mutually constitutive and recursive relationship between structure and agency in Jessop's strategic-relational theory (Jessop, 1990) and Giddens' structuration theory that informed it (Giddens, 1984). And like Jessop, the originators of the 'filling in' concept emphasise issues of power in its relationship with 'hollowing out' (Goodwin, Jones & Jones, 2005). They argue that the approach, by drawing attention to inherent micropolitics and power conflicts, helps to reveal 'the strategic advantages which accrue to certain actors from the particular form that filling in takes in different places' (Jones *et al.*, 2005, p.357).

The empirical focus on devolution of the ‘filling in’ notion means the conceptual framework is particularly helpful for analysing the *vertical* redistribution of state power (or *denationalisation* in Jessop’s terminology) and exploring issues including the shifting institutional identities of state actors and the potential for competing loyalties and allegiances (Jones, 2001). However, there is a contemporaneous trend towards the *horizontal* redistribution of state power (*destatisation*) which involves a shift from state to non-state actors or from *government* to *governance* (Hudson, 2007; Jessop, 2004) – a feature of English economic development governance (Pike *et al.*, 2015). Having initially over-emphasised the consequences of ‘hollowing out’, the governance literature makes important contributions here in terms of:

- processes of destatisation and the horizontal redistribution of state power to non-state bodies and networks that continue to operate in ‘the shadow of hierarchy’ (Bell & Hindmoor, 2009; Bevir, 2010);
- the complexities attendant to, and the unintended consequences arising from, this shift towards governance and networks (Rhodes, 2007; Stoker, 1998); and
- the evolving means (managerial tools, instruments and strategies) by which national state actors seek to steer networks and retain/regain influence and control, leading to a *reshaping* as well as a *rescaling* of the state (Le Galès, 2013; MacKinnon, 2000; Salamon, 2002).

### **3.5 Shift to local governance and networks: processes of destatisation**

Governance, ‘the complex processes and interactions that constitute patterns of rule’ (Bever, 2010, p.2), has undergone successive waves of reform in Western economies

since neoliberal criticisms of the state and its hierarchic bureaucratic forms were formulated in the 1980s (Kjær, 2004). The first wave, characterised by marketisation, resulted in fragmentation and complexity (Bevir, 2010). This occasioned a second wave in the 1990s that was characterised by *destatisation* (Jones *et al.*, 2005), altered 'institutional arrangements' (North, 1990), and involved an 'outwards' movement of responsibilities from the state to non-state bodies (Shaw & MacKinnon, 2011) and networks (Bevir & Rhodes, 2003), through which government sought ways to coordinate the complexity arising (Jessop, 2002). Metagovernance is the 'government of governance' through 'overseeing, steering, and coordinating governance arrangements' (Bell & Hindmoor, 2009, p.11). It arose in this period in response to the problems generated by a combination of state and market failure (Jessop, 2013) and the aspirations of government to 'join-up' governance (Cabinet Office, 2000; Davies, 2009) and 'achieve horizontally and vertically co-ordinated thinking and action' (Pollitt, 2003, p.35). As a result of successive waves of reform, governance arrangements are now complex, hybrid practices, combining administrative systems with market mechanisms, network forms, and an increasing range and plurality of stakeholders (Bevir, 2010).

Notwithstanding a 'Babylonian' variety of definitions and conceptualisations in the literature (Börzel, 1998), governance networks are most typically characterised by interdependence (in relation to resources, competencies, and power), coordination, and pluralism (Enroth, 2013). The search for better coordination is 'the recurrent theme of contemporary governance' (Bevir, 2010, p.255). Challenges such as those faced in the governance of the Newcastle City Futures initiative show how this search is intertwined

in subnational economic development with notions of place-based leadership (Vallance, Tewdwr-Jones & Kempton, 2019). Non-state network participants are generally understood to operate in 'the shadow of hierarchy' (Scharpf, 1994) despite pluralist claims that the state is a mere network of networks (Enroth, 2013) and the 'notion of a monolithic state in control of itself and civil society was always a myth' (Bevir & Rhodes, 2013). While the precise role of the state in networked systems of governance is subject to debate (Bristow & Healy, 2014b), Bell and Hindmoor argue that governance and changes in governance arrangements in Western economies are 'substantially driven by changes in state preferences and strategy' (Bell & Hindmoor, 2009, p.3) – recurring attempts by state political forces to impart a specific direction to governance arrangements in an example of Jessop's *strategic selectivity* in action (Jessop, 1990).

In contrast to the emphasis of some theorists on the egalitarian, cooperative, and trust-based nature of governance networks (Rhodes, 1996; Thompson *et al.*, 1991), Bell and Hindmoor argue that hierarchy remains strong in such networks but accept that governments deploy an expanding array of governance tools, strategies and forms including metagovernance (Bell & Hindmoor, 2009) – representing a change in state *form* (Macleod & Goodwin, 1999) and a reorganising not a diminishing of state power and capacity (Peck, 2001). The art of governing centre-periphery relations in this way is a form of *statecraft* (Bulpitt, 1983). States possess institutional and relational *powers of reach*: 'Power and authority, on this view, are not so much seeping away from the corridors of Whitehall as being subject to renegotiation and displacement by the political actors drawn within reach' (Allen & Cochrane, 2010, p.1074). Bell and Hindmoor



argue that even when governments choose to cede some authority to non-state bodies and networks, they typically retain the authority to change prevailing governance arrangements (Bell & Hindmoor, 2009). The state seeks to dominate the exchange (Chhotray & Stoker, 2009) and control *the rules of the game* (Stoker, 1998). Saito makes a distinction here between *devolution* which decentralises political power, and *deconcentration* which maintains political power at the centre while delegating managerial responsibility (Saito, 2013). Deconcentration has been the prominent trend in UK governance networks (Kjær, 2004) and this separation of policymaking from managerial responsibility for the delivery of these policies has led to a proliferation of governance networks and the need for metagovernance (Rhodes, 1997).

States typically have two roles in network governance arrangements – as network actor, and an overall management and oversight role – which exacerbate asymmetries of power in network relations (Bell & Hindmoor, 2009). Network management is a central feature of governance (Kjær, 2004) and has been explored in detail in the literature (see, for instance, Kettl, 2002a; Koppenjan & Klijn, 2004). But there are inherent challenges in network management (Ayres & Stafford, 2014) – in *steering rather than rowing* as advocated by its proponents (Osborne & Gaebler, 1993). In complex governance systems, ‘no one actor or group of actors is in overall control or has the capacity to influence all the conditions that affect them’ (Bristow & Healy, 2014a, p.931). Political forces, with differential capacities, are engaged in a continual process of strategic selectivity in order to harness the power of the state (Jessop, 1990). Therefore, ‘what works for central government in terms of its hierarchical powers of reach also has the,

perhaps, *unintended consequence* of opening up that authority to negotiation and displacement' (Allen & Cochrane, 2010, p.1074, emphasis added).

### 3.6 Unintended consequences

The state seeks to implement policies as intended through governance arrangements but is subject to *the sour laws of unintended consequences*: 'Governments fail because they are locked into power-dependent relations and because they must work with and through complex networks of actors and organizations' (Rhodes, 2007, p.1258). Davies examines the evolution of local governance networks introduced by New Labour to argue that the study of conflict, not just cooperation, is necessary to understand the dialectical relationship between network and hierarchy in governance arrangements (Davies, 2005).<sup>16</sup> Building on Gamble's argument that the Thatcherite pursuit of a deregulated, free market economy required a strong state to maintain compliance (Gamble, 1994), Davies argues that local governance networks 'designed by government to generate governing capacity and enhance legitimacy often require governmental discipline to keep them on their political course' (Davies, 2005, p.312). Inherently dynamic, complex and often antagonistic relationships (Bristow & Healy, 2014b) undermine the capacity of network members to pursue a common agenda (Kjær, 2011). Conflict places the state 'in a dialectical bind, when the centre does not wish to intervene but has to, and such intervention undermines local networks, in turn prompting the

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<sup>16</sup> New Deal for Communities (NDC) was New Labour's flagship urban regeneration and neighbourhood renewal programme in England through which a total of thirty-nine local partnerships were established from 1998; central funding was terminated in 2011 by the new UK coalition government.

further exercise of state authority' (Davies, 2005, p.311). Government finds it necessary to intervene in networks it intended to be autonomous (Kjær, 2011) and this builds failure into the very design of governance arrangements for any 'centralization will be confounded by fragmentation and interdependence which, in turn, will prompt further bouts of centralization' (Rhodes, 2007, p.1258). Moreover, governance through local networks may be more vulnerable to conflict (Davies, 2005) than the traditional Westminster Model (Bevir & Rhodes, 1999) for while the democratic state 'was designed to contain conflict; networks were not' (Kjær, 2004, p.199). In network governance arrangements, there are not always clear means of mediation or arbitration or a central decision making authority, and where networks lack reciprocity and trust, no obvious mechanism to hold them together, meaning that for government, 'the price of 'letting go' is simply too high' (Davies, 2005, p.326-327). Thus the *unintended consequences* (Zwart, 2015) of governance reform (Kjær, 2004) and destatisation (Jessop, 2002) – fragmentation, complexity and a proliferation of networks (Bevir, 2010; Rhodes, 2007) – engender the search for managerial means by which national state actors seek to retain/regain influence and control (Kjær, 2004).

### **3.7 State reshaping and the means by which state actors seek to retain/regain control**

Local/regional governance arrangements and practices permeate Western economies (Denters, 2013) and, while governance forms vary according to country and locality (John, 2001), one feature commonly observed is the adoption of managerial tools and instruments that grew out of the *new public management* (NPM) (Denters & Rose,

2005). Codified by Hood in the early 1990s (Hood, 1991), NPM emerged from the 'minimise the state' paradigm (Kjær, 2004) and associated neoliberal reforms of the 1980s in Western economies (Bevir, 2010) that involved the application of private-sector managerial techniques to public governance and public services delivery (Osborne, 2006). The range of 'policy instruments' or 'tools of government' in widespread use is extensive (Hood, 2007; Salamon, 2002), encompassing legislative and regulatory, economic and fiscal, agreement- and incentive-based, and information- and communication-based instruments, and *de facto* and *de jure* standards and best practices (Le Galès, 2013). Advocates of managerialism argue that it provides the means to preserve the legacy of marketisation while building state capacity and oversight (Bevir, 2010). However, the normative prescriptions of managerial tools and instruments (Bevir & Richards, 2009b) sometimes overlook the management implications of principal-agent relations (Chakravathy, 1982; Kettl, 2002b), tensions between efficiency, effectiveness, accountability and legitimacy (Considine & Afzal, 2013), and issues of power and domination (Le Galès, 2013).

Jessop's strategic-relational approach emphasises the strategic selectivity of governance mechanisms (Jessop, 2004). He argues that this reflects Foucault's notion of governmentality: that governing consists in the development of a set of concrete technologies (Foucault, 1991), 'practices through which power is exercised materially' (Le Galès, 2013, p.147). Notions of governmentality focus on 'the *how* of government, on the specific mechanisms, techniques and procedures which political authorities deploy to realise and enact their programmes' (MacKinnon, 2000, p.295). However,

Jessop asserts that it is not technologies or mechanisms that act but rather political forces who deploy them to harness the power of the state and impart a particular direction (Jessop, 1990). Government, from this perspective, governs *through* the manipulation of these techniques and mechanisms (Jessop, 2004). Managerialism therefore provides political actors with the means to 'introduce, enact and legitimate strategies' of political reform (MacKinnon, 2000, p.294). But power dependence in governance networks means that attempts by government to dominate the exchange through managerialism provoke unintended consequences (Hudson, 2007; Stoker, 1998). Managerial tools and instruments are not neutral, they condense political power, and while they have their own effect, their creative use by various actors produces unintended effects (Le Galès, 2013). This directs attention to how governance actors resist control (Davies, 2005) and thwart the intentions of others (Bevir & Rhodes, 2008).

Local/regional governance can, in this sense, be understood as a large-scale, unfolding, principal-agent problem (Storper, 2013). In principal-agent relations, the principal does not have complete control over the agent and has only partial information on the agent's behaviour (Stoker, 1998) and 'while efficiency requires the delegation of discretion in decision-making and authority, the very act of delegation creates problems of control and supervision' (Fukuyama, 2004, p.189-190). The tools and instruments used to measure and manage the performance of agents struggle to cope with complexity and ambiguity (Radin, 2006). This is particularly challenging in public administration and network governance (Fukuyama, 2004) where government is dealing with multiple actors who often have differing incentives and motivations (Kettl, 2002b) and where

aims, strategies and programmes are not amenable to quantification and measurement (Bevir, 2010).

Governance is therefore in continual transformation as governments employ an expanding array of tools and strategies in search of mechanisms to retain/regain control (Bell & Hindmoor, 2009) and protect their legitimacy to maintain such control and manage the economy (Harrison, 2012). Local/regional governance thus involves 'the articulation and mixing of new entrepreneurial and enduring managerialist forms' (O'Brien & Pike, 2019, p.1448). The backdrop to recent funding and financing experiments is the austerity narrative articulated amid the fiscal crisis of the global recession (Fuller, 2018; Gray & Barford, 2018; Lobao *et al.*, 2018; Pike *et al.*, 2018). These experiments include city, growth and devolution deals in the UK – the recasting of central-local relations as a process of deal-making founded on territorial competition and negotiation (O'Brien & Pike, 2015) – and the 'dumping' of fiscal responsibility for the delivery of higher-scale policies on lower scalar authorities in the US (Kim & Warner, 2018). For instance, Californian cities suffered severe fiscal crises when the state government closed Redevelopment Agencies (Davidson & Ward, 2013). Austerity has consequently often been used as a further justification for the active *reshaping* and *rescaling* of central-local relations to harness the power of the state (Gray & Barford, 2018): '(Re)scaling is central to the statecraft of actors in austerity state projects as a tangible means to disrupt existing relations and institutional arrangements to foment, encourage and even force radical change' (Pike *et al.*, 2018, p.140). This incessant generation of *novelty* (Schumpeter, 1987) in governance mechanisms,

together with the continued deployment and adaptation of existing managerial tools and governance arrangements (O'Brien & Pike, 2019), is resulting in 'state change' (Lobao *et al.*, 2018) and a fundamental *reshaping* of the subnational state (Kim & Warner, 2018).

The belief that new governance mechanisms can solve old problems without creating new ones is, though, 'wishful thinking' (Jessop, 2004). Bevir distinguishes between intervention and control, arguing that government 'clearly often intervenes, but its interventions rarely have the intended outcomes' (Bevir, 2010, p.255). In complex systems, governance is contingent and provisional, and produces consequences that impede other state projects and prove counterproductive even for those who instituted the governance mechanisms and projects (Jessop, 2003). Thereby, in local/regional economic development, the act of state transformation can unleash periods of uncertainty, fluidity and experimentation (Pike *et al.*, 2015). This can engender dysfunctional, even self-undermining, socio-spatial consequences, rather than the effective management of economic development (Brenner, 2009). Such state-induced crises can also give rise to what Offe terms the *crisis of crisis management* (Offe, 1984). Brenner argues that, since the 1990s, new forms of state rescaling have emerged largely in response to the crisis tendencies engendered by the neoliberal reforms of the 1980s, leading to 'the crystallization of additional crisis tendencies and dislocations and, subsequently, to a further intensification and acceleration of rescaling processes' (Brenner, 2009, p.128). Brenner's analysis directs attention to processes of *rescaling* associated with the evolving *scalar* selectivities of the state (Brenner, 2004). This section

has demonstrated that state *reshaping*, associated with the *strategic* selectivity of governance mechanisms, typically accompanies such *rescaling* processes (Jessop, 2004; MacKinnon, 2000; O'Brien & Pike, 2019).

### **3.8 Conclusion**

This chapter's exposition of state rescaling and reshaping processes has examined and refined sometimes binary perspectives on the changing nature of the state that explore notions of 'hollowing out' and 'filling in' but insufficiently emphasise changes in governing strategies and practices (Bell & Hindmoor, 2009). It has explored how governance evolves through such changes, and why it is continually in flux (Beunen, Van Assche & Duineveld, 2015). This arises in part from the state's continuing experimentation and search for appropriate scales and forms of governance to promote the adaptability of local/regional economies without relinquishing influence and control (Deas, Hincks & Headlam, 2013; Pike *et al.*, 2015). The unintended consequences of experimentation (Bell & Hindmoor, 2009) and the resistance it provokes (Davies, 2005) can equally prompt yet more experimentation. There is, thus, a continuing, dialectical interplay between state structures and the strategies of social forces (Jessop, 1990) – Peck's '(political) process *in motion*' (Peck, 2001). This perpetual rescaling and reshaping of the state exhibits properties of path dependence (Lim, 2017) given the dynamic, cumulative and irreversible way it unfolds (Hodgson, 1993). Indeed, Jessop (2001) argues that the emergence and strategic selectivity of new state forms in specific time-space contexts is subject to Darwinian principles of variation, retention and selection.



This thesis therefore characterises state rescaling (Brenner, 2004) and reshaping (Jessop, 2004) as a ‘complex evolutionary phenomenon’ (Jessop, 2001, p.1221), with actors’ economic and governance environments locked in a recursive political-economic relationship. An evolutionary perspective on the ‘qualitative state’ (O’Neill, 1997) and qualitative processes of state restructuring (Peck, 2001) emphasises changes over time in the nature, purpose and consequences of the form of state agency: its roles, capacities, structures, organisation, mechanisms, strategies, and processes (Pike & Tomaney, 2009). State transformation is, in this context, a further example of the pressures – shocks, disturbances and transitions – necessitating adaptive capacity identified in the previous chapter (Pike, Dawley & Tomaney, 2010).

EEG has been criticised for neglecting the crucial role the state plays in shaping the path trajectories of local/regional economies (Bristow & Healy, 2014a; Dawley, 2014; Hodgson, 2009). Conceptualising the state as a complex social relation (Poulantzas, 1978) or peopled organisation (Jones *et al.*, 2004), wherein political forces with differential capacities are engaged in a continual process of scalar and strategic selectivity in order to harness state power (Jessop, 1990), directs attention to the micro-level interaction of governance actors (Bristow & Healy, 2014b). The integration of key concepts from the EEG, state rescaling and governance literatures, reviewed here and in the previous chapter, thus locates evolutionary political-economic change in the interactions and adaptation that take place at the micro-level (MacKinnon *et al.*, 2019). This suggests that actors involved in the governance of local/regional economies must adapt to both economic change and the continually evolving processes of state

transformation intended to help shape this change, but evidence for this – particularly qualitative, case study research on how actors adapt – remains sparse (Bristow & Healy, 2014a; Jones, 2001). This thesis contributes to closing this gap through the empirical research identified as lacking in the literature (MacKinnon *et al.*, 2009). From a CAS perspective, macro-structural change emerges from micro-level interactions (Bristow & Healy, 2015; Hu & Hassink, 2017; Martin & Sunley, 2007). To explain the uneven development of local/regional economies, research must examine the micro-foundations of their differential capacities to adapt (Jessop, 2001; Martin & Sunley, 2015; Uyarra *et al.*, 2017). Whereas EEG research has focused on evolutionary economic change at the macro-structural, industrial and firm level (Bristow & Healy, 2014a; Grillitsch & Sotarauta, 2020), this thesis examines the origins of this change through a qualitative, case study of the adaptive capacity of actors in local economic development governance. The next chapter sets out the research design and methodological approach.

## **4. RESEARCH APPROACH AND METHODOLOGY: A QUALITATIVE CASE STUDY**

### **4.1 Introduction**

This chapter sets out the research approach and methodology. It outlines the research strategy and methods employed and discusses the main ethical and methodological issues encountered. It commences by describing the main tenets and implications of the critical realist philosophical worldview adopted, recognising that social science research 'is about argument, not proof. The researcher's aim is to convince others. For this the research project needs to have coherence in epistemology, theory and method' (Hoggart, Lees & Davies, 2002, p.74). I set out how a critical realist perspective enables qualitative, case study research into the adaptive capacity of governance actors to contribute to a literature that is largely focused on evolutionary economic change at the macro-structural, industrial and firm level (Bristow & Healy, 2014a; Grillitsch & Sotarauta, 2020).

In qualitative research, 'research design should be a reflexive process operating through every stage of a project' (Hammersley & Atkinson, 1995, p.2). Wherever pertinent, the chapter highlights how my reflections during the research process resulted in modifications to the research design in response to issues and challenges encountered. To impose some structure, this chapter presents my research design largely in accordance with the structure of Denzin and Lincoln's ideal-type qualitative research process (Denzin & Lincoln, 2011).

The chapter commences by outlining the philosophical worldview and discussing critical realist and evolutionary perspectives. It then sets out my research design: a qualitative, single-case study approach, employing triangulation to enrich understanding. It then reflects on my positionality in relation to the research, together with other ethical considerations. The next section explains why I selected the HotSW LEP as a unit of study. With its novel and polycentric institutional-geographical arrangements (encompassing seventeen mainly rural local authorities intersecting five functional economic areas), the HotSW LEP exhibited a combination of endogenous developments, exogenous pressures, novelty, and adaptation.

The chapter then discusses my methods: primarily in-depth interviews with ‘elites’ and meeting observations enabled by gatekeeper-informants. A critical review of published secondary sources was also undertaken to triangulate findings, develop theoretical propositions, and examine wider factors and processes. It was also used to examine the unfolding of English economic development governance over time (the case study context), with a particular focus on the period to the end of 2016 (to coincide with my primary research). The chapter closes with a discussion of my critical realist approach to transcription, coding, and analysis.

## **4.2 Philosophical worldview: critical realist and evolutionary perspectives**

This thesis locates evolutionary political-economic change in the interactions and adaptation that take place at the micro-level and adopts a critical realist perspective to investigate these micro-level processes. Critical realism evolved from the work of Roy Bhaskar (Bhaskar, 1975). There are various versions but a defining characteristic is its combination of a realist ontology (the belief that a real world exists independently of constructions) with a constructivist epistemology (the belief that knowledge of the world is constructed from specific vantage points, and there is no possibility of achieving a purely objective account) (Maxwell, 2012). This distinction between ontology and epistemology means a critical realist perspective rejects the more radical positions of both post-positivists and constructivists (Given, 2008). Social science, in radical constructivist terms, is 'not an experimental science in search of law but an interpretive one in search of meaning' (Geertz, 1973, p.5). Critical realists undertake *interpretative* analysis (Jessop, 2001), but assert that knowledge is *theory-laden* (Creswell, 2013). Critical realists thus engage in theory building and conceptualisation to explain social phenomena (Sayer, 1992) but accept that no theory can capture the full complexity of the phenomena studied, and that theories of social forces are themselves constructions with no claim to objective truth (Maxwell, 2013).

Critical realists therefore share some common epistemological ground with social constructivists: (i) knowledge is constructed by actors who seek to make sense of and interpret their experiences by developing subjective and intersubjective meanings (Bevir & Rhodes, 2004; Weick, 2009); (ii) these meanings are varied, multiple, and complex (Creswell, 2014); and (iii) they are formed through interactions with the environment

and other social actors (Crotty, 1998). Human agency is emphasised (Flowerdew & Martin, 2005), but in critical realism its relationship to structure largely reflects the strategic-relational approach discussed in Chapter 3 (Jessop, 2005). Social actors are temporally and spatially embedded (Emirbayer & Mische, 1998) in structures and institutions (Granovetter, 1985; Martin, 2003) that are both constraining and enabling (Boschma, 2015a). As such, knowledge is power-inflected, reflecting social structures and power relations (Creswell, 2013). Meanings and beliefs are influenced both by the differential capacities of actors to make sense of their situations, and by actors' social and material contexts (Sayer, 1992) which include their economic conditions and geographical locations (Flowerdew & Martin, 2005; Maxwell, 2012). Actors' meanings and beliefs therefore interact with the real world (Creswell, 2013), so attention to 'context' is important in the interpretation of these beliefs and meanings (Creswell, 2014) and the development of theory and methodology (Peck, 2005).

Critical realist and evolutionary perspectives on economic transformation are highly aligned (Castellacci, 2006). In both perspectives, social reality and economic systems are *complex* in nature, driven by the *interactions* of actors who are *embedded* in social structures and specific historical and geographical *contexts*. Researchers focus on the *processes* and *mechanisms* through which economies and societies are *transformed* (Bhaskar, 1979; Veblen, 1898; Witt, 2003), and 'develop ways of uncovering causal mechanisms in a seemingly quintessentially open, as well as intrinsically dynamic, and highly internally related, social reality' (Lawson, 2001, p.175). In the search for causal explanations and generative mechanisms, empirical analysis and theoretical

interpretation are both important aspects of methodology, and interact in a mutually constitutive and recursive relationship (Castellacci, 2006). Theory building is neither purely deductive nor purely inductive but operates in a deductive-inductive dialectic (Yeung, 1997). Researchers' commitment to the investigation of social reality is combined with an acknowledgement of its complex, changing and non-deterministic character (Castellacci, 2006).

Critical realism does not prescribe particular methodological approaches (Yeung, 1997), but critical realists often prefer qualitative methods 'owing to the deep and context-dependent insights into real processes that case-study based research makes it possible to achieve' (Castellacci, 2006, p.871). Researchers use qualitative methods to understand: (i) the meanings and perspectives of the people they study; (ii) how these perspectives are shaped by, and shape, their contexts; and (iii) the processes involved in maintaining or altering these relationships (Maxwell, 2013). Qualitative research is most powerful when used to discover how others *see* the world (McCracken, 1988), and in seeking to interpret others' perceptions, beliefs and meanings, it typically foregrounds the views of research participants (Creswell, 2014). Qualitative research is therefore typically 'intensive' (Hoggart, Lees & Davies, 2002), relies on 'textual' rather than numerical data, and its primary goal is not statistical generalisation but the development of deep and rich understanding in particular cases and contexts (Maxwell, 2013; Yin, 2014).

EEG research is characterised by a methodological openness (Boschma & Martin, 2007) but researchers in the field have bemoaned its lack of qualitative, case study work (Boschma & Frenken, 2009; Bristow & Healy, 2014a; Hu & Hassink, 2015; MacKinnon *et al.*, 2009). This is evident in the literature's dearth of bottom-up, micro-level analyses of evolutionary economic processes (Levit, Hossfeld & Witt, 2011). Such bottom-up analyses can 'unveil' how multiple actors shape the evolution of local/regional path trajectories by 'zooming in' on the subjective stories of individuals to grasp their perceptions, intentions and change strategies (Grillitsch & Sotarauta, 2020, p.717). Martin and Sunley (2015), in a critical realist vein, emphasise that such bottom-up analyses should be guided by evolutionary principles and concepts, and not be entirely inductive in nature. This way, explanations can be built 'from below', by linking 'concrete variety', and the 'local knowledge' gained through close dialogue with individual actors, to wider conceptual frameworks (Martin, 1999, p.81).

#### **4.3 Research design: qualitative, case study approach**

This thesis argues that governance actors play a crucial role in the evolution of local/regional economies, and that it is important to understand how they seek to adapt and contribute to change in their environments. As discussed in Chapter 2, the EEG literature provides an array of concepts, mechanisms and models of evolution and change, but its macro-structural focus and lack of detailed empirical work mean there is still limited understanding of the micro-level adaptive processes at work. Understanding how these processes operate in particular contexts requires in-depth exploration of how governance actors make sense of and interpret the pressures they face, how and



drawing on what capacities they adapt to change, and how they 'attempt to implement strategic agency and mindful deviation from established paths' (Dawley, 2014, p.98-99).

*A qualitative, case study approach* was designed to achieve these goals and address the lack of such studies in the EEG field. Qualitative methods enable researchers to understand how others perceive the world, and how these perceptions are shaped by, and shape, their contexts (Maxwell, 2013). A case study approach enables researchers to investigate a social phenomenon in depth, to explore 'how' and 'why' questions, and show not whether something works, but how it works (Yin, 2014). Yin defines a case study as 'an empirical inquiry that investigates a contemporary phenomenon (the 'case') in depth and within its real-world context, especially when the boundaries between phenomenon and context may not be clearly evident' (Yin, 2014, p.16). Case studies therefore produce concrete, *context-dependent* knowledge (Flyvbjerg, 2006), which is consistent with the treatment of knowledge in critical realist and evolutionary perspectives. Flyvbjerg's preferred definition – an 'intensive analysis of an individual unit (as a person or community) stressing developmental factors in relation to environment' (Flyvbjerg, 2011, p.301) – highlights a number of factors that are characteristic of the case study approach. The decisive factor is the choice of the individual unit of study and the setting of its boundaries, i.e., its 'casing' (Ragin & Becker, 1992). In addition, case studies generate 'more detail, richness, completeness, and variance – that is, depth – for the unit of study than does cross-unit analysis' (Flyvbjerg, 2011, p.301). Finally, with their emphasis on context, case studies enable researchers to examine how individual units develop in relation to their environment.

In EEG, researchers equally advocate *deep contextualisation* (Martin & Sunley, 2015). This involves considering ‘the full set’ of micro- and macro-level, local and non-local, endogenous and exogenous, factors and processes that have shaped the evolutionary dynamics and trajectory of the unit of study – in this case, the HotSW LEP and its constituent *actors, assets* and *sites* (Grillitsch & Sotarauta, 2020). To enable time to be primarily directed towards examining micro-level factors and processes, conducting primary research with governance actors (through interviews and observations) was prioritised, with wider factors and processes examined through a critical review of published secondary sources (encompassing academic and practice literature, government reports, and HotSW LEP documentary records).

The reliance on interviews as a form of data collection was necessary to illuminate actors’ beliefs, perceptions and experiences, unravel relationships, and understand processes of control, resistance and adaptation at work beneath public discourses. This enabled exploration of how discourses are constructed from particular vantage points (Maxwell, 2012) by political actors with differential capacities (Jessop, 2001). Nevertheless, it was clear that largely interview-based data collection had implications for the interpretation of findings and the forcefulness of explanations (Hoggart, Lees & Davies, 2002). My research involved asking interviewees to reflect on recent events and periods of change, and on how and why they and others acted as they did. Interviews necessarily rely on interviewees’ interpretations of experiences and processes, and

often retrospective accounts, and this places significant emphasis on the researcher's own interpretive abilities (Schoenberger, 1991).

I addressed this by building 'triangulation' into my research design (Yeung, 2003). Triangulation principally involved collecting data from multiple interviewees (LEP and non-LEP actors), which enabled a degree of cross-validation within and across interviews, supplemented by complementary data from observations and published secondary sources that added further light to findings and conclusions (Baxter & Eyles, 1997; Hoggart, Lees & Davies, 2002). Triangulation is not without its own problems<sup>17</sup> but investigations can be strengthened by researchers undertaking additional but complementary types of triangulation, for instance by offering different theoretical perspectives on the same phenomenon (Burgess, 1984; Mikkelsen, 2005). This involves exploring a number of theoretical perspectives and alternative interpretations, to evaluate which provides the more convincing account (Hoggart, Lees & Davies, 2002). Thus, my research – by reviewing and synthesising two key bodies of work, EEG and state rescaling, in search of conceptual insights that could be operationalised – also benefited from the prior development of theoretical propositions to guide data collection and analysis (Yin, 2014). Yin argues that case studies are generalisable to theoretical propositions, not to populations, and their goal is not to extrapolate probabilities ('statistical generalisations') but to expand and generalise theories ('analytic generalisations') (Yin, 2014, p.21). Arguing from a critical realist and

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<sup>17</sup> Triangulation can lead to: incorrect research foundations; difficulty in replicating mixed methods; adaptation to suit researcher bias; and the requirement for complex data comparison techniques.

evolutionary position, Castellacci qualifies this by emphasising that any such theory-laden interpretation of findings remains a 'context-dependent and far-from-universal causal explanation' (Castellacci, 2006, p.871).

#### **4.4 Ethical considerations, positionality, and reflexivity**

The 'centrality of context' (Hoggart, Lees & Davies, 2002) is a key consideration in qualitative, case study research, particularly when undertaken from a critical realist or evolutionary perspective. Context is important in human geography because people and place interact (Flowerdew & Martin, 2005), and actors' relationships are affected by their wider socio-economic contexts (Pike *et al.*, 2016). Context is also important because, epistemologically, from a critical realist (constructivist) perspective, research and researcher interact (Howell, 2013). Researchers must be aware that 'answers that are produced in the interaction are not simply 'there', waiting to be elicited; they may never have been produced before that moment' (Wood & Kroger, 2000, p.72). Researchers are implicated in the construction of knowledge, and should treat data as, at least to some extent, collaborative (Cloke *et al.*, 2004). That said, power relations are typically uneven in research encounters, since researchers retain 'narrative privilege' over the interpretation and representation of accounts (Adams, 2008). The backgrounds, values and dispositions of researchers shape their interpretations, and influence the knowledge constructed through their interaction with research participants and the phenomenon under study (Given, 2008). Qualitative research is, for this reason, often referred to as 'interpretive' research (Creswell, 2013) and it is important for researchers to 'position' themselves in their research and 'reflect' on how

their interpretations flow from their own historically generated circumstances (Creswell, 2014).

As a 'biographically situated researcher', my 'positionality' in relation to my research and participants was defined by conditions and circumstances including age, gender, ethnicity, education and life experiences (Denzin & Lincoln, 2011). At the time of my primary research, I was around forty years of age, a University-educated white male, over fifteen years into my professional career, and living and working within the boundaries of my geographical area of study. My PhD research was being conducted part-time at the University of Plymouth; at the same time, in my full-time job, I was the University's Senior Strategy Officer, based in the Office of the Vice-Chancellor. Moreover, the Vice-Chancellor, and at an institutional level the University, were closely involved in what I was studying – the HotSW LEP, its constituent actors, assets and sites, and its interactions and 'deals' with local partners and the state. These factors could not be painted out of the picture (Mishler, 1986) but had to be critically examined, to explore *how* they might influence the research process (Fine, 1998), and ensure they did not lead to interpreting data 'conveniently' to reinforce pre-existing values (Schoenberger, 1992). This required 'reflexivity', defined in a research context as 'self-critical sympathetic introspection and the self-conscious analytical scrutiny of the self as researcher' (England, 1994, p.82), and also of the 'self as researcher' *as perceived by the researched* (Hoggart, Lees & Davies, 2002). While it is not possible to determine how I was perceived during research encounters or how this influenced the responses of research participants, assumptions based on my conditions and circumstances are likely

to have been made in relation to my interests, knowledge and understanding (Valentine, 2005).

In terms of positionality, the factor I was most conscious of during the design and conduct of my research was my status as an ex-practitioner in my field of study. Before commencing my research, I had worked for over fifteen years as a consultant and as a government official at various scales – local, regional, and national – largely in economic development related fields. My clients had included government departments, government agencies including most English RDAs, and numerous local authorities. Having worked in senior, management-level roles, in state and non-state bodies, I had experienced the strategic selectivity and (unintended) consequences of governance mechanisms as both principal and agent (Stoker, 1998; Storper, 2013). I had experienced processes of state rescaling and reshaping, and I had witnessed governance actors seeking to make sense of and adapt to changing environments. I therefore came to the research from a specific vantage point, with preconceptions and particular beliefs (Maxwell, 2012).

My research focus stemmed from exploring the EEG literature, being struck by how little attention was paid to how micro-level interactions (particularly between governance actors) might contribute to change and being motivated to help address this gap (Bristow & Healy, 2014a). More attention had been paid in the political science and public administration literature, but typically at the national level (e.g., Rhodes, 2011);

notwithstanding some notable contributions at the subnational level (e.g., Jones *et al.*, 2004), the world of local governance actors remained ‘under-researched’ (Gains, 2009; Pemberton & Goodwin, 2010). My theoretical proposition, based on reading of the EEG literature and prior experiences, was that actors involved in the governance of local/regional economic development would mainly be concerned with adapting to economic pressures. Nevertheless, I adopted a ‘loose guide approach’ to interviews, ready to ‘listen beyond’ my theoretical propositions (Hoggart, Lees & Davies, 2002, p.236), and it became clear that, contrary to my starting assumptions, my interviewees were generally more focused on pressures associated with processes of state rescaling and reshaping. This persuaded me to investigate the state rescaling literature in more depth than originally planned (Brenner, 2009), and drew my attention to the small number of studies that had identified this phenomenon (e.g., O'Brien & Pike, 2015). I also modified my guide in advance of the next wave of interviews, to ensure I remained alert to the issue and probed interviewees as and when appropriate. In qualitative research, any component of research design should be reconsidered or modified during the study in response to developments or changes in another component (Creswell, 2013). If undertaken reflexively and flexibly, ‘the activities of collecting and analysing data, developing and modifying theory, elaborating or refocusing the research questions, go on more or less simultaneously, each influencing all of the others’ (Creswell, 2013, p.2). The above example was an early indication of how preconceptions and positionality could, without sufficient reflexivity, affect the design, conduct and interpretation of my research.

It is likely that my identity as a fellow (ex-)practitioner and professional, and an employee of an institution involved in the HotSW LEP, influenced interviewees' perceptions and responses, at least initially. I approached each research encounter as a PhD student, and did not foreground my (ex-)practitioner, professional and employee status. However, it often arose in conversation (usually during the preamble to interviews, when discussing the background and aims of the research) and when it did, I was open and transparent. The 'elites' – senior-level professionals and politicians – interviewed had a great deal of interview experience, and were used to representing their institutions (Hoggart, Lees & Davies, 2002; Schoenberger, 1991). There were clearly also used to government and other funders using interviews to 'evaluate' the efficiency and effectiveness of their institutions, and their use of and eligibility for funding, and a number of interviewees were cautious, at least initially, about how anything they said might be used. A number of interviewees were keen to establish, at the outset of the interview, the rationale and drivers for the research, who was 'funding' it, who would 'see' it, and what would be published. Once I had confirmed that my research was 'academic', and that I was there not as a University employee but a student, interviewees appeared to be comforted, and often stated as much. This illustrates how perceptions of the researcher by the researched have the potential to influence qualitative research (Hoggart, Lees & Davies, 2002). Flowerdew and Martin state that, in gaining access to interviewees and establishing your role in the research, 'not only must the significance of your position and apparent intentions be considered but so too must your responsibilities over how the people researched will be represented in any account produced, how this will be circulated, and the impact that this might have on their lives in the future' (Flowerdew & Martin, 2005, p.137). In this



case, clarifying the purpose and parameters of my research, and my role in it, was crucial to gaining access to interviewees, and to creating sufficient trust for them to feel able to speak openly (Valentine, 2005).

There are, then, a number of ethical considerations when undertaking research, including informed consent, transparency, confidentiality, and anonymity (Polonski, 2019). Informed consent constitutes a negotiation of trust (Kvale, 1996), and in my research this encompassed the recruitment of the majority of research participants through ‘institutional gatekeepers’ (Andoh-Arthur, 2019), and advance provision of information on my research, and their role and rights in it, before participants agreed to take part, and again before participants were interviewed and/or observed. This included a transparent summary of the research context and aims. It also included confirming that the HotSW LEP (or relevant institution/network) had agreed to take part in the research and to allow its members to participate, that their participation was nevertheless voluntary, and that they were free to withdraw from the research at any point, and ask for their data to be destroyed, if they wished. Interviewees were asked to sign a consent form and offered a copy of the interview transcript to review and ‘member-check’ (Cope, 2010). Some interviewees, wishing to enhance my understanding of events and relationships by ‘unveiling’ interactions and decision-making processes that took place ‘back stage’, did so on the basis that such information remained ‘off the record’. These insights informed my thinking but were removed from interview transcripts and do not feature directly in this thesis.

The anonymity of interviewees was also an important consideration. Interviewees and their institutions had public profiles, and most of the events and periods of change they were asked to reflect on were recent or even unfolding in real time. Most interviewees were enthusiastic participants, pleased to offer time, expertise, and perspectives. Nevertheless, their involvement was predicated on assurances regarding anonymity. In a research context, anonymity is used to operationalise confidentiality by ensuring that individuals cannot be identified (Wiles *et al.*, 2008). However, disguising the identities of research participants is just one part of a process (Tilley & Woodthorpe, 2011) that also includes managing ‘identifying details’, a ‘far-from-watertight’ process (Saunders, Kitzinger & Kitzinger, 2015). Anonymity is a continuum, from completely anonymous to nearly identifiable (Scott, 2005), along which researchers must balance between maximising the protection of participants’ identities and maintaining the value and integrity of data (Lancaster, 2017). My research faced additional challenges in seeking to demonstrate that governance is not the ‘insulated domain of *anonymous* policymakers’ (Peck, 2001, p.451, emphasis added) but peopled with actors, with differential capacities, engaged in a political process in motion (Jessop, 2001).

I adopted an ‘anonymity by default’ approach (Saunders, Kitzinger & Kitzinger, 2015) but, as acknowledged in the literature (Ward & Hardy, 2013), English local economic development governance actors are at least ‘two-hatted’ and accustomed to speaking from more than one institutional perspective during the same encounter. These multiple allegiances problematised questions of ‘positionality’ in relation to their accounts which

had to be explored during interviews. It also created challenges and opportunities in attributing interview quotes in a way that gave sufficient context to the matter in question without compromising the anonymity of interviewees. Thus, attributing a quote to a 'local authority leader', while managing any 'identifying details', should protect a participant's identity when referring to the wider HotSW LEP geography as it encompassed seventeen local authorities. However, when referring to a sub-geography or a particular event, the same participant's 'hat' may compromise their anonymity, whereas one of their other 'hats' – e.g., 'HotSW LEP board member', 'Plymouth City Deal board member', or simply 'local authority actor' – would serve to preserve it. I therefore adopted a 'contextually-contingent approach' to anonymising data (Saunders, Kitzinger & Kitzinger, 2015), referring to the same interviewee in different ways depending on the context. Therefore, no names are provided in this thesis, only context-dependent institutional positions.

#### **4.5 Case study selection**

As discussed in Chapter 5, the Conservative-Liberal Democrat coalition government's state rescaling and reshaping project unleashed a period of uncertainty, fluidity and experimentation that resulted in thirty-nine new LEPs governing English economic development (Pike *et al.*, 2015). Localities with a history of collective action, and established network governance arrangements, reshaped existing partnerships (Pugalis, Shutt & Bentley, 2012) and mobilised quickly (Balch, Elkington & Jones, 2016). However, many localities lacked existing territorial-institutional alignment and actor network cohesion (Deas, Hincks & Headlam, 2013), and had to forge new partnerships (Pugalis

*et al.*, 2015). Actors in these localities faced lengthy improvisation to adapt to novel spatial, institutional and relational contexts in addition to the complex and changing funding and governance landscape (Pike *et al.*, 2015). A local/regional economy in the midst of state restructuring and institution building makes a particularly valuable case study for examining how governance actors make sense of, and adapt to, their changing roles, responsibilities and relationships (Jones *et al.*, 2004). The HotSW LEP was selected as a unit of study for its combination of endogenous developments, exogenous pressures, novelty and adaptation (Martin & Simmie, 2008).

The HotSW LEP, while not statistically 'representative', thus offered a critical case example of the multiple pressures necessitating micro-level adaptive capacity in many LEPs (particularly more rural, polycentric ones) and more widely in subnational economies subject to complex and evolving forms of governance (Brenner, 2004). With my focus on in-depth understanding of individual actors' adaptive, interpretive, and sense-making processes and capacities, I chose a single-case design to achieve the rich detail (Silverman, 2017) and deep contextualisation (Martin & Sunley, 2015) that this approach offers over cross-unit analysis (Flyvbjerg, 2011). 'Critical' single-case studies can be used to operationalise conceptual insights, test theoretical propositions, and expand and generalise theories (Barzelay, 1993; Yin, 2014), even if the theory-laden, interpretive knowledge generated remains context-dependent (Castellacci, 2006; Flyvbjerg, 2006). The relatively small number of key actors involved in the HotSW LEP made it manageable to reach the 'saturation' needed to indicate data validity in qualitative research (Given, 2008). However, the decision to undertake a single-case

study and examine a single LEP limited my ability to draw conclusions in relation to other LEPs, localities and contexts, an issue that will be discussed in Chapter 10 alongside the exploration of avenues for future comparative research.

The HotSW LEP did feature a number of 'sub-units' of analysis 'embedded' (Yin, 2014, p.50) within the unit of study itself. The sub-units included the individual actors (and organisations) involved: embedded in networks, social structures and a specific historical and geographical context, these actors constituted the study's primary 'analytical level' (Hoggart, Lees & Davies, 2002). The sub-units also included three processes of particular relevance for examining the roles, relationships, actions, beliefs and capacities of actors: (i) the formation and evolution of the HotSW LEP; (ii) the negotiation and delivery of a City Deal; and (iii) the negotiation and delivery of subsequent Growth Deals. These made it possible to examine, for instance, whether and how actors applied lessons from their City Deal negotiation to subsequent Growth Deal negotiations. Studying recent events can be challenging (Healey & Rawlinson, 1993), but doing so was critical to examining sense-making, adaptation, and other critical processes *in motion* (Peck, 2001). My primary research took place at an important time for the HotSW LEP. Five years into its existence, it had negotiated City and Growth Deals with central government, establishing a major project portfolio, and was negotiating Growth Deal 3. This enabled interviewees to reflect on recent events and periods of change, and it enabled me to observe processes of cumulative change and adaptation unfolding in real time.

## **4.6 Methods and analysis**

This section discusses the methods and techniques employed to conduct and analyse research, highlighting modifications made in response to issues encountered. It covers: the critical review of published secondary sources; gatekeeper-informants and meeting observations; in-depth interviews; and transcription, coding, and analysis.

### ***4.6.1 Critical review of published secondary sources***

The critical review of published secondary sources – encompassing academic and practice literature, government reports, and HotSW LEP documentary records (strategies and plans, marketing materials, externally commissioned reports, agendas and minutes of meetings, etc) – contributed in three main ways to the research:

- (i) Chapter 5 draws on secondary sources to establish the case study background and ‘context’ (Yin, 2014), situating the HotSW LEP within the English economic development governance landscape. It loosely adopts a ‘follow the path’ approach (Peck & Theodore, 2012; Pike *et al.*, 2016) to provide an evolutionary and geographical political–economic explanation of how the path of English economic development governance unfolded over time, with a particular focus on the period 2010 to 2016 (to coincide with when my primary research was conducted).
- (ii) Secondary sources formed the basis for developing theoretical propositions (see Chapters 2, 3 and 5) to test in primary research (see Chapters 6-8). In particular,

they were used to identify and conceptualise the main pressures likely to necessitate micro-level adaptive capacity in the HotSW LEP.

- (iii) As described above in Section 4.3, secondary sources and documentary 'due diligence' (Peck & Theodore, 2012, p.26) were also a key component of my wider 'triangulation' strategy (Yeung, 2003).

I employed textual analysis to interrogate secondary sources, a technique through which 'an interpretation is produced which results from the interaction between the text being studied and the intellectual framework of the interpreter' (Johnston, Pratt & Watts, 2000, p.825). Consistent with a critical realist epistemology, it is based on the notion that there are layers of meaning in a text that researchers seek to uncover and interpret (Geertz, 1973). While largely craft-based in method (Hoggart, Lees & Davies, 2002), my textual analysis involved: focusing on the language used in texts, particularly discursive and rhetorical features; considering texts in relation to their author(s) and readers, to examine the 'claims' made; considering texts' relations to other texts (intertextuality); and capturing texts' specific historical, geographical and political-economic contexts. My particular focus was illuminating the discursive and rhetorical devices deployed by state and non-state actors and institutions to frame and justify their strategies and actions, and shape path trajectories (Pike *et al.*, 2016).

#### **4.6.2 Gatekeeper-informants and meeting observations**

At the outset of my primary research, I contacted a University gatekeeper for local economic development relations and asked to be introduced to equivalent gatekeepers in the HotSW LEP and the Plymouth City Deal partnership (which, led by the City Council, governed one of the sub-units of analysis). Once introductions had been made, I briefed each gatekeeper by email on the context and aims of my research, and provided a 'research information sheet'. After follow-up discussions, by phone and in person, each gatekeeper secured formal agreement from their partnerships to participate. Both gatekeepers were enthusiastic about my research and provided invaluable assistance, not only as 'gatekeepers' for access to participants, meetings and information, but also as knowledgeable 'informants' who could unveil 'back stage' interactions and decision-making processes, and add interpretative light to findings, conclusions and policy implications (Allen, 2017).

Ongoing discussions with gatekeeper-informants also resulted in several modifications to the research design. I originally intended to supplement in-depth interviews by 'shadowing' each gatekeeper-informant, to observe them acting and interacting in context (McDonald, 2005). While initially enthusiastic, both changed their mind once the logistics involved became apparent, particularly the need to gain permission from everyone they interacted with, some of whom voiced reluctance when my gatekeeper-informants mooted the idea. As an alternative, I proposed undertaking 'direct observations' (Yin, 2014) of partnership meetings. This simplified the logistics as permission was granted collectively at preceding meetings. Attending key meetings also had an advantage over shadowing in enabling real-time observation of the micro-level



interactions of a greater number and diversity of research participants in their institutional context (Mills, Durepos & Wiebe, 2010).

The waning of the City Deal partnership meant it did not meet during my primary research period. However, I observed two HotSW LEP meetings in 2016, in the middle of, and towards the end of, my in-depth interviews. As described in Section 6.4, the HotSW LEP's governance structures had recently been reformed, and a new Strategic Investment Panel (SIP) had been delegated decision-making responsibility for the LEP's investment programme, including the negotiation of deals and the delivery of its major project portfolio. After discussion with my gatekeeper-informant, I made the SIP, rather than the LEP board, my main empirical focus in both observations and interviews. This had several advantages: (i) SIP members constituted the LEP actors most involved in the day-to-day leadership of core activities, both 'front stage' and 'back stage'; (ii) SIP members had more knowledge, understanding and experience of the LEP than non-executive board members, and were more likely to participate; (iii) SIP membership was specifically designed to represent a cross-section of key LEP interests and actors: its core aims, its main geographies, and its public and private stakeholders; and (iv) SIP meetings were attended by central government actors, making it possible to observe central-local interactions.

Each SIP meeting was attended by around fifteen actors, most of whom also participated in interviews. I observed and took detailed written notes, but did not participate. Nevertheless, my presence could have influenced proceedings if, for instance,

participants felt self-conscious or inhibited (Sarantakos, 2013). Neither I nor my gatekeeper-informant (who I consulted after each meeting) detected any obvious influence, though I addressed the possibility through my 'triangulation' strategy (Denzin & Lincoln, 2011). After each meeting, I spoke to some participants by phone, specifically to validate notes and explore multiple experiences and interpretations of the meeting. These conversations were incorporated into electronic notes of the meetings. My gatekeeper-informants emphasised that the substance of major decisions was often negotiated informally in bi/tri-lateral discussions, and in effect ratified at key meetings. These 'back stage' interactions and decision-making processes could be captured only retrospectively through in-depth interviews. Nevertheless, the meetings attended focused on critical HotSW LEP issues – Growth Deal 3 negotiations, and the delivery of its major project portfolio – and involved HotSW LEP as well as central and local government actors, over half of whom were at least 'two-hatted'. Attending these meetings therefore enabled me to observe, in real time, micro-level interactions, collective sensemaking, the development of narratives and strategies, and the negotiation of central-local tensions – Peck's '(political) process *in motion*' (Peck, 2001).

#### **4.6.3 Participant recruitment and in-depth interviews**

As discussed in Section 4.3, in-depth interviews provided the main research method to explore events, experiences and relationships in their full complexity, and constituted the most realistic and practical way to secure the participation of time-poor 'elites' (Hoggart, Lees & Davies, 2002; Schoenberger, 1991). I conducted forty-five in-depth interviews between December 2015 and October 2016. Interviewees were senior-level

professionals (at CEO, executive and senior-management level) and local politicians (at leader and cabinet level). Just over half of interviewees formally 'represented' the HotSW LEP and/or Plymouth City Deal partnership in some form and were recruited through gatekeeper-informants. I was able to interview every member of the City Deal programme board and, with one exception, every member of the HotSW LEP SIP. These interviewees in turn suggested other actors whose perspectives I might explore, and additional interviewees were recruited through 'chain recruitment' (Allen, 2017). For instance, one theme emerged around the under-representation of lower-tier local authorities and third sector organisations in HotSW LEP and City Deal governance structures; and another around the intermediary role played in central-local negotiations by central government actors from the cross-departmental Cities and Local Growth Unit (CLGU). Most additional interviewees recruited therefore could offer 'external' perspectives on these and other themes. They included central government actors, HotSW LEP stakeholders who were nevertheless non-LEP actors, and actors involved in other LEPs to enable me to explore experiences and perspectives in other parts of England. This included a particular focus on Cornwall for several reasons: (i) Cornwall and Devon, particularly Plymouth, have longstanding economic links; (ii) Cornwall's decision to establish its own LEP, with the Isles of Scilly, rather than partner with Plymouth and/or Devon, remained contentious; although (iii) the City Deal geography and partnership did include Cornwall. With four exceptions, all additional interviewees were known to, and for consistency recruited through, gatekeeper-informants.

Interviewees tend to be more relaxed in familiar territory (Hoggart, Lees & Davies, 2002), so interviews took place face-to-face in locations chosen by interviewees (in private offices in their workplaces), or if requested by phone. Interviewees were informed in advance that the interview would last for up to an hour, and that its direction would be shaped as much by their insights and responses as by questions and signposts. This open-ended, 'loose guide approach' (discussed in Section 4.4) facilitated a collaborative dialogue, enabling me to guide the conversation while allowing it to find its own direction (Schoenberger, 1991). As shown in Appendix A, the main topics of discussion were: (i) network roles and relationships; (ii) pressures and challenges; (iii) how actors responded and adapted, individually and collectively, to pressures and challenges; and (iv) the factors and capacities that enabled them to respond, adapt, and contribute to change. However, the 'loose guide approach' meant that each interview was unique (Hoggart, Lees & Davies, 2002). Interviews were recorded with interviewee consent. The use of a voice recorder may have resulted in interviewees being less candid in their accounts (Hoggart, Lees & Davies, 2002), but enabled me to focus on listening, probing, cross-checking, and building rapport, rather than the flow of the interview being disrupted by note-taking (Valentine, 2005).

Advance preparation was important (Healey & Rawlinson, 1993) to being sufficiently knowledgeable about key issues, to encourage interviewees to be open, provide detailed responses, and allow themselves to be guided through the interview (Schoenberger, 1991). My (ex-)practitioner status proved helpful in this respect. Professionalised discourses can obscure meanings if researchers are unable to

understand ‘the language’ of research participants (Hoggart, Lees & Davies, 2002). Moreover, formulating questions in participants’ ‘own language’ is preferable to assuming they think within researchers’ own frames of reference (Schoenberger, 1991). My familiarity with the political and professional discourses of my interviewees enabled me to understand even obscure references – e.g., acronyms and public sector job grades – so that I could focus on important lines of inquiry rather than clarifying points of technical detail. I was aware that this ‘commonality’ with my interviewees could ‘create as much blindness as insight’ (McCracken, 1988, p.12), for instance, the possibility that interviewees might yield exaggerated accounts of their contributions to the events being discussed – what has been termed ‘agent inflation’ (Peck & Theodore, 2012). I therefore sought to cross-validate within and across interviews (Schoenberger, 1991) and ‘hand back circulating narratives and proto-explanations for verification, qualification, or rejection’ (Peck & Theodore, 2012, p.26).

While endeavouring to be an ‘active listener’ (Given, 2008), I also sought to ‘listen beyond’ the immediate interview, retaining awareness of my theoretical perspectives and conceptual frameworks, and ensuring probes remained pertinent to my research aims and objectives (Hoggart, Lees & Davies, 2002). As a consultant, I had conducted over a hundred in-depth interviews with ‘elites’. However, the critical realist practice of remaining alive to conceptual insights while conducting empirical research (Castellacci, 2006; Martin, 1999) – posing questions, actively listening to answers, and probing effectively – was new and challenging. Indeed, after the first round of interviews, I inserted a summary of my main conceptual frameworks and theoretical propositions

into my interview guide to enable me to glance at them before formulating follow-up questions. In order to ensure interviews were conducted in the 'language' of participants (Schoenberger, 1991), I rarely mentioned theoretical perspectives and conceptual frameworks except where interviewees expressed an interest. This kept the conversations focused on interviewees' own reflections on events, periods of change, and their and others' roles in them. As a result, many interviewees highlighted, without prompting, that they had found the interview process valuable in enabling them to 'reflect' on their experiences, and how and why they had acted as they did, in a way rarely possible in their busy working lives. This gave reassurance that my endeavours to create a relaxed environment for interviewees, by seeking to build rapport and conduct interviews in their 'own language', had encouraged a degree of mutual 'reflexivity' (Hoggart, Lees & Davies, 2002) and facilitated collaborative learning (Cloke *et al.*, 2004).

#### **4.6.4 Transcription, coding, and analysis**

I produced an electronic transcription of each interview shortly after it took place, when the encounter was still fresh in my mind. I transcribed verbatim, highlighting words, phrases, or exchanges that were particularly interesting or insightful. I included emphases, pauses, non-verbal communication and other 'performative' aspects of the conversations that were potentially revealing in themselves (Elliott, 2005). This process generated, together with electronic notes of the meetings observed, transcripts totalling over 200,000 words. I used NVivo software to collate and organise the data (Bazeley & Jackson, 2013). This made data retrieval and grouping easier, but did not remove the need to manually 'index' and 'code' material (Hoggart, Lees & Davies, 2002). Coding is a

heuristic used to underpin more rigorous analysis (Saldaña, 2009). The coding process involves grouping material into analytically distinct codes (themes) – while identifying illustrative quotations and any special features – and the analytical process relates to finding patterns and relationships within and between the codes (Hoggart, Lees & Davies, 2002).

Coding formed part of a wider data familiarisation process that continued throughout the conduct, transcription, analysis, and writing up of my research. This entailed detailed and critical (re-)readings of the data to narrow-down my foci and identify meaningful patterns and themes. I read through the data four times altogether. First, when transcribing each interview, I highlighted early themes and patterns then converted these into a primary (high-level) coding scheme, in a process resembling ‘open coding’ (Strauss, 1987). Second, having uploaded transcripts into NVivo, I applied these primary codes to all transcripts, adding further annotations alongside words, phrases, and exchanges I had highlighted as interesting or insightful during transcription. This prompted a further literature review to re-examine theories, concepts, and my theoretical propositions, in light of my data (Hoggart, Lees & Davies, 2002). Third, having developed a secondary (detailed) coding scheme, I read through the transcripts again, applying secondary codes and adding further annotations. This occasioned another literature review as part of an ongoing deductive-inductive dialectic (Yeung, 1997) through which data collection and analysis, theory building, and understanding, proceeded recursively, each activity influencing, and influenced by, the others (Creswell, 2013). This process unfolds ‘as analysis prompts new questions, possibly new theoretical

concepts, and commonly challenges interim interpretations and explanations' (Hoggart, Lees & Davies, 2002, p.238-239). Fourth, having commenced writing up of the thesis, I read through the coded and annotated transcripts one final time to identify and explore consistencies and inconsistencies between my emergent thinking and the patterns and themes in my data. Applying codes therefore 'opened up' my data (Strauss, 1987) within an intensive, iterative process (Hoggart, Lees & Davies, 2002).

The coding strategy often resulted in overlapping codes, and multiple codes being applied to the same data segment, revealing the interrelatedness of adaptive processes and capacities. Multiple encounters with the data engendered deep familiarity; nevertheless, evaluating and selecting data segments was sometimes challenging as a result. As discussed in Section 4.2, critical realists combine a realist ontology with a constructivist epistemology, and are therefore interested in both the content and form of qualitative data (Maxwell, 2012). My analytical approach therefore comprised several tasks. Initially, I assessed quotes 'in context' (Pratt, 1995), paying attention to interviewee 'positionality', claims and rhetorical devices, and patterns and inconsistencies within the interview. The coding scheme then enabled me to explore specific themes and research questions through multiple sources, seeking confirmatory evidence and evaluating inconsistencies, triangulating where possible across interviews and cross-validating with observations and secondary sources. Data validity, significance for research themes and questions, and a desire to expose deeper meanings and multiple perspectives, informed the selection of quotes for inclusion. However,



consistent with a critical realist approach, I ultimately selected quotes according to their theoretical relevance (Hoggart, Lees & Davies, 2002).

Analysis involves ‘a systematic and disciplined search for knowledge’ (Scott, 1990, p.1) and means exploring a number of theoretical perspectives and alternative interpretations of empirical data, to evaluate which theory or interpretation provides the more convincing account (Hoggart, Lees & Davies, 2002). However, as discussed in Section 4.4, critical realists acknowledge that their own accounts, over which they retain ‘narrative privilege’ (Adams, 2008), are also interpretations, constructed from a particular vantage point. Riessman argues that, in this sense, researchers draw on interview narratives to create a metanarrative, ‘editing and reshaping what was told and turning it into a hybrid story, a ‘false document’’ (Riessman, 1993, p.14). Social reality is complex (Castellacci, 2006), and no narrative or theory can capture its full complexity (Maxwell, 2013). Case study researchers in particular should ensure their narratives capture the rich detail (Peattie, 2001) intensive single-case studies offer (Flyvbjerg, 2011), and not seek to erase complexity: ‘one should not wish to divest existence of its *rich ambiguity*’ (Nietzsche, 1974, p.335, original emphasis). Nevertheless, researchers must find a way to navigate through complexity (Hoggart, Lees & Davies, 2002), which critical realists do by combining empirical analysis with theoretical interpretation (Castellacci, 2006), engaging in theory building and conceptualisation to understand and explain socio-economic-geographical systems and processes (Sayer, 1992).

#### **4.7 Conclusion**

This chapter has set out my research approach by discussing the methods employed and their main limitations and ethical considerations. While qualitative methods were consistent with the critical realist (and evolutionary) perspective adopted, my reliance on them nevertheless had implications for data interpretation and my explanations and conclusions (Hoggart, Lees & Davies, 2002). This chapter has discussed the main implications of my qualitative, case study approach, emphasising core issues of context and positionality. It has also described how I mitigated limitations and issues through triangulation and ongoing reflexivity that resulted in several modifications to the research design in response to issues and challenges encountered. Critical realists rely heavily on theory building and conceptualisation to develop understanding (Sayer, 1992), but accept that theories cannot capture the full complexity of what they study and acknowledge that even theory-laden interpretations of research findings are context-dependent and constructed from a particular vantage point (Castellacci, 2006). Case studies produce detail-rich, concrete, context-dependent knowledge (Flyvbjerg, 2006). Attention to 'context' is therefore critical (Peck, 2005). The next chapter establishes the context and background for my case study, by examining how English economic development governance has evolved over time.

## **5. LOCAL ENTERPRISE PARTNERSHIPS: CASE STUDY CONTEXT**

### **5.1 Introduction**

This chapter establishes the case study context by examining the introduction and evolution of LEPs. It adopts a loose ‘follow the path’ approach and deploys concepts from the EEG and state rescaling and governance literatures examined in Chapters 2-3, to review the recent history of economic development governance in England. The aim is to situate LEPs within the evolving political-economic landscape and the wider literature, to provide context for the empirical analysis in subsequent chapters.

Evolutionary state rescaling and reshaping is particularly marked in England where the history of economic development governance is characterised by ‘compulsive reorganisation’ (Jones, 2010) in search of appropriate scales and forms (Pike & Tomaney, 2009). England is governed in a centralised way compared to Scotland, Wales, and Northern Ireland where significant devolution has taken place since 1999 (Ayres, Flinders & Sandford, 2018; Goodwin, Jones & Jones, 2006; Pike & Tomaney, 2009). A succession of institutional and scalar fixes have been selected to address the ‘missing middle’ in English economic development governance (Shaw & Greenhalgh, 2010). The ‘policy pendulum’ has swung from central to local to regional and various points in-between (Pike *et al.*, 2015), as the state decried the failings of the previous regime and started new reforms that left a ‘litany’ of defunct institutions (Healey & Newby, 2014). This trend was perpetuated in 2010 with the dismantling of regionalism, the positioning

of 'localities' as the natural units of political-economic geography, and the introduction of LEPs (Clarke & Cochrane, 2013).

This review focuses on the period to the end of 2016 to coincide with when my primary research was conducted. A brief update on important post-2016 developments is provided in Chapter 10.

## **5.2 Economic development governance in England**

The evolution of economic development governance in England has been characterised by transience and restructuring since the neoliberal reforms of the 1980s (Jones, 2010; Pike & Tomaney, 2009). In 1989, the Audit Commission noted that England's economic development landscape resembled a 'patchwork quilt' of complexity and idiosyncrasy (Audit Commission, 1989) after a decade of state restructuring by the Thatcher-led Conservative government (Stewart & Stoker, 1995). The previous year, as part of its broader strategy to hollow out local government (Rhodes, 1994) through financial control (Stewart & Stoker, 1995) and processes of destatisation (Jones, 1998), Training and Enterprise Councils (TECs) had been introduced and charged with restoring the dynamism and competitiveness of local economies (Campbell, 1990; Department of Employment, 1988; Peck & Jones, 1995).<sup>18</sup> TECs were short-lived but exhibited common

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<sup>18</sup> TECs were locally based, privatised and business-led bodies, contracted to central government to deliver the training and enterprise services (Peck & Jones, 1995) that had been previously managed by the Manpower Services Commission (Bennett, 1994). In 1988, 82 TECs were launched in England and Wales, and 22 Local Enterprise Companies (LECs) in Scotland (MacKinnon, 2000), with a projected annual expenditure of £3 billion (Jones, 1998). The TECs were abolished in 2001 by the New Labour government, and replaced by Learning and Skills Councils (Ramsden, Bennett & Fuller, 2007).

patterns (Ramsden, Bennett & Fuller, 2007). They were intended to be locally-sensitive expressions of a national blueprint (Jones, 1998), led by entrepreneurial actors (Main, 1990) on private sector dominated boards (Bennett, 1994) through which government could bypass local authorities (MacKinnon, 2000) and 'orchestrate' local governance (Peck, 1998). However, the managerial tools deployed to ensure government-dictated targets and policy objectives were delivered, led to central-local tensions (Jones, 1998; MacKinnon, 2000) and a renewed search for appropriate institutional fixes (Jones, 1999). This pattern of resistance and adaptation, action and reaction, which resulted in incoherence and fragmentation, and through which state restructuring evolved, has characterised English local governance reform since the 1980s (Stewart & Stoker, 1995).

The organisational foundations of economic development governance in England were further complicated by the incoming New Labour government's introduction of a new regional tier (Jones & Macleod, 1999). UK regional policy had existed in varying forms since 1928 (Armstrong & Taylor, 1993), primarily developed in response to the uneven regional development (Smith, 2008) and spatial inequalities in socio-economic conditions (Taylor & Wren, 1997). Successive post-war governments had sought to redistribute economic activity from more to less successful regions through a process resembling 'spatial Keynesianism' (Martin & Sunley, 1997). Though the European Union (EU) would apply a similar regional 'cohesion' policy to the allocation of Structural Funds (Amin & Tomaney, 1995), it largely ended domestically under a Thatcher-led Conservative government ideologically opposed to regional policy as an impediment to the operation of free markets (Pike & Tomaney, 2009). However, by the 1990s, it was

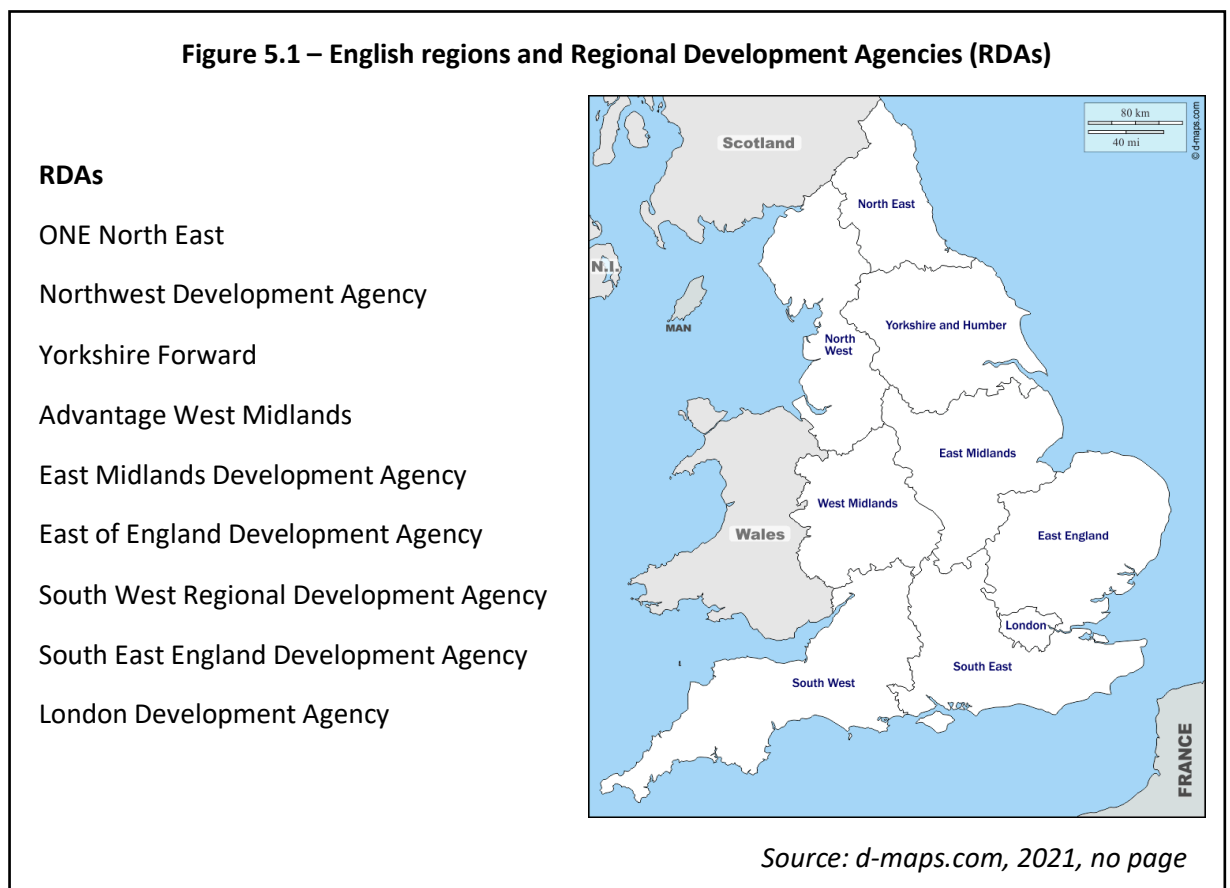
apparent that the fragmentation, complexity and proliferation of subnational bodies resulting from its neoliberal reforms (Bevir, 2010; Rhodes, 2007) had created ‘wicked’ coordination problems (Rittel & Webber, 1973). The ‘North-South’ divide also continued to widen (Baker & Billinge, 2004). In response to pressure for improved territorial coordination, Government Offices for the English Regions (GORs) were established in 1994 by the Major-led Conservative government, bringing departmental bases in the regions under the control of a single senior civil servant in Whitehall (Mawson & Spencer, 1997). However, it was under the Blair-led New Labour government elected in 1997 that the regional level began to dominate the economic development governance landscape (Pearce & Ayres, 2009).<sup>19</sup>

The potential offered by regional policy instruments to tackle national-level productivity and growth challenges (Lodge & Mitchell, 2006) had been emphasised in the pre-election regional policy review undertaken by New Labour (Regional Policy Commission, 1996) and in the ‘Europe of the Regions’ discourse of the European Commission (Tömmel, 1997). In response, the incoming New Labour government radically reshaped the spatial level of English economic development governance with The Regional Development Agency (RDA) Act 1998 (Jones & Macleod, 1999). As shown in Figure 5.1 (d-maps.com, 2021), eight RDAs were established in England (with a ninth, in London, following in 2000), operating as Non-Departmental Public Bodies (NDPBs) with

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<sup>19</sup> In its first term, the New Labour government established an elected Parliament for Scotland, and Assemblies for Wales and Northern Ireland. In England, an elected Greater London Authority was established together with indirectly nominated Regional Assemblies (RAs) which shared the geographical footprint of GORs and RDAs. Plans to make RAs directly elected were abandoned in 2004 (Ayres, Flinders & Sandford, 2018; Pike & Tomaney, 2009).

‘business-led’ boards directly accountable to the Secretary of State (Halkier, Danson & Damborg, 1998; South West RDA, 2011b; Wood, Valler & North, 1998).<sup>20</sup>



Covering the entirety of England, the government’s strategy was to enhance the competitiveness and economic performance of every region (Pearce & Ayres, 2009), ‘raising the performance of the weakest regions, rather than simple redistribution of existing economic activity’ (HM Government, 2001, p.v). Like the TECs before them (Jones, 1998), RDAs were touted as bottom-up, locally-sensitive expressions of a

<sup>20</sup> Scotland and Wales already had RDA-equivalent bodies: Scottish Enterprise and the Welsh Development Agency were established in the 1970s (Halkier, Danson & Damborg, 1998).

national institutional roll-out (DETR, 1997a). RDAs were to be 'the voice' of the regions, formulating Regional Economic Strategies that enabled regions to 'punch their weight in the global market place' (DETR, 1997b, p.1). They were to provide strategic leadership, policy integration, and coordination, in five statutorily designated policy areas: economic development and regeneration; inward investment; business support; employment and skills; and sustainable development (Jones & Macleod, 1999).

RDAs have been characterised as a form of institutional 'filling-in' (Goodwin, Jones & Jones, 2005), and after three years establishing themselves and delivering legacy programmes inherited from previous bodies, they began to accumulate additional roles and responsibilities (Business and Enterprise Committee, 2009; PwC, 2009).<sup>21</sup> This institutional 'layering' (Martin, 2010) coincided with a shift from programme-specific funding allocations to single block grants pooled from contributing central government departments, and an accompanying increase in collective core funding to £2.3 billion annually by 2006 (National Audit Office, 2013).<sup>22</sup> However, this still represented less than 2% of regional public expenditure (Fothergill, 2005; South West RDA, 2011b). As their responsibilities grew, concerns were raised that RDAs were being overwhelmed

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<sup>21</sup> These included: the Manufacturing Advisory Service (2002), regional development grants (2002), regional skills partnerships (2003), regional tourism boards (2003), rural strategy (2004), the Broadband Aggregation Programme (2004), research and development grants (2005), Business Link (2005), the Rural Development Programme (2006), and European Regional Development Funds (ERDF) (2007) (Business and Enterprise Committee, 2009; PwC, 2009).

<sup>22</sup> The single block grant (or 'single pot') was pooled from six contributing government departments: Business, Innovation and Skills (BIS); Communities and Local Government (CLG); Energy and Climate Change (DECC); Environment, Farming and Rural Affairs (DEFRA); Culture, Media and Sport (DCMS); and UK Trade and Investment (UKTI). But unlike the budget allocation to the devolved administrations of Scotland, Wales and Northern Ireland, RDA funding was still largely constrained by the priorities and targets of the contributing government departments (South West RDA, 2011).



and struggling to forge a clear focus (Pearce & Ayres, 2009; Pike & Tomaney, 2009). The 'discretion' they had been promised (HM Treasury, 2000) was subject to New Labour managerialism (Pearce & Ayres, 2009). RDAs were steered and performance managed by governance mechanisms, including the Public Service Agreement (PSA) framework through which their contribution to national targets was scrutinised (Business and Enterprise Committee, 2009). In 2002, additional targets – including an objective to reduce regional gaps in economic growth rates (Housing Planning Local Government and the Regions Committee, 2003) – raised concerns that the RDAs' focus on national targets would lead to 'identikit' regional strategies (Bristow, 2005) and divert them from region-specific priorities (National Audit Office, 2003), creating central-regional tensions (Pearce & Ayres, 2009).

The New Labour 'regionalism' agenda was dealt a blow in 2004 when the proposal to create an elected regional assembly in North East England was rejected in a referendum (Harrison, 2012; Pike & Tomaney, 2009). The consequent waning of this state rescaling project coincided with a growing (re)interest in the notion of cities and their hinterlands – or 'city-regions' (Scott, 2002) – as the primary basis for enhancing competitiveness (Brenner, 2004). This notion rested on claims that the economic dynamism of urban areas made them critical sites of agglomeration and growth (Centre for Cities, 2006; Hall & Pain, 2006; Harrison, 2007; Simmie *et al.*, 2006), and that governance arrangements for economic activity should reflect functional economic areas, not centrally-imposed regional administrative boundaries (Pike & Tomaney, 2009). The economic performance of English cities had been improving during the New Labour administration but was still

poor in a European context (ODPM, 2006), and England's 'core cities' were publicly advocating for powers and resources more in line with their European counterparts (Parkinson *et al.*, 2004).<sup>23</sup>

Under regionalism, and after the abolition of the TECs, a gap had emerged at the local level in the institutional infrastructure for economic development (Ramsden, Bennett & Fuller, 2007), and during New Labour's third term, economic development policy began to shift towards cities, city-regions and functional economic areas (Ayres, Flinders & Sandford, 2018). In 2007, the publication of the government's flagship review of sub-national economic development and regeneration (the SNR) revealed evolving strategic and scalar selectivities in its focus on processes of 'hollowing out' at the regional level and 'filling in' at the sub-regional level (HM Treasury, 2007). The SNR proposed new governance arrangements, including Multi-Area Agreements (MAAs), to allow groups of local authorities to agree collective targets for economic development issues and explore the potential to establish 'statutory sub-regional arrangements which enable pooling of responsibilities on a permanent basis for economic development' (HM Treasury, 2007, p.9). Some argued that the envisaged 'improvisation' of institutional and scalar fixes by local/regional governance actors operating in an evolving political-economic context (Pike *et al.*, 2015) risked creating an 'alphabet-soup' of sub-regional structures (Jones, 2010) and leaving 'a pattern of territorial governance of bewildering complexity' (Pike & Tomaney, 2009, p.24). But the SNR was only partly implemented

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<sup>23</sup> England's 'Core Cities Group' consisted of a self-selecting group of eight major provincial cities outside London: Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham, Sheffield (Parkinson *et al.*, 2004).

before the global recession and the 2010 election of the Conservative-Liberal Democrat coalition government ('the Coalition') unleashed a further bout of state rescaling and reshaping (Pike *et al.*, 2018; Shaw & Greenhalgh, 2010).

### **5.3 Local Enterprise Partnerships (LEPs)**

Despite positive assessments of the RDAs' effectiveness (National Audit Office, 2013), and 'credible evidence' that RDAs generated net regional economic benefits (PwC, 2009), the Coalition critiqued them as bureaucratic, over-staffed, mismatched with functional economic areas, limited in effectiveness and lacking accountability (Pike *et al.*, 2015). The June 2010 'emergency budget' announced the abolition of RDAs (HM Treasury, 2010), engendering a period of institutional 'dismantling' (Pike *et al.*, 2018) that would take nearly two years to complete (BIS, 2012; National Audit Office, 2013).<sup>24</sup> The Coalition did not dispute that effective subnational governance was critical for economic growth (Brenner, 2004), but argued that artificial administrative regions bore little relation to the functional realities of the space economy (Deas, Hincks & Headlam, 2013). Having decided to 'hollow out' New Labour's subnational state, the Coalition embarked on a strategy of positioning 'localities' as the natural units of political-economic geography (Clarke & Cochrane, 2013). On 29 June 2010, groups of local authority and business leaders were invited to form LEPs (HM Government, 2010b): 'organic entities in which coalitions of local actors, led by business interests, would determine locally relevant policy for self-defined spatial units' (Deas, Hincks & Headlam,

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<sup>24</sup> RDAs ceased operation in March 2012. The 'RDA Transition and Closure Programme', overseen by a National Transition Board, was not the 'orderly' process envisaged by the Coalition (NAO, 2013).

2013, p.718).<sup>25</sup> LEPs were established to provide localities with vision and strategic leadership (HM Government, 2010c), and to shape their economic growth priorities (National Audit Office, 2016a). LEP boards had to be business-led, but no particular corporate structure was prescribed, and most established themselves as companies limited by guarantee or unincorporated voluntary partnerships, with a nominated local authority acting as the accountable body (National Audit Office, 2016a) – though lines of accountability would remain unclear (Pike *et al.*, 2015).<sup>26</sup> Three main drivers for this local institutional fix can be identified: (i) austerity and tackling the budget deficit – *the shrinking state* (HM Government, 2010d); (ii) ‘localism’ and notions of appropriate scales and forms – *(beyond) the local state* (HM Government, 2010a); and (iii) neoliberal discourses emphasising market-driven growth – *the competition state* (HM Government, 2010c).

### **5.3.1 The shrinking state**

In October 2010, the Coalition set out its economic development plans in the white paper, *Local growth: realising every place’s potential* (HM Government, 2010c). The plans were positioned as a crucial plank for accomplishing the ‘most urgent task’ in the Coalition’s programme for government: tackling the budget deficit (HM Government,

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<sup>25</sup> In ‘It’s like déjà vu, all over again’, Martin Jones argues that this original conception of LEPs closely resembles that of TECs: business-led concerns intended to restore the dynamism and competitiveness of local economies, the boundaries of which were not centrally prescribed; centrally orchestrated, bottom-up organisations; but explicitly central government creations (Ward & Hardy, 2013, p.85-94).

<sup>26</sup> LEP actors believed they had multiple, often conflicting lines of accountability, to business, to local authority leaders and to Secretaries of State (Pike *et al.*, 2015). Fewer than half thought there were clear lines of accountability from their LEP to the local electorate (NAO, 2016a).

2010d). Thus austerity – sustained and widespread cuts to government budgets – formed a critical backdrop to the evolution of LEPs (Gray & Barford, 2018), as the Coalition deployed ‘emergency-flavoured rhetoric’ to justify state shrinkage (Pike *et al.*, 2018, p.123). State retrenchment, the withdrawal of resources and dismantling of institutions, was a common response to the global recession in Western economies (Lobao *et al.*, 2018), providing cover for a fundamental reshaping of the subnational state (Kim & Warner, 2018). In the UK, austerity was enacted through the strategic selection of a deficit reduction programme comprising 80% public expenditure reductions and 20% tax increases (Pike *et al.*, 2018). Central government budgets were reduced and, with education, health and overseas aid ring-fenced, the two departments responsible for the RDAs and LEPs faced significant reductions during the Coalition’s term of government (IFS, 2013) that compromised their capacity to oversee the transition (Ayres & Pearce, 2013).<sup>27</sup> Similarly, major cuts in local government funding were announced alongside the white paper’s articulation of a ‘critical’ role for local authorities in supporting economic growth (Clarke & Cochrane, 2013).<sup>28</sup> In the US, such cuts left localities ill-prepared to handle newly imposed responsibilities (Davidson & Ward, 2013). In England, the cuts shrank the capacity of the local state with geographically uneven impacts, falling most heavily on more socio-economically disadvantaged localities (Gray & Barford, 2018).

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<sup>27</sup> The two departments – Business, Innovation & Skills (BIS), and Communities & Local Government (CLG) – faced reductions of 46% and 68% (capital) and 27% and 67% (revenue) respectively between 2010/11 and 2014/15 (IFS, 2013), and staffing levels up to 30% lower than pre-2010 (Ayres & Pearce, 2013).

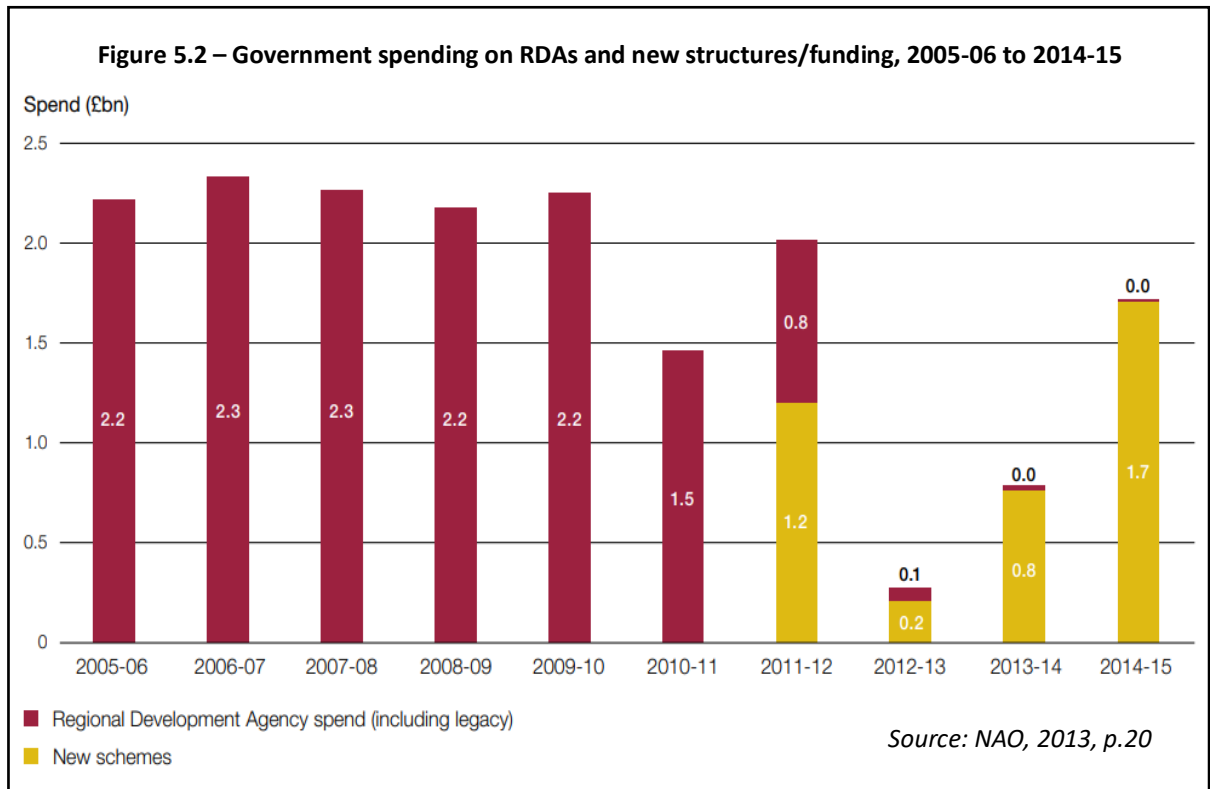
<sup>28</sup> The October 2010 Comprehensive Spending Review (CSR) announced reductions of 45% (capital) and 26% (revenue) in local government expenditure over the period 2010-15 (Clarke & Cochrane, 2013). Local authority net expenditure on economic development declined by 68% between 2010/11 and 2015/16 (NAO, 2016a).

The austerity imperative enabled the Coalition to undertake irrevocable state shrinkage and restructuring, including the dismantling of the RDAs – though whether savings were generated by their closure remains unclear, given the substantial costs involved (Pike *et al.*, 2018). RDA leaders believed ‘it was never to do with the money’ (Former RDA Chair, quoted in Pike *et al.*, 2018): RDA abolition reflected the Conservatives’ anti-regionalism and constituted an ‘early scalp’ for its state rescaling and reshaping project. Two things are clear.

First, in contrast to the historically incremental evolution of local/regional economic development governance in England, this change was ‘distinctive’ as it ‘entailed the almost complete removal of existing structures and funding for local growth, both locally and regionally, and their replacement with new structures and funding’ (National Audit Office, 2013, p.16).

Second, funding for local/regional economic development declined significantly (Figure 5.2): £6.3 billion over the five-year period 2010-11 to 2014-15 (including £2.4 billion RDA legacy spending) down from £11.2 billion over the five-year period 2005-06 to 2009-10 (National Audit Office, 2013). The government intended LEPs to be strategic in nature and therefore less costly and resource-intensive to run, with programmes and projects delivered by local authorities and partners (National Audit Office, 2016a). However,

Whitehall officials acknowledged that their capacity to do so would be limited, given the depths of the spending cuts (Ayres & Pearce, 2013).



### 5.3.2 (Beyond) the local state

The *Local Growth* white paper committed to ensuring that where drivers of growth were local, decisions would be made locally, and positioned economic development plans within the Coalition's 'localism' and austerity agendas (HM Government, 2010c). It has been argued that its localism provided 'the thinnest of masks for swingeing public expenditure cuts' (Pugalis & Shutt, 2012, p.23), or was merely rhetorical – ideological cover for centralisation – but the picture is more complicated (Clarke & Cochrane, 2013). Local governance is a necessary consequence of uneven development (Duncan & Goodwin, 1988), and from 2010, localism replaced regionalism as a discourse of spatial governance (Clarke & Cochrane, 2013). This suggests a positive attitude, at least initially,

towards the decentralisation of political power, and the strategic production and use of localities as spaces of engagement oriented to the promotion of local economic development policies (Cox, 1998). In advance of its Localism Act 2011, the Coalition made the case for 'localism' by identifying three deficits – in efficiency, fairness, and democracy – that it attributed to successive waves of centralisation (HM Government, 2010a). Its proposed solution was 'decentralisation': ending top-down initiatives, dispersing power to localities, and freeing local government from regional and central control by dismantling both the regional tier of governance and the managerialist regime established by New Labour, 'the most sophisticated system of state control in Britain's history' (HM Government, 2010a, p.4). However, in an early indication of central-local tensions, it also announced plans that ran counter to local state empowerment: the potential imposition of elected mayors, the horizontal redistribution of state power from local government to non-state bodies including LEPs, and the transfer of several RDA functions upward to central government departments and agencies (Clarke & Cochrane, 2013).<sup>29</sup>

The Coalition's initial localism was evident in its 'permissiveness' towards the appropriate geographical scale and institutional form of individual LEPs (Pugalis, Shutt & Bentley, 2012), though the ostensibly bottom-up process was circumscribed by the requirement for central government approval (Deas, Hincks & Headlam, 2013). The Coalition anticipated a resultant asymmetry in LEP governance arrangements,

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<sup>29</sup> These functions included: business support; R&D and innovation; inward investment and international trade; EU funding; sector leadership; access to finance including venture capital funds; adult skills provision; and rapid response to economic shocks (Pike *et al.*, 2018).



geographical variation in service provision, and the potential for accusations of a 'postcode lottery':

Decentralisation will allow different communities to do different things in different ways to meet their different needs. This will certainly increase variety in service provision. But far from being random – as the word 'lottery' implies – such variation will reflect the conscious choices made by local people. The real lottery is what we have now, where one-size-fits-all policies are imposed by the centre whether or not they work locally. (HM Government, 2010a, p.5)

The New Labour government had sought 'progressive universalism' in public services: steadily rising national standards of performance (Barber, 2008). The Coalition's localism, at least initially, was better characterised as 'spatial liberalism' where localities were left to make their own choices, and accept the consequences of those choices (Clarke & Cochrane, 2013).

### **5.3.3 *The competition state***

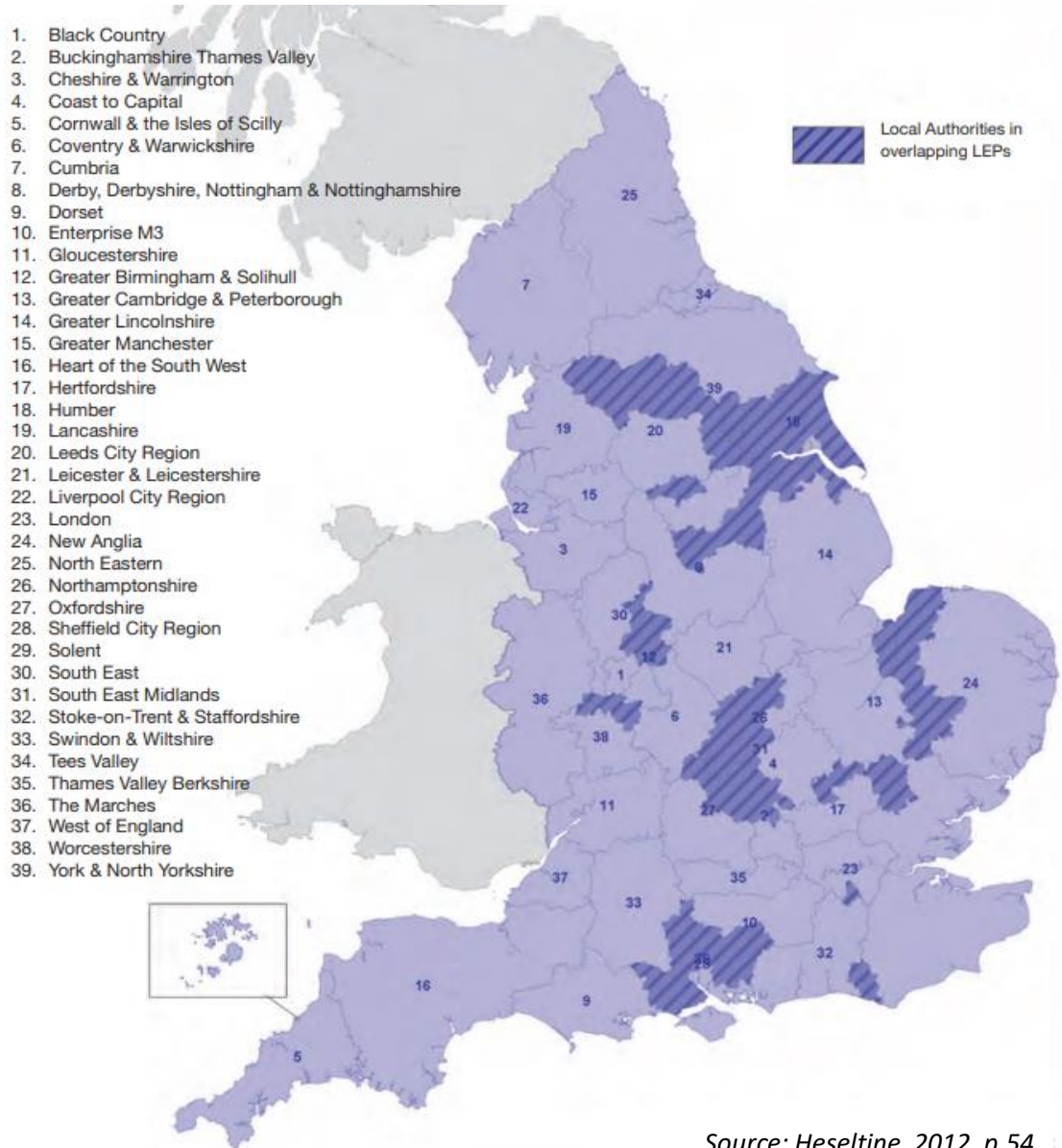
Drawing on neoliberal discourses emphasising market-driven growth, the Coalition's spatial liberalism was intended to produce variation and novelty in governance arrangements and stimulate 'natural and healthy competition' between LEPs and the localities they represented (HM Government, 2010c, p.3). This reflected the broader emergence of locational policy, territorial competitiveness and inter-locality competition as a state project (Brenner 2004), in which localities had to 'compete or die' (Eisenschitz & Gough, 1998, p.762). Such post-Keynesian 'competition states' promoted

economic growth by pursuing strategies that created and/or reinforced the competitive advantages of subnational economies (Jessop, 2002). The Coalition argued that New Labour's regionalism had failed because the centrally driven targets used to narrow growth rates between regions worked against the market (HM Government, 2010c), whereas 'competitive localism' for private investment and public funding would generate innovation, dynamism (Deas, Hincks & Headlam, 2013) and the efficient allocation of resources (Saito, 2013). It would also produce winners and losers (Peck & Tickell, 1994) and, initially at least, the Coalition accepted that differential economic performance was inevitable, reflecting long term economic trends and local choices (HM Government, 2010c). Its 'rules of the game' would require localities to compete for funds and resources, and as Harvey (Harvey, 1989, p.5) argues, when such inter-locality competition is embedded in a zero-sum framework, 'even the most resolute and avantgarde municipal socialists will find themselves, in the end, playing the capitalist game and performing as agents of discipline for the very processes they are trying to resist.'

#### **5.4 Uneven development, mission creep, and (re)centralisation: early challenges**

The original 29 June 2010 invitation gave localities little more than two months to respond with proposals for LEPs that demonstrated clear vision, 'reasonable' economic geography, and support from local authorities and businesses (HM Government, 2010b). Only twenty-four LEPs were approved from sixty-two responses, with remaining areas asked to submit revised proposals (HM Government, 2010c). By the end of 2011, thirty-nine LEPs 'filled in' the map of England (Figure 5.3).

**Figure 5.3 – English Local Enterprise Partnerships (LEPs)**



#### **5.4.1 No white spaces: uneven geographies, inheritances, endowments**

Aspects of the LEP approval process foreshadowed two recurring issues. First, the ongoing tension between local discretion and central scrutiny was evident in the speed

with which the Coalition's light-touch guidance, and willingness for LEPs to emerge spontaneously, evolved into an insistence that LEP coverage leave 'no white spaces' on the national map (Deas, Hincks & Headlam, 2013). Second, the tight timetable and speed of evolution advantaged the localities that were most able to adapt and mobilise quickly: those with a history of collective action, particularly those with existing governance arrangements coterminous with functional economic areas (Balch, Elkington & Jones, 2016). LEP geographies varied markedly, covering an average of nine local authorities (National Audit Office, 2016a) and ranging from small single county areas to large city-regions, with the total population of the largest nineteen nearly triple that of the smallest twenty (Healey & Newby, 2014).<sup>30</sup> Fewer than half the approved LEPs reflected functional economic areas (National Audit Office, 2013). Geographies were mainly aggregations of existing administrative boundaries and largely reflected political judgements as to which local authorities could work together (Rossiter & Price, 2013): political convenience rather than economic rationale. Localities with established network governance – Greater Manchester and city-regions including Leeds, Liverpool, and West of England – reshaped existing partnerships to 'fit' Coalition requirements, e.g., by appointing a private sector chair (Pugalis, Shutt & Bentley, 2012). Localities, including the Birmingham city-region, with histories of administrative fragmentation and institutional friction, and no place-based leadership and actor network cohesion to build on, were disadvantaged despite having broadly comparable economic contexts (Deas, Hincks & Headlam, 2013). These localities had to forge brand new partnerships on the basis of novel geographies (Pugalis *et al.*, 2015), and faced lengthy improvisation

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<sup>30</sup> Gross Value Added (GVA) per head in LEPs also varied markedly (Pike *et al.*, 2015).

to find their feet (Pike *et al.*, 2015). In the first two years, the rate of progress of individual LEPs was markedly uneven (National Audit Office, 2013).

LEPs were originally expected to fund their own operating costs while leveraging private sector investment into their localities (HM Government, 2010c), but this hindered meaningful progress and the policy soon unravelled (Centre for Cities, 2011). The Coalition made a number of funds available to LEPs through a variety of grant-, loan- and competition-based mechanisms (Pike *et al.*, 2015).<sup>31</sup> LEPs that evolved from existing partnerships and were quickest off the mark – the ‘unofficial frontrunners’ (Pugalis & Shutt, 2012) – attracted more discretionary funding (Balch, Elkington & Jones, 2016). The Coalition also announced a first wave of tailored City Deals with each of the eight ‘core cities’ that introduced ‘the notion of a mutually beneficial transaction, negotiated on the basis of ‘asks’ and ‘offers’ from both parties’ (HM Government, 2011, p.10). With fewer resources and less expertise to draw on than the RDAs (Rossiter & Price, 2013), LEP actors had to learn intensively and reflexively how to negotiate the ‘complex, uncertain and rapidly unfolding policy and funding landscape’ (Pike *et al.*, 2015, p.192). The number of LEPs, compared to RDAs, made it hard for many to get their voice heard in government (Ward, 2015). Critics characterised LEPs as ‘toothless tigers and talking shops’ (Pugalis & Shutt, 2012, p.5) with insufficient resources (staff, revenue and capital) and a chaotic funding regime (CLES and FSB, 2014; Healey & Newby, 2014).

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<sup>31</sup> These included: LEP core start-up and capacity-building funds; a Growing Places Fund to tackle immediate infrastructure investment constraints; a Regional Growth Fund (RGF) that LEPs were eligible to apply for; and funding for the creation of Enterprise Zones benefiting from business rate discounts and simplified planning.

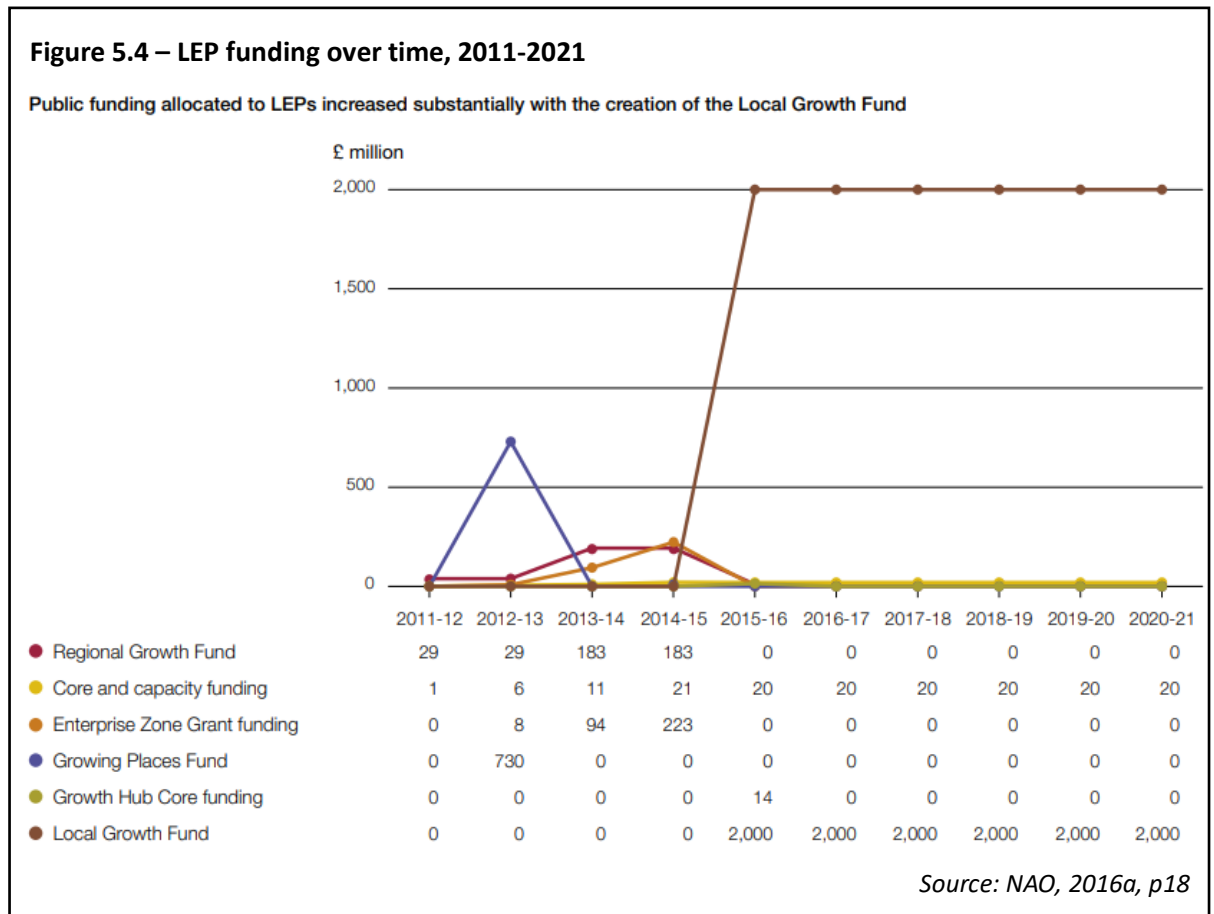
#### **5.4.2 No stone unturned: the Heseltine review, mission creep, competitive funding**

In March 2012, the Coalition commissioned Lord Heseltine to review LEPs and the economic development landscape. His report, *No stone unturned: in pursuit of growth* (Heseltine, 2012), published in October 2012 – two years after the first LEPs were approved – made 89 ‘radical’ proposals to enhance local growth. Heseltine argued that localities were best placed to unlock local growth and if localism was to be more than a slogan, ‘very significant’ funding had to be devolved to LEPs to tailor economic development activity to localities.<sup>32</sup> The Coalition accepted most recommendations (HM Treasury, 2013a), including: the creation of a Local Growth Fund (LGF) for local economic development; a requirement for LEPs to develop strategic economic plans (SEPs), with additional funds to support this; and the (re)devolution of business support funding to enable LEPs to form Growth Hubs. However, it rejected the more radical aspects of Heseltine’s vision, including major local government boundary reform and the formation of a Prime Minister-led National Growth Council. The £2 billion allocated annually to the LGF in the 2013 Autumn Statement (HM Treasury, 2013b) constituted a ‘rapid’ and ‘significant’ expansion in LEPs’ responsibilities (Figure 5.4) (National Audit Office, 2016a), but fell far short of the annual £12 billion Heseltine recommended. Moreover, the funds were earmarked explicitly or implicitly for specific purposes by contributing central government departments contrary to Heseltine’s vision of a ‘no strings attached’

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<sup>32</sup> Heseltine argued that central government should retain responsibility for major national infrastructure only, devolving local/subregional infrastructure funding and management to localities. Infrastructure is a critically important driver of economic competitiveness (Harvey, 1989; O’Brien & Pike, 2015; Simmie *et al.*, 2006).

single funding pot (APPG Local Growth, 2013), further evidence of Whitehall’s inability to adapt and unwillingness to ‘let go’ (Ayres & Pearce, 2013).<sup>33</sup>



As LEPs evolved, and gained significantly more responsibilities than originally envisaged, concerns arose over ‘mission creep’ as they had in the RDA era (Pike *et al.*, 2015). Heseltine had argued that creating a ‘healthy rivalry’ between localities would generate evolutionary momentum and recommended that funding be made available on a

<sup>33</sup> At £2 billion annually from 2015-16 to 2020-21 – £12 billion overall – over half of LGF funding (£1.1 billion annually) came from the transport budget, and the remainder from infrastructure, housing, and skills. Reflecting departmental contributions, over 60% of 2015-16 projects would be transport related (NAO, 2016a).

competitive basis (Heseltine, 2012). Deploying Malthusian notions of scarcity as a spur for innovation (Hodgson, 1993; Malthus, 1798), Heseltine argued that the struggle to secure funding would stimulate entrepreneurialism: 'some areas may lose out. I think that this is important. Most will learn and raise their game quickly' (Heseltine, 2012, p.38).<sup>34</sup> LEPs recognised that acting as conduits for government funding would 'reorient' them (Martin, 2010) and radically change their role (Pugalis *et al.*, 2015). The majority admitted this would cause them difficulty (CLES and FSB, 2014). Concerns centred on the ability of many LEPs to cope with the new demands, citing: weak leadership and governance; insufficient skills to produce the strategies, investment cases and bids necessary to secure the available funding; and a lack of capacity to administer major programme and project delivery (APPG Local Growth, 2013; National Audit Office, 2013). LEPs believed the unplanned and accelerated trajectory would hinder their organic evolution as institutions (Pike *et al.*, 2015), and only 5% considered their resources sufficient to meet the expectations placed on them by government (National Audit Office, 2016a). LEPs' increased responsibilities and resources entailed greater risks of failure, which further moderated the Coalition's initial permissiveness and increased the tension between local discretion and central scrutiny (Ayres & Pearce, 2013). In 2014, a cross-departmental Cities and Local Growth Unit (CLGU) was created to manage central-local relations on behalf of central government, including the negotiation of deals (O'Brien & Pike, 2019).<sup>35</sup> Heseltine had argued that government's most important

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<sup>34</sup> LEPs were particularly dependent on government funding because private sector funding had not materialised to the extent originally expected (NAO, 2016a).

<sup>35</sup> The CLGU replaced the Cities Policy Unit that had operated from the Cabinet Office since 2011 (Pugalis *et al.*, 2015).



‘lever’ for local growth was funding (Heseltine, 2012). Funding is also a crucial lever of control (Bell & Hindmoor, 2009) and, as LEPs were private bodies and not subject to statutory intervention like local authorities, withholding funding became the Coalition’s ‘main mechanism for correcting LEP underperformance or non-compliance’ (National Audit Office, 2019, p.6).

#### ***5.4.3 No offers, no asks: deal-making, (re)centralisation, adapting to rules of the game***

Drawing on the neoliberalism behind Heseltine’s argument that inter-locality competition would stimulate growth, and the perceived success of the City Deal process, the Coalition determined to allocate the LGF through Growth Deals with individual LEPs, to be negotiated on a competitive basis (HM Government, 2013). In the absence of an explicit national plan for growth, negotiations would be on the basis of the strength of the multi-year SEPs submitted by LEPs to government in March 2014 (Ward, 2015). Exacerbated by the tight timetable imposed, half of the SEPs were largely derived from the economic development strategies produced under regionalism (Pike *et al.*, 2015), though this was seldom made explicit given the perceived ‘toxicity’ of the RDA brand (Rossiter & Price, 2013). While a diversity of economic conditions was evident in priority setting (Pike *et al.*, 2015), many SEPs focused on the same set of industries targeted by RDAs (Peck *et al.*, 2013), and were largely ‘aspirational’ in nature (Balch, Elkington & Jones, 2016).<sup>36</sup> Concerns had been raised that a marked unevenness in capacity and

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<sup>36</sup> The most frequently targeted industries were the visitor economy, advanced manufacturing, business and professional services, life sciences, and low carbon/renewable energy (Peck, 2013). LEPs representing more prosperous localities tended to adopt a more qualitative, industry-specific approach, intended to

expertise would lead to better equipped LEPs producing stronger SEPs, and negotiating better deals (APPG Local Growth, 2013). The differential quality and rigour of the SEPs submitted reflected this variation (Cox, Broadbridge & Raikes, 2014; Pugalis *et al.*, 2015), and it was evident that being quicker off the mark to learn deal-making skills and develop networks was enabling a cadre of more capable LEPs to pull ahead of the rest (Pike *et al.*, 2015).

The Coalition continued to evolve the ‘deal-making’ model it had alighted on to promote competitive localism without relinquishing influence and control (Deas, Hincks & Headlam, 2013; Pike *et al.*, 2015). By 2014, it had introduced a succession of novel funding instruments, largely replacing the traditional block grants for RDAs and local authorities with competitive bidding rounds and novel ‘deal-making’ modes of interaction, based on mutually-agreed ‘asks’ and ‘offers’ (National Audit Office, 2016a). In the Growth Deal process, each LEP presented government with a ‘strategic proposition’, asking government to fund local priorities and projects identified in its SEP – which were mainly transport, infrastructure, housing, and skills related – and in return offering some degree of local governance reform (O'Brien & Pike, 2015). The Coalition’s ‘aspirational model’ for local governance was the directly elected mayoral system that had underpinned Greater Manchester’s eye-catching City Deal of 2012 (Ayres & Pearce, 2013). Despite the ramifications of such negotiations for local democracy (Ayres, 2020), the deal-making process was highly ‘informal’ in nature, with actor relationships and

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sustain existing path trajectories; elsewhere, LEPs focused on establishing the conditions required to shape new paths (Pike *et al.*, 2015).

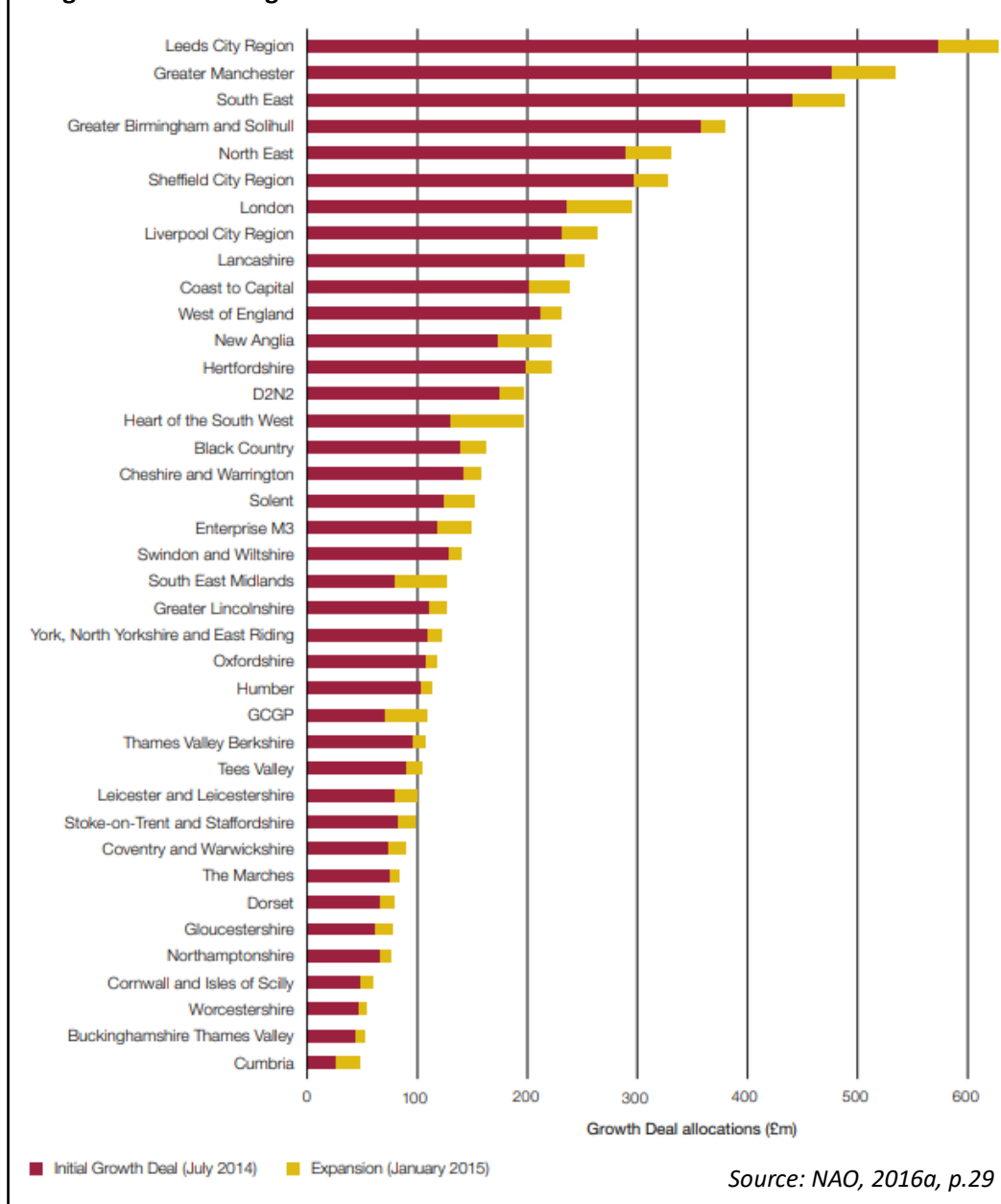
webs of influence playing crucial roles (Ayres, 2017). Negotiations largely took place ‘back stage’ where central and local governance actors were less constrained by formal rules and public scrutiny (Ayres, Sandford & Coombes, 2017), raising questions of legitimacy, accountability and representativeness (Liddle, 2015). While this provided an institutional conduit for relatively open central-local communication, it added a level of complexity that compounded issues of uneven capacity among LEPs (O'Brien & Pike, 2015).

The Coalition promoted ‘competitive localism’ to unlock local growth and stimulate local governance reform, but its state rescaling and reshaping project exacerbated an already complex economic development governance landscape (Pike *et al.*, 2015). Added complexity was experienced by LEPs whose geographical boundaries covered multiple local authority areas, given the degree of coordination and consensus that could be achieved amid competing political priorities, particularly in terms of governance reform (Ward, 2015). Whitehall officials acknowledged that, for such LEPs, emulating the Greater Manchester mayoral model would be challenging, if not impossible (Ayres & Pearce, 2013). The political maturity evident in the Greater Manchester LEP’s negotiations reflected strong network relationships, high levels of trust, and a shared understanding of the agglomeration benefits of partnership working, developed over many years (APPG Local Growth, 2013). Such LEPs were pulling ahead, building strong relationships with ministers and officials and ensuring their vision and messaging aligned with Coalition agendas (Pike *et al.*, 2015). The place-based leadership, coalition building and multi-scalar coordination (Grillitsch & Sotarauta, 2020) necessary to conduct

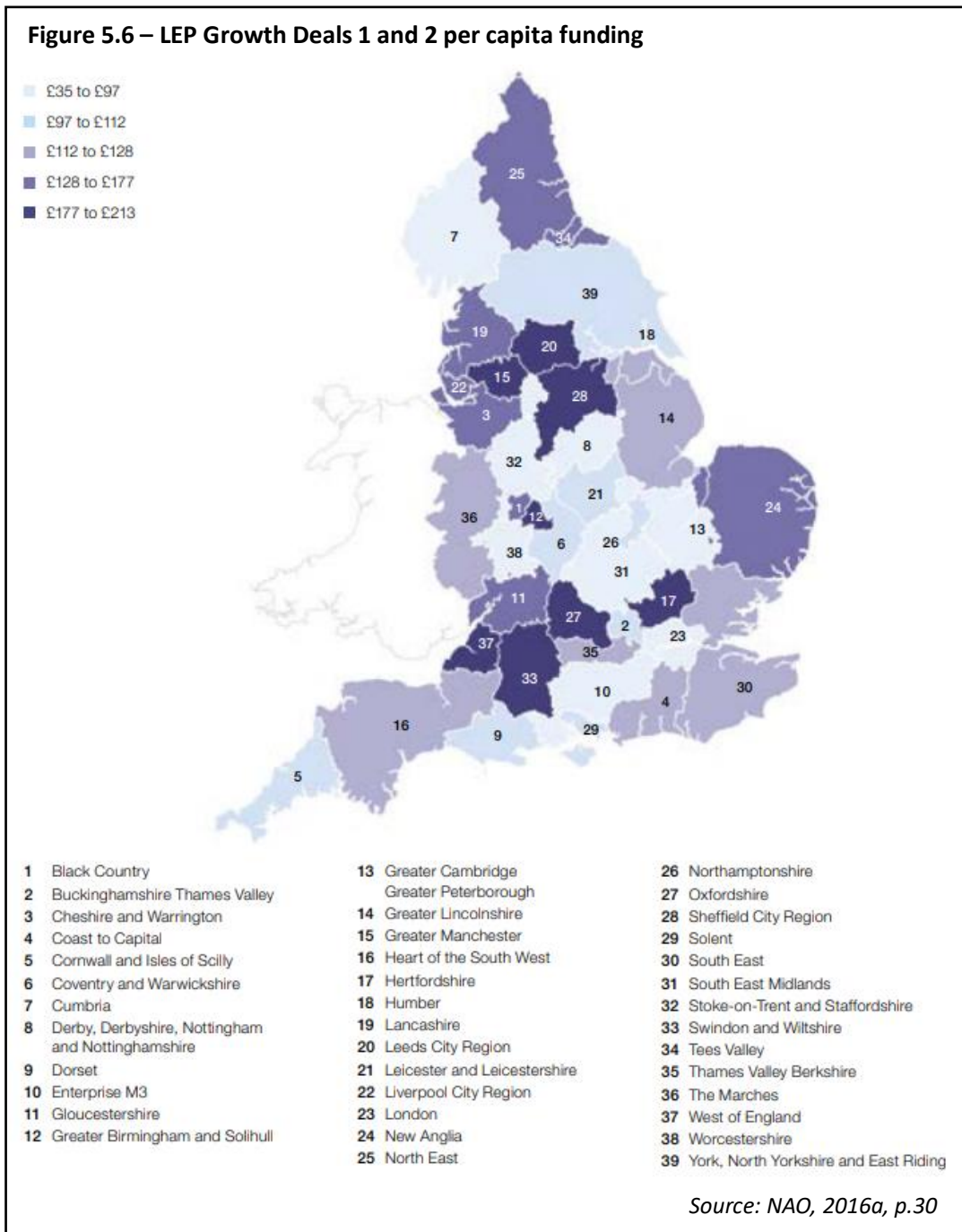
collective negotiations was challenging in immature partnerships that were based on novel geographies (APPG Local Growth, 2013), especially if these lacked the rigour and clarity associated with functional economic areas (National Audit Office, 2013). Growth Deal negotiations were complex and sensitive, and the central and local governance actors involved had to adapt to being recast as ‘deal-makers’ (O'Brien & Pike, 2015). Even with the support of the newly formed CLGU, the Coalition found it challenging to conduct simultaneous and often complex negotiations with thirty-nine different LEPs (Pike *et al.*, 2015) on the basis of a consistent assessment of SEPs that varied greatly (National Audit Office, 2016a). Negotiations were iterative (HM Government, 2013). Deals evolved in shape as they were scrutinised by different actors, and by the time the Growth Deals were being negotiated, Whitehall departments had ‘caught up’ and were much more resistant to radical change (O'Brien & Pike, 2015).

Evidence mounted that the Coalition’s initial spatial liberalism was being tempered when ‘population size’, a metric long used to distribute public funding equitably, was incorporated into its formula for allocating LGF funding (National Audit Office, 2019). The first round of Growth Deals announced in July 2014, and the second round in January 2015, awarded a total of £7.3 billion multi-year funding to LEPs from 2015-16 (Figure 5.5) (National Audit Office, 2016a). Every LEP received funding although, given the differential size of LEPs, the Coalition’s allocation formula resulted in wide variation. The Leeds City Region LEP was awarded the most funding (£628 million) followed by the Greater Manchester LEP (£533 million). The rural Cumbria LEP received the smallest allocation (£48 million).

**Figure 5.5 – Funding awarded to LEPs in Growth Deals 1 and 2**



Per capita funding allocations varied markedly too, ranging from £35 to £213 per capita (Figure 5.6) (National Audit Office, 2016a). This variation revealed a bias towards urban agglomerations, with LEPs representing larger urban areas, including the Greater Manchester, Leeds, Sheffield, Birmingham and West of England city-regions, receiving the highest per capita funding.



Many LEPs thought the allocation process was unclear, with fewer than half believing funding decisions had been made openly and transparently (National Audit Office, 2016a). In December 2014, with progress still sluggish on governance reform in many

localities, the Coalition had imposed a National Assurance Framework to ensure LEPs had in place the necessary systems and processes to manage the public funding received via their accountable bodies effectively (HM Government, 2014a). Once allocated, LEPs were pressured to spend funding in-year or risk not receiving future funding. This prompted many to prioritise 'shovel ready' projects over more strategic projects that represented better long-term value for money (National Audit Office, 2019) and was raised as a concern in the 2017 Ney review of LEP governance (Ney, 2017). The Growth Deal process and its outcomes were managed and agreed largely on Coalition terms and timescales, as the initial permissiveness of the Coalition gave way to the explicit imposition of 'central controls' (HM Government, 2013). Thus the Coalition's strategic selection of deal-making as a governance mechanism turned central-local relations into 'tactical and lop-sided bargains' between political forces unequally endowed with power (O'Brien & Pike, 2019).

In 2016, as delivery ramped up under a now Conservative majority government, and the EU referendum result created further uncertainty, LEPs led negotiations for a third Growth Deal (Ward, 2020).<sup>37</sup> At the same time, the Cities and Local Government Devolution Act 2016 (HM Government, 2016) created the legal framework to accelerate English local governance reform and expand the number of mayoral combined authorities through wider Devolution Deals (Sandford, 2020).<sup>38</sup> Local governance actors

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<sup>37</sup> A further £1.8 billion LGF funding was announced in the 2016 Budget, allocated in the Autumn Statement and awarded in early 2017 (Ward, 2020). In total, £9.1 billion was allocated over the three LGF rounds (NAO, 2019).

<sup>38</sup> The Act enabled the devolution of functions in policy areas including business and employment support, further education, housing, transport, planning, policing, and health and social care. The complexity of

were expected to develop devolution proposals with ‘breathtaking’ speed (Blunkett, Flinders & Prosser, 2016). However, while LEPs had attracted cross-party support (Healey & Newby, 2014)<sup>39</sup> and were acknowledged as ‘important place shapers’ (Pugalis *et al.*, 2015), their role in Devolution Deals and the wider devolved landscape was unclear, particularly where LEP and proposed combined authority boundaries differed (National Audit Office, 2016b). LEP actors were therefore struggling to make sense of their role, and adapt to their new responsibilities, in an environment characterised by complexity, uncertainty and rapid change (Pike *et al.*, 2015).

## 5.5 Conclusion

The Coalition embarked on its state rescaling and reshaping project by harnessing narratives on austerity (Pike *et al.*, 2018) and competitive localism (Deas, Hincks & Headlam, 2013) to justify the dismantling of ‘costly’ and ‘resource-intensive’ RDAs and the establishment of unfunded LEPs in their place (National Audit Office, 2016a). When criticism mounted that LEPs were ‘toothless tigers and talking shops’ (Pugalis & Shutt, 2012, p.5) – deprived of funding, the most important local growth lever (Heseltine, 2012) – the Coalition redirected funds from central government departments to LEPs in an act

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Devolution Deals meant that only twelve were agreed, three of which subsequently collapsed (Sandford, 2020).

<sup>39</sup> In a foreword to a review of RDA and LEP policy lessons (Healey & Newby, 2014, p.3), Shadow Chancellor Ed Balls and Lord Adonis argued for LEPs to be retained because ‘local economies cannot withstand another major upheaval of the local growth infrastructure. There has been too much change in recent years which has hampered growth around the country. [...] Evolution, not revolution, is the right way forward.’



of rapid institutional layering (Pike *et al.*, 2015). The novelty of many LEP geographies and institutions – a consequence of the Coalition’s initial spatial liberalism (Clarke & Cochrane, 2013) – meant the governance and accountability structures the Coalition required of LEPs to manage their evolving responsibilities, including large-scale budgets and projects, were not in place (HM Government, 2013; National Audit Office, 2016a). This created a tension between the rhetoric of local discretion and the practical and political reality of central scrutiny and control (Deas, Hincks & Headlam, 2013). Therefore, the ostensibly localist decision to decentralise funding went hand in hand with centralising measures, including the incentivisation of governance reform and central controls on funding allocation and management (O'Brien & Pike, 2015).

Having experimented with various novel funding instruments, the Coalition’s strategic selection of the deal-making mechanism enabled the rhetoric of localism to be maintained while retaining considerable central control over the spending of supposedly autonomous LEPs (Balch & Elkington, 2016): ‘LEPs may be able to operate within an environment characterised by lighter touch regulation than was the case for their predecessors, but evidence of central direction abounds’ (Deas, Hincks & Headlam, 2013, p.734). LEPs could earn greater flexibility through governance reform, but the transactional nature of the ‘asks’ and ‘offers’ process, and the shift from non-hypothecated to hypothecated funding, resembled (re)centralisation (O'Brien & Pike, 2015). The ‘rules of the game’ meant that localities which did not wish to embark on governance reform were given little choice as eligibility to compete for critical economic development funding was conditional on doing so (O'Brien & Pike, 2019). Local

governance actors thus became ‘agents of discipline’ for the very processes they were trying to resist (Harvey, 1989).

The Coalition’s decision to inject ‘competitive tension’ into the deal-making process, to ‘strengthen incentives on LEPs and their partners’ (HM Government, 2013, p.44), pitted LEPs and their localities against one another in a zero-sum game of central-local negotiations for limited public funding (O'Brien & Pike, 2015). LEPs had diverse origins, inheritances and trajectories, asymmetric geographies and governance arrangements, and were unequally endowed with assets and actors (O'Brien & Pike, 2015; Pike *et al.*, 2015). Every LEP received some share of the LGF (National Audit Office, 2019), suggesting the Coalition ultimately backtracked from the radical ‘accept the consequences’ spatial liberalism Heseltine advocated (Heseltine, 2012). Nevertheless, it has been argued that the encouragement of inter-locality competition risked highly imbalanced and inequitable outcomes as some LEPs adapted better than others to novel ways of working, and LEPs competed more or less effectively for influence and funding (APPG Local Growth, 2013; Ayres & Pearce, 2013; O'Brien & Pike, 2015).

The emergence of the new economic development governance landscape, amid the fiscal crisis of the global recession, was disorderly and largely unplanned (Pike *et al.*, 2018). From 2010, a succession of institutional fixes, funding pots and governance mechanisms unfolded and accrued, and local and national state and non-state actors were obliged to navigate shifting central-local relations (Pike *et al.*, 2015). LEP actors sought to interpret their evolving roles, build vertical and horizontal relationships, and

enact place-based leadership – but a marked unevenness in capacity and expertise was evident (Deas, Hincks & Headlam, 2013). While competitive deal-making processes gave LEP actors a clear short-term role and focus, negotiations diverted attention from more strategic objectives (Balch, Elkington & Jones, 2016) including the development of a long-term ‘pipeline’ of projects (National Audit Office, 2016a). During the crucial three-year period that followed the Heseltine review, the pace of change was rapid, as LEPs assumed significantly increased responsibilities, developed SEPs, negotiated Growth Deals, and introduced new assurance frameworks and practices to handle growing project portfolios.

This chapter has situated LEPs in ongoing theoretical debates on the rescaling and reshaping of the state, and characterised LEPs as a continuation of the central-local tensions and perpetual restructuring that have shaped recent English economic development governance (Jones, 2010). The Coalition intended to unlock local growth, and stimulate innovation and dynamism, by introducing LEPs within a framework of competitive localism (Deas, Hincks & Headlam, 2013). However, its continuing experimentation with governance mechanisms and varying degrees of central-local control exacerbated an already complex and evolving operating environment for the actors involved, who had to adapt to both economic change and the continually evolving processes of state transformation intended to help shape this change (Pike *et al.*, 2015). A small number of academic studies have investigated the role and significance of LEPs in the evolution of economic development governance in England, exploring shifting central-local relations through social networks (Deas, Hincks & Headlam, 2013),

institutions (Pike *et al.*, 2015), and deals (Ayres, Flinders & Sandford, 2018; Blunkett, Flinders & Prosser, 2016; O'Brien & Pike, 2015; O'Brien & Pike, 2019). However, there is little detailed research on how the actors involved responded and adapted to the evolving political-economic landscape, despite concerns (Deas, Hincks & Headlam, 2013) that variability in the capacity, expertise and response of individual LEP actors could affect the ability of localities to 'earn a greater share' of the LGF (HM Government, 2013, p.9). This reflects the broader criticism of EEG, that in neglecting micro-level interactions and the crucial path-shaping role of the state, it lacks a body of empirical evidence – particularly qualitative, case study work – on how governance actors seek to adapt to political-economic change and contribute to the evolvability of local/regional economies (Bristow & Healy, 2014a; Dawley, 2014; Grillitsch & Sotarauta, 2020; MacKinnon *et al.*, 2009). This thesis deepens and enriches understanding by investigating how, and drawing on what capacities, the actors involved in the HotSW LEP adapted to change during 2016 and the period leading up to it. The next chapter examines the emergence of the case study LEP to investigate how, and drawing on what capacities, the local governance actors involved in this power-inflected process enacted, responded and adapted to political-economic change.

## **6. HEART OF THE SOUTH WEST LEP: INSTITUTIONAL EMERGENCE AND EVOLUTION**

### **6.1 Introduction**

Chapters 6-8 chart the path of local economic development governance in the HotSW LEP area from 2010 to 2016, paying particular attention to the time-, place- and agent-specific dimensions of 'opportunity space' reviewed in Section 2.9 (Grillitsch & Sotarauta, 2020) while remaining alive to the framework's weaknesses in relation to power and institutional dynamics. The chapters examine how micro-level adaptive processes and capacities operated and unfolded in the context of intensive state restructuring.

This chapter begins the analysis by examining how the HotSW LEP emerged from the dismantling of regionalism in late 2010, and how it evolved in its early years. Drawing on published secondary sources and in-depth interviews, it examines the pressures associated with state transformation processes and how these were exacerbated by the HotSW LEP's institutional-geographical arrangements. By early 2014, the HotSW LEP had established itself, formalised its governance arrangements, developed its Strategic Economic Plan (SEP) and begun the process of negotiating its first Growth Deal. This chapter focuses on the evolutionary and adaptive processes evident during this period of change (2010-2014).

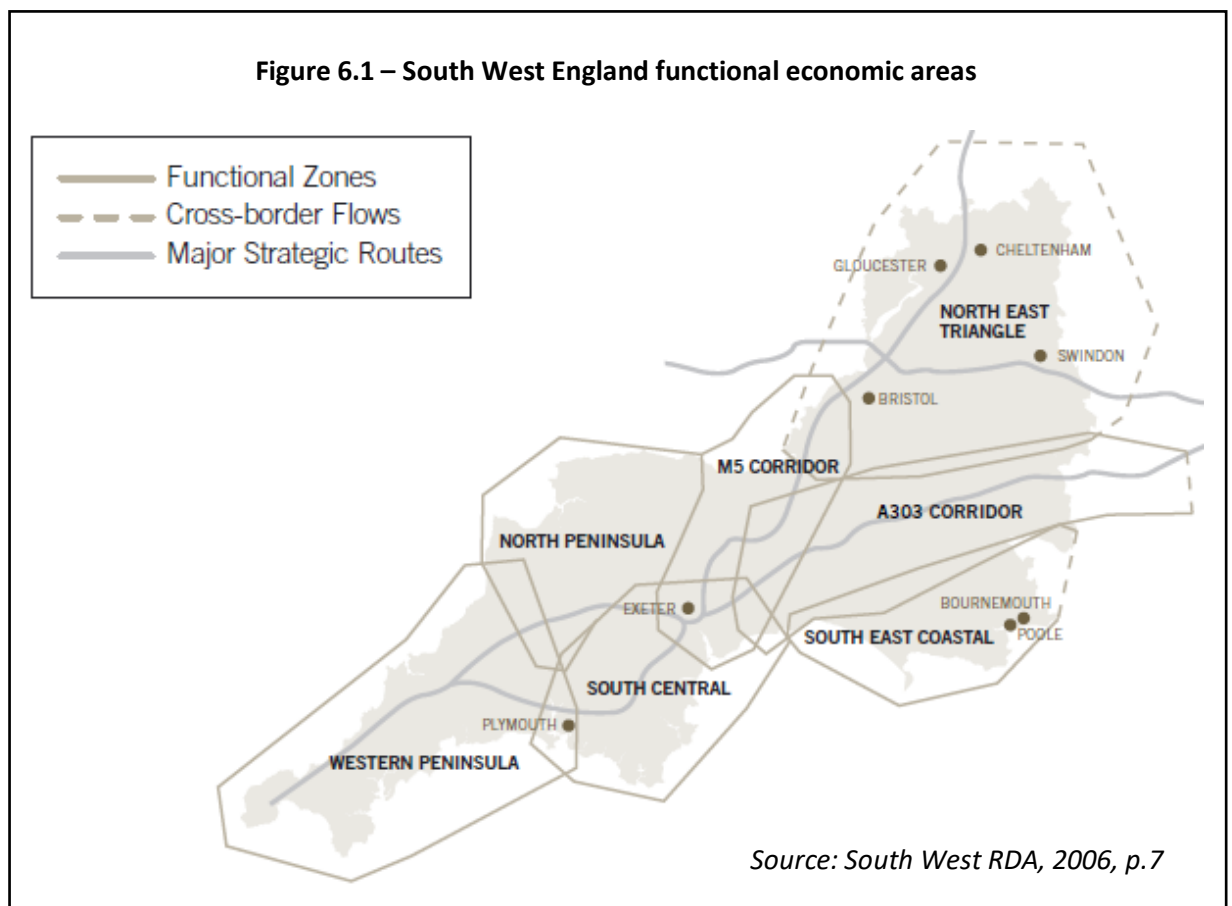
The Plymouth City Deal process, and the HotSW LEP's negotiation of three Growth Deals between 2014 and 2016, are examined separately, in Chapters 7 and 8 respectively. A brief update on important post-2016 developments is provided in Chapter 10.

## **6.2 Hollowing out, filling in: novel and incoherent institutional-geographical arrangements**

At the time of the primary research, the HotSW LEP was one of six LEPs in South West England. South West England is the largest of the former English regions in geographical terms (National Audit Office, 2010) and has a long coastline, largely rural landscape, many small settlements, and relatively few major cities, the largest of which – Bristol – is the region's only 'core city' (Parkinson *et al.*, 2004). Prior to the creation of LEPs, economic development governance in the region was led by the South West Regional Development Agency (SWRDA) which characterised South West England as 'a relatively productive and wealthy region, with a dynamic population, an attractive environment and relatively few, though persistent, pockets of social disadvantage' (South West RDA, 2006, p.5). This largely positive regional picture disguised intra-regional disparities, with the more peripheral areas to the south and west of the region – Cornwall, Plymouth, and Torbay – underperforming on most economic indicators (South West RDA, 2011a).

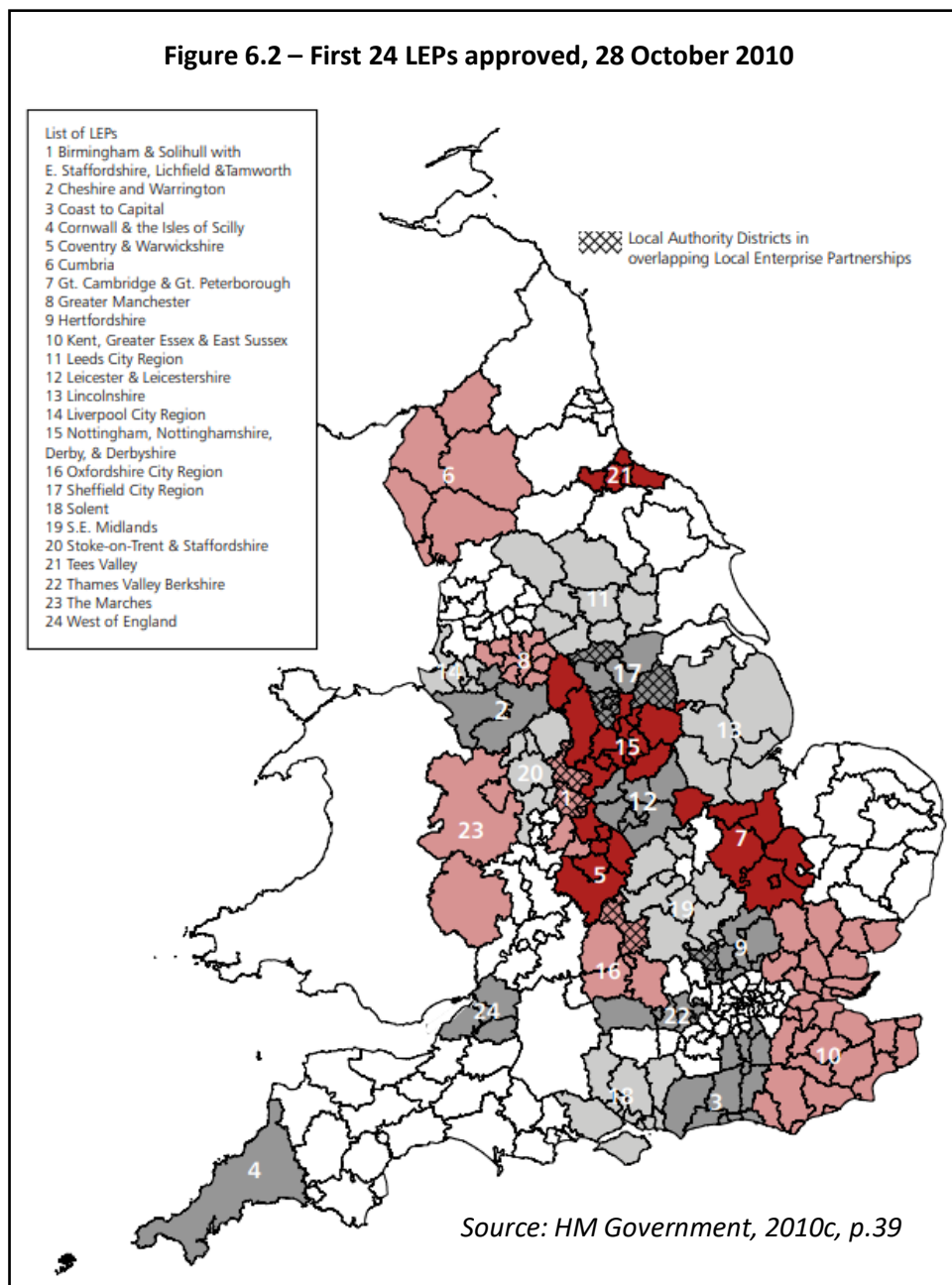
Under SWRDA, the region's fifteen upper-tier administrative areas were generally treated as 'sub-regions' for purposes of analysis, intervention, and communication (South West RDA, 2011a). However, in dismantling RDAs, the Coalition stipulated that

LEP boundaries cover ‘groups’ of upper-tier local authorities in order to ‘better reflect’ functional economic areas (HM Government, 2010b). As Figure 6.1 indicates, SWRDA had already identified seven overlapping ‘zones’ (South West RDA, 2006). Some upper-tier local authority boundaries were largely coterminous with, or contained within, a single zone (e.g., Cornwall and Torbay and the ‘western peninsula’ and ‘south central’ zones respectively). However, other local authorities faced a more complicated picture. Plymouth was on the periphery of two zones (‘western peninsula’ and ‘south central’), and three zones intersected both Devon (‘south central’, ‘north peninsula’, and ‘M5 corridor’) and Somerset (‘north peninsula’, ‘M5 corridor’, and ‘A303 corridor’).



Seven LEP proposals were submitted by local authorities and businesses in South West England by the September 2010 deadline (Hayman, 2010). Only two proposals –

Cornwall and Isles of Scilly (CloS), and the West of England (based around Bristol) – were approved in the Coalition’s October announcement of the first wave of twenty-four LEPs (HM Government, 2010c). The other five proposals – which included a LEP covering Devon, Plymouth, and Torbay, and a ‘Heart of the South West’ LEP covering Somerset – were rejected (Hayman, 2010). As shown in Figure 6.2, this left large swathes of the region in need of ‘filling in’ with LEP governance arrangements.





Interviewee perspectives differed on how the HotSW LEP geography came about and revealed a clearly political process (Peck, 2001). Several interviewees had preferred a combined Devon and Cornwall solution<sup>40</sup> but discovered that Cornwall wanted to ‘do its own thing’ (HotSW LEP actor); ‘there was a lot of work going on between the leadership of Devon and Cornwall over having a LEP because we’ve always worked together, Devon and Cornwall, and at the eleventh hour, Cornwall decided to go its own way’ (local authority actor). Cornwall Council and partners argued for their own LEP on the basis that Cornwall was a functional economic area. By partnering with the Isles of Scilly, they could legitimately claim to represent more than one upper-tier local authority and, given their resistance to any wider partnership, one central government actor acknowledged that ‘politically at that time it was considered the right thing to do, to let Cornwall go their own way.’

This occasioned a flurry of central-local and local-local negotiations that largely took place ‘back stage’ (Ayres, Sandford & Coombes, 2017). Local authority actors representing Devon, Plymouth, and Torbay argued that their multiple upper-tier local authority proposal met Coalition requirements, but this would have left Somerset ‘in LEP limbo’ (Hayman, 2010). Some interviewees viewed a combined Devon, Plymouth, Somerset, and Torbay solution as unavoidable, despite being an entirely novel ‘spatial imaginary’ (Jessop, 2012; Watkins, 2015): ‘The interesting thing is that all the old economic development structures used to be Devon and Cornwall. The minute that

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<sup>40</sup> In this context, ‘Devon’ refers to the old Devon county boundaries, comprising Devon, Plymouth and Torbay.

Cornwall decided to go unilateral on their LEP, largely I would interpret to make sure that they protected their European pot [Cornwall was at that time eligible for European convergence funding], Devon was then looking around for friends and poor old Somerset was Billy-no-mates and they got together' (university actor).

The 'hidden hand' of central government (Balch & Elkington, 2016; Milward & Provan, 2000) was evident in the negotiation process. To many HotSW LEP actors, this simply constituted – as one argued – 'behind the scenes meddling in the geography. [...] Instead of fiddling, they should let local partners form the pragmatic allegiances they want to form on a local basis. Provide some input and some challenge but stop meddling.' The picture was more complicated and provided an early indication of tensions between local discretion and central scrutiny (Deas, Hincks & Headlam, 2013). Central government actors were conscious that the Coalition's localism agenda had raised expectations of local discretion over the geographical scale of the LEP and were sensitive to accusations of interfering in an ostensibly bottom-up process (Pugalis, Shutt & Bentley, 2012). However, Whitehall officials had to balance a commitment to the localism agenda against the delivery of Coalition requirements that included an (unwritten) upper limit on the number of LEPs, as illustrated by this central government actor's account of the process:

We left it originally to local partners to determine their own geography. But as we often are, we were very active below the radar making sure that the right people were talking together, making sure that all the options were considered.

[...] Cornwall got their way and the drawbridge went up, and that left Devon and

Somerset who might have gone their own way and said, if Cornwall are doing that then we'll just have a Devon LEP and we'll have a Somerset LEP, but because ministers wanted more than nine and less than fifty-four [LEPs], we needed to encourage some partnerships at local authority level. And no white space was the other thing, so what we didn't want was LEPs emerging that left maybe marginal rural areas out, you know, the edges of the doughnut that were not going to be covered anywhere. We wanted universal coverage, no white space, more than nine, less than fifty-four.

*[Interviewer:] Was it in the end implicitly or explicitly a directive to Devon and Somerset that they need to work together then?*

It was encouraged and partners were persuaded of the value of doing that. *[Identifies an influential local governance actor who played a particularly important role in facilitating the combined Devon, Plymouth, Somerset, and Torbay solution.]*<sup>41</sup> That's not to say that if somebody else had stepped forward and said it must just be a Devon partnership and had made that the most obvious solution, that ministers would have had to have gone along with it, given what they had said about it being locally determined.

This account of how state rescaling processes unfolded in the HotSW LEP in 2010 highlights the role of agency in shaping evolutionary dynamics, and underscores the

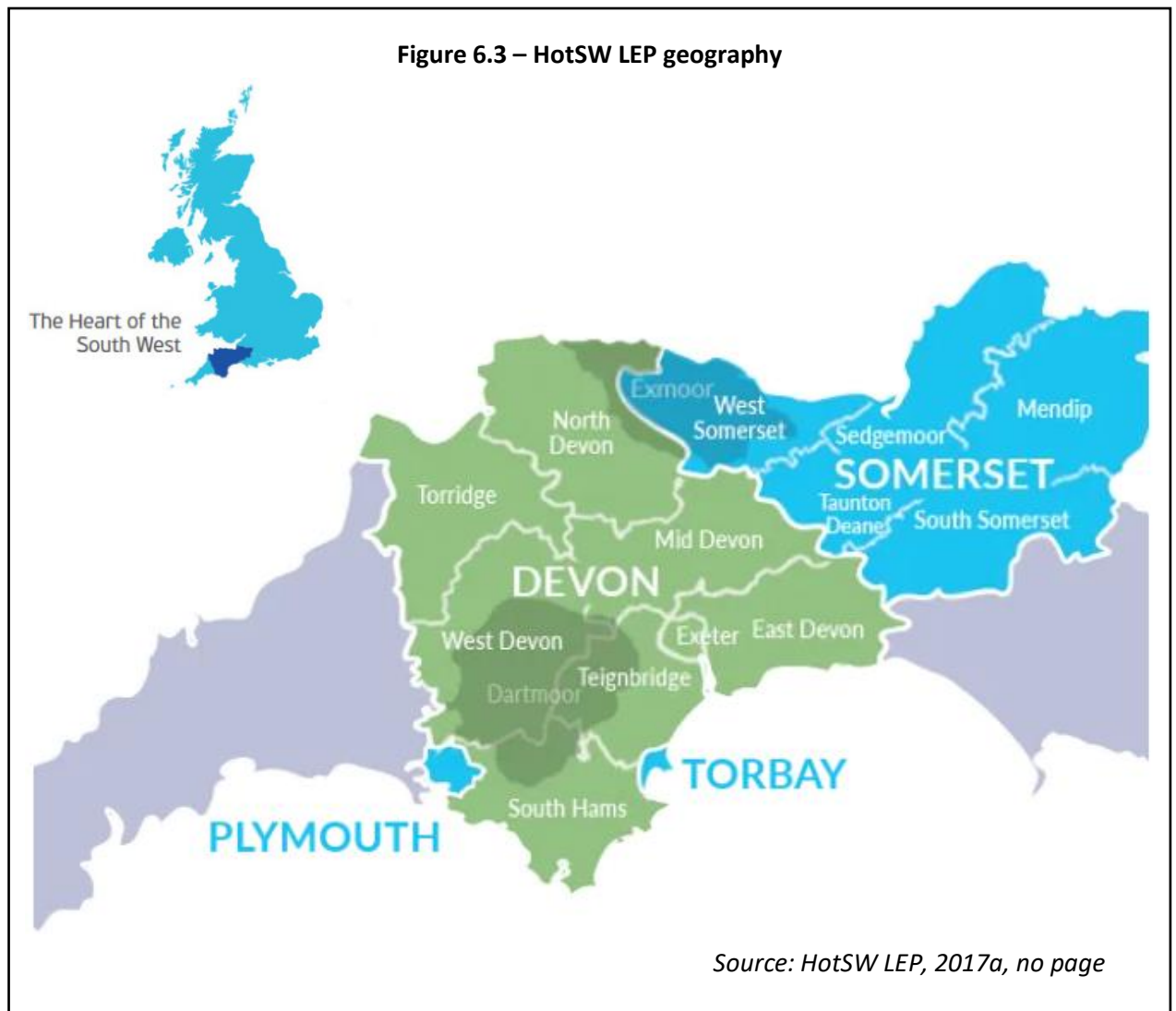
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<sup>41</sup> This sentence has been paraphrased to protect the anonymity of the influential local governance actor in question. There were too many 'identifying details' in the original sentence to manage without rendering the whole unintelligible.

value of micro-level explanations for the differential unfolding of local/regional economic paths (Boschma *et al.*, 2017; Grillitsch & Sotarauta, 2020; Martin & Sunley, 2015). It raises the possibility that the HotSW LEP's institutional arrangements may have assumed a different geographical form had an alternative local governance actor with a preference for a different solution emerged as the most influential figure in the nascent PBL of the time. At a time when the Coalition's localism rhetoric was at its height, it reveals central government's capacity to engage in steering to deliver its policy objectives and impart a specific direction, and the vulnerability of localities to its steering attempts (Jessop, 1990). The tight timetable imposed by the Coalition meant the post-SWRDA 'filling in' of economic governance in South West England unfolded quickly and in a path-dependent way, with the decision-making choices available to localities narrowing (North, 1990) as LEPs accumulated and available 'white space' diminished. The speed of evolution advantaged localities with a history of collective action and existing governance arrangements that were coterminous with functional economic areas, such as Cornwall and the West of England (Balch, Elkington & Jones, 2016). The latter half of 2010 presented an 'opening up' moment for governance actors to shape the path trajectory of local governance (Pike *et al.*, 2016). Their evolutionary corridors of opportunity narrowed quickly (Wilson, 2007) and by the time the window closed, HotSW actors and localities were locked into the Coalition's preferred institutional-geographical solution.

In late 2010, the HotSW LEP was included in the second wave of LEP announcements – bringing the total number of LEPs to thirty-nine – and covered the upper-tier

administrative areas of Devon, Plymouth, Somerset, and Torbay, with a total population of just under 1.7 million (Figure 6.3) (HotSW LEP, 2014g; ONS, 2014). It bordered the CloS LEP to the west, and the West of England, Swindon and Wiltshire, and Dorset LEPs to the east (HotSW LEP, 2017a). As one local authority actor observed, ‘it literally was the bits of the South West that were left over.’



### **6.3 Political processes in motion: tensions, sensemaking, and institutional emergence**

The selection and retention of the HotSW LEP's boundaries created a complex operating environment for local governance actors. The LEP's polycentric and mainly rural geography encompassed two national park authorities (Dartmoor and Exmoor) and seventeen local authorities (Devon County Council and its eight lower-tier councils including Exeter City; Somerset County Council and its five lower-tier councils; Plymouth City Council; and Torbay Council), double the LEP average (National Audit Office, 2016a).<sup>42</sup> A majority of the interviewees emphasised the challenges posed by this geography: 'It's an artificial boundary, the Heart of the South West. Economically it doesn't really exist as a boundary' (HotSW LEP actor); 'It's a difficult gig actually. If you think about the context, it goes all the way from Plymouth, the most industrialised city in the south of England, to parts of rural Somerset that GPS would have a struggle to find' (local authority actor); 'It's a bit like the Balkans, with the establishment of Yugoslavia' (HotSW LEP actor); 'Devon County Council which is based in Exeter would look more east than it would west. It's a curious situation' (local authority actor); 'Has no logic' (HotSW LEP actor). Failing to 'reflect' a functional economic area in the way originally envisaged by the Coalition (HM Government, 2010b), the HotSW's geography lacked coherence, undermining its credibility as a 'spatial imaginary' (Jessop, 2012; Watkins, 2015).

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<sup>42</sup> In 2019, this reduced to sixteen local authorities after two district councils (West Somerset and Taunton Deane) merged to form Somerset West and Taunton. Somerset County Council acted as the accountable body.

Not only was the HotSW's geography complex, but there was little history of collective action. One local authority actor queried whether, prior to the establishment of the HotSW LEP, '[the Leader of Plymouth City Council] would have been able to pick [the Leader of Somerset County Council] out of an ID parade.' There was also evidence that recent local government reorganisation had created institutional friction. Plymouth and Torbay had been administered by Devon County Council until they became unitary authorities in 1998 under proposals by the Banham Local Government Commission for England (Pycroft, 1995). One local authority actor spoke of 'years and years of evidence of people not particularly effectively collaborating locally, between Devon County and Plymouth and Cornwall. [...] Part of it is the legacy between Plymouth and Devon, Plymouth becoming a unitary at the end of the 1990s [...] there were many years of turbulence.'

Several interviewees perceived that the HotSW's geography and administrative fragmentation placed its actors at a disadvantage compared to their peers in localities with recognised geographies, established network governance (Pugalis *et al.*, 2015) and a degree of stability in institutional arrangements (Pike, Dawley & Tomaney, 2010). Interviewees frequently cited Cornwall, the West of England, and Greater Manchester as examples of this. One HotSW LEP actor encapsulated the views of many others:

The outside world looks at it, and thinks, Heart of the South West, where is that? Cornwall's got a very strong brand, [...] Greater Manchester's got a very strong brand [...] but Devon, Somerset, Plymouth, Torbay, as a distinctive area with its

own brand, it doesn't have that, so when you rock up as Heart of the South West LEP, you know, that brand, what does it mean to government and to business and to the public sector? Because it is a completely new thing. [...] I think to begin with locally we were probably thinking as a LEP, as a start-up, we've got some really tough competition from Cornwall and Bristol. [...] The economic development infrastructure in the Bristol travel-to-work area has been there for a long time, is well-established, is one of the core cities [...] and Cornwall because of its special status, and by the time the LEP was established it was a unitary authority, Cornwall Council, and had a long-established track record of bidding for EU funding. [...] So I think we probably felt in the early days we were on the back foot compared to them locally, and absolutely compared to the Manchesters and the Londons and the Birminghams of this world. [...] Manchester is the pre-eminent core city and going back twenty years has had an economic development infrastructure in place, or at least a lot of the foundations. And we were starting from ground zero.

The progress of individual LEPs nationally was markedly uneven in the first few years (National Audit Office, 2013), and this was mirrored in South West England: 'The two early movers in the South West were Bristol and Cornwall, and frankly the others then struggled to follow. [...] Those LEPs that were operating off of a unitary council base were able to make much faster advance' (university actor). Central government actors corroborated interviewee perceptions that localities with an existing sense of identity, building on existing governance arrangements, had an advantage over those starting afresh, with one arguing: 'If you look at somewhere like Manchester who have been in



effect heading for devolution for about twenty years, when LEPs came along, they didn't drop everything and reinvent themselves, they just changed the plate above the door and carried on what they had been doing with an economic development partnership.'

Coalition building and the pooling of competencies in multi-actor networks is always difficult (Harvey, 1989), and HotSW LEP actors had to forge a new partnership within a novel geography (Pugalis *et al.*, 2015). As a result, significant effort had to be invested in establishing and maintaining the partnership, as several HotSW LEP actors described:

What restricted us was that we were a new area, so we didn't have institutions and we didn't have history to build on.

The weakness about having such a large LEP area is the amount of time and effort that [we] spend just trying to engage people. [...] Trying to keep Plymouth and North Somerset, and North Devon and Exeter, all on the same page is not all that easy.

There's an ongoing challenge with the geography. So Devon and Somerset isn't a natural collaboration. If you take Cornwall, there's a very natural geography there for lots of people who are involved in Cornwall to focus on. There's more of a centrifugal force in the Devon and Somerset geography which means that when you've got quite a lot of local authorities [...], trying to get a balance between what's right for a particular area and what's right for the whole of the [HotSW] is a real tension, particularly when resource is so limited. [...] That sort

of dynamic is a real tension, I think, that's going to be around so long as we've got the LEP area really.

As a result, interviewees evoked a heightened requirement for *sensemaking* (Weick, 1995), as local governance actors found themselves struggling to make sense of their new institutional-geographical arrangements (Pike *et al.*, 2015): 'One of the biggest challenges is starting to explain why this is actually a good thing compared to some other arrangement'; 'Trying to describe [the HotSW LEP geography], trying to make sense of that economically'; 'That's one of the tensions [in the HotSW LEP,] what we do has got to make sense to everybody'.

These sense-making processes were further complicated by differing perspectives on the role and responsibilities of the HotSW LEP, which reflected central government's lack of clarity on its expectations of LEPs (Pike *et al.*, 2015). One HotSW LEP actor complained, 'I get very frustrated by the fact that the LEP seems to have absolutely no set of rules around it. And sometimes I think it's been a very cunning plan of central government to sort of say, well, go and form a LEP. And when you say, well, what is a LEP? They say, well, we don't know, you tell us.' Views differed, even among local authority actors, on the HotSW LEP's legitimacy, accountability and representativeness (Liddle, 2015), ranging from it being 'unelected [...] we've got key decisions being made on investment and being made behind closed doors' to 'a real partnership of democratic accountability'.

The Coalition intended LEPs to be ‘organic entities in which *coalitions* of local actors, led by business interests, would determine locally relevant policy’ (Deas, Hincks & Headlam, 2013, p.718, emphasis added). The emergence and evolution of the HotSW LEP was a *power-inflected* process (Martin & Sunley, 2015) as governance actors sought to orchestrate and control the selection of path creation mechanisms (MacKinnon *et al.*, 2019). Interviewees gave varying accounts of how political forces with differential capacities sought to impart a particular direction to the HotSW LEP (Jessop, 1990). Some viewed it as ‘very much business-led’. Others emphasised that, like most LEPs (Walker, 2013), it was so resource-dependent on its local authority partners that being business-led was ‘a fiction, and I think that as a result, lots of local authority agendas have been driven through this’. One consequence of this was the waning of the initially influential HotSW Business Forum: ‘The political aspirations and private sector or business group aspirations are rarely one and the same, rarely aligned, and so the Business Forum which was supposed to have a far more significant role in determining the decision-making capacity of the [HotSW LEP] fairly quickly dissolved and became its own sort of sub-group with less and less prominence as time went by’ (lower-tier local authority actor).

One interviewee perceived local authorities’ approach to the HotSW LEP as being ‘one very much of infiltrating and actually making it a replica of local government, as opposed to fighting against it or sitting somehow alongside it. So all the capacity of the LEP sits within the local authorities. So they played a very canny game of being very good partners of the LEP, but actually they’re the controlling ones’ (university actor). Several local authority actors offered a more centralist account of power relations,

characterising the HotSW LEP as ‘a creature of the Coalition government’ and its ‘mechanism for cutting funding in the UK’.

The ‘positionality’ of interviewees (LEP/non-LEP; public/private; local/central) influenced their accounts of power relations and their normative expectations of the HotSW LEP (Pike et al., 2015). Generally, interviewees viewed the HotSW LEP as responsible for helping the local economy adapt to *longer-term* structural change rather than *shorter-term* shocks (Boschma, 2015a; Martin, 2012; Simmie & Martin, 2010): ‘the LEP I don’t think is a body to implement what I would call day-to-day responses to day-to-day challenges. It’s there as a longer-term investment body, not solving daily issues’ (HotSW LEP actor). However, views ranged on the appropriate role for the HotSW LEP in this process. LEPs were established to provide localities with *strategic leadership* (HM Government, 2010c), and HotSW LEP actors highlighted strategic activities including ‘behind-the-scenes lobbying with the BIS people, helping the local partners put the story together’ (local authority actor). Several non-HotSW LEP actors expressed scepticism that LEPs could play a strategic role given their limited resource and capability: ‘they are in effect the agencies of government policy, not influencers or decision-makers around government policy. [...] I don’t see the LEPs being strategic in terms of economic development or trying to influence or change government policy’ (Plymouth City Deal actor).

LEPs' responsibilities had expanded significantly by the time of the research and, nationally, 'differentiation in LEP roles was evident between strategic leader, business voice, programme commissioner and/or fixer and honest broker' (Pike *et al.*, 2015, p.195). Several interviewees highlighted the HotSW LEP's *path advocacy* role (MacKinnon *et al.*, 2019). However, local authority actors tended to view the HotSW LEP as neither a strategy nor a delivery body but 'a conduit for funding'. One local authority actor viewed this as an unintended consequence of Coalition policy: 'The reality is a lot of the actual heavy lifting in terms of policy development, and particularly structures around bids, is done by public sector people, because they speak fluent government, don't they?' One central government actor characterised providing LEPs with 'tangible' funding as a 'test' intended to provoke 'debates about how they wanted to be run'. But the evolution of the HotSW LEP, to cope with Coalition demands (National Audit Office, 2013), entailed a shift in internal power relations. One former local authority actor observed that after the Heseltine review:

Government started expecting LEPs to behave as instruments of government, in a way, quasi-instruments of government, with strong governance structures which [...] inevitably made the local authority involvement, the local authority influence, more significant, because you were actually asking the LEP to do lots of things that the people who are involved in that sort of governance structure knew how to do. And I imagine that some of the private sector board members may well have felt a bit frustrated about that.

The Coalition's decision, in response to the Heseltine review (Heseltine, 2012), to channel 'very significant' funding through LEPs (National Audit Office, 2016a) affected HotSW LEP power relations in two other ways. On the one hand, it incentivised a greater degree of partnership working. Interviewees acknowledged that, given the austerity context (Pike *et al.*, 2018) and cuts in local government funding (Gray & Barford, 2018), 'it would be crazy for any of the local authorities to turn their face against the LEP' (former local authority actor). Even though most local authorities would 'sweep away the LEP tomorrow', the available funding and strong Coalition support meant 'LEPs are things they have to get involved with' (university actor). Local authority actors spoke of the necessity of adapting to the 'rules of the game' (Stoker, 1998): 'I think the biggest change for us is the route to funding, the route to government, and the game we now – you know, it's just a change of rules that we have to play by.' As the HotSW LEP evolved into a major 'conduit for funding', a local authority actor acknowledged that 'everyone was locked into the LEP and keen to be supporting it' because not doing so 'was dangerous tactics when money was on the table.' Local authority pragmatism regarding the HotSW LEP was acknowledged by several HotSW LEP actors: 'I think they probably say that it's the vehicle that's been created and it's the game they have to play, to get the money [...] Without that, I think the vast majority of them would just walk away.'

On the other hand, the struggle to secure a share of the scarce funding available, which Heseltine had argued would stimulate entrepreneurialism and *inter*-LEP 'competitive localism' (Deas, Hincks & Headlam, 2013), intensified *intra*-LEP protectionism and local authority rivalries. Lower-tier local authorities were particularly exercised at having no

direct involvement in governance structures, being ‘squeezed out’ of decision-making and negotiations (APPG Local Growth, 2013) and being left ‘out in the cold’ (local authority actor). Several HotSW LEP actors believed that local government actors’ strong ties of association and primary allegiance to their own local authority areas and institutions led to protectionism and meant that rather than working in the interests of the LEP overall, they pursued a narrower local ‘political interest which you don’t see in the unitary authority LEPs’. This reflected the experience of other LEPs whose geographical boundaries covered multiple local authority areas with competing political priorities (Ward, 2015).

The Coalition’s raising of the stakes, in the context of the HotSW LEP’s geography and administrative fragmentation, inflamed intra-LEP and local-local tensions. Interviewees described having to navigate competing political priorities and institutional agendas that risked undermining the pursuit of a common agenda (Kjær, 2011). One local authority actor spoke of:

Tension between who’s calling the shots. Is it local authorities who sponsor and made the LEPs grow? Or is it the LEPs themselves? [The HotSW LEP] is clearly tooling up for full delivery mode and I think [local authority chief executive] is wondering, is this becoming another RDA? Another super-quango?

However, this potential for conflict (Davies, 2005) coexisted with notions of PBL (Grillitsch & Sotarauta, 2020). Given strong Coalition support for LEPs, there was growing recognition of the need to work collaboratively through the HotSW LEP to secure funding and advance local agendas. In part this reflected an acceptance of LEPs’

limited capacity: 'it would be wrong to characterise LEPs as of themselves being transformational' (former local authority actor). But actors also acknowledged the need to find 'common cause' (central government actor) and develop a collective, long-term vision and sense of direction around which the HotSW LEP's actors and organisations could coalesce (Beer & Clower, 2014; Borraz & John, 2004; MacKinnon *et al.*, 2019): 'by having one voice rather than lots of voices, one hopes that you can get the government's attention' (local authority actor). As one former local authority actor put it: 'The LEP is, I guess, an instrument for change, not through its own actions, but by facilitating change by others. So it acts as a conduit for funding, a vehicle for securing funding, and working with partners to promote activities – [...] mainly capital funded activities – that will stimulate growth in the economy.'

#### **6.4 Institutional evolution: layering, conversion, improvisation and reform**

In its early years, the HotSW LEP's governance arrangements remained fluid and marked by institutional histories (Pike *et al.*, 2015) in common with other LEPs based on new partnerships and geographies (Pugalis *et al.*, 2015): 'You're doing it from a new basis and inevitably you're talking about people, people need to be building a new network, it takes time, and people need to work out what the landscape is in terms of what it all looks like, and who's who, and get to know each other, so Manchester definitely has a huge advantage, and people often overlook the benefits of that' (HotSW LEP actor). Several interviewees evoked a chaotic start and a lengthy improvisation period until the Coalition announced its response to the Heseltine review (HM Treasury, 2013a): 'In our early days there wasn't a lot of confidence in the [HotSW LEP] from government. [...]



There was an unofficial ranking of LEPs nationally, and [...] at one point we were told that we were heading for the remedial step [...] and I think that was partly a function of the fact that we were actually still in that informal networking model, and other LEPs had already started to move into a more formalised structure. We were a bit slow in making that change, and so we put a lot of time and effort into making sure that we complied with that' (HotSW LEP actor). The creation of the LGF and the requirement for LEPs to develop assurance frameworks and SEPs precipitated a brief but intensive period of institutional entrepreneurship (Garud, Hardy & Maguire, 2007; Grillitsch & Sotarauta, 2020) focused on governance reform: 'As an informal gathering, partnership or network, actually doing stuff was quite tough, and therefore you needed to have a degree, a much greater degree, of structure in order to be able to move forward with resources and actions'; 'We decided we needed a bit of discipline in how we do it, to be more effective and win more money from government' (HotSW LEP actors).

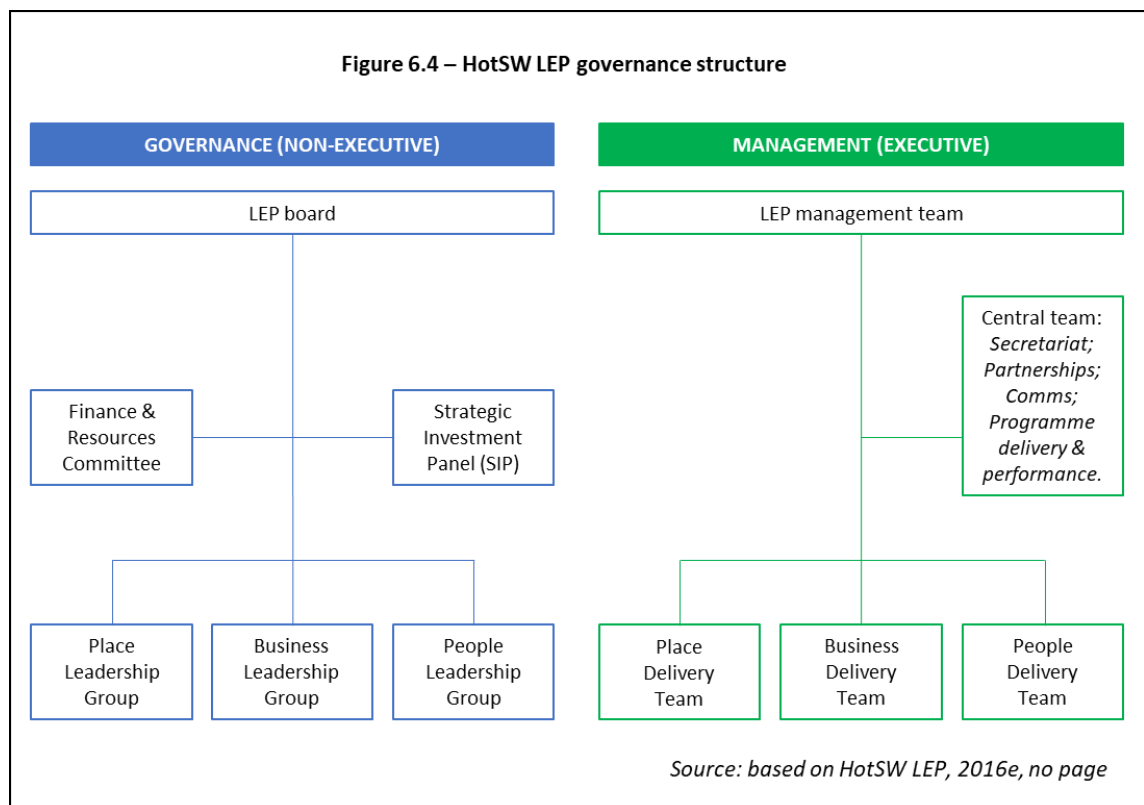
Coalition actors framed their recourse to governance mechanisms as necessary and responsible: 'I don't think we're quite ready to release billions of pounds of public money without being reassured that there are some minimum levels of governance and decision making and accountability that we can point to, should there be problems' (central government actor). However, local governance actors perceived 'a massive cultural divide between central and local government' (HotSW LEP actor) and interpreted the Coalition's escalating managerialism in the light of its intended acceleration of English local governance reform (MacKinnon, 2000) which included

expanding the number of mayoral combined authorities. One HotSW LEP actor encapsulated local frustrations:

Central government does not know how to let go, it still sees every penny as needed to be accounted for by Public Accounts Committee in parliament, without seeing the local democratic mandate. It's like the local democratic mandate is invisible to civil servants [...] it's just such a shift in thinking, that a lot of the departmental reaction is, we don't understand this, therefore we'll try and stop it [...] and maybe when everyone's got their mayors the world will change, so we're told, but I doubt it.

In February 2014, the HotSW LEP effected its transition from informal network to formally structured partnership by incorporating as a Community Interest Company (CIC) limited by guarantee (Companies House, 2014), the most common corporate structure for LEPs (National Audit Office, 2016a). As shown in Figure 6.4, its new governance structure formally separated executive and non-executive functions (HotSW LEP, 2016e). Its board was made responsible for overall leadership and decision-making, and its small but growing management team provided secretariat support and delivery capacity (HotSW LEP, 2015a). The intention was to ensure that 'people were a lot clearer on their remits and their roles and their terms of reference for what they were trying to do' (HotSW LEP actor). The **LEP management team** comprised the Chief Executive, the senior manager of the central team, and a senior officer on part-time secondment from each of the upper-tier local authorities. Three of these officers led the **Delivery Teams** for the 'place' (Somerset), 'business' (Plymouth) and 'people' (Devon) themes of the

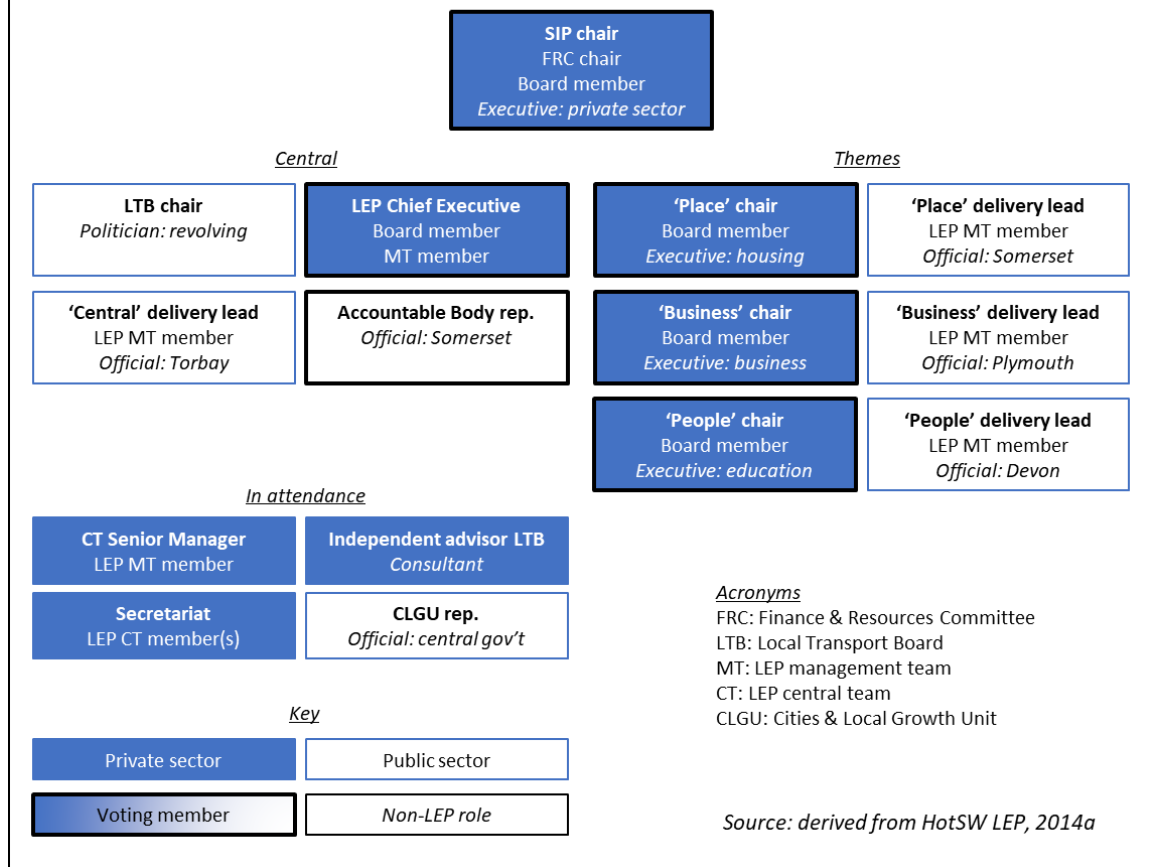
SEP, supporting the non-executive chairs of the respective Leadership Groups. The fourth officer (Torbay) picked up delivery activities that fell outside the three SEP themes. These officers were supported in HotSW LEP related activities by their local government colleagues on the basis of LEP-Council Service Level Agreements (SLAs). With a small directly-employed team covering a large institutional-geographical area, much of the HotSW LEP's day-to-day activity was largely resourced from the economic development teams of its upper tier local authority partners (Balch, Elkington & Jones, 2016). As for many LEPs, this high degree of dependence on local authority partners for staff and expertise (National Audit Office, 2016a) meant the delivery resources and capacity available to the HotSW LEP was blurred and vulnerable to competing allegiances (Pike et al., 2015).



During the primary research, there were twenty **HotSW LEP board** members. Fourteen were executive-level, private sector professionals drawn from business, education, housing, and social enterprise organisations. The six public sector members were the leaders of the upper-tier local authorities and two lower-tier local authority leaders recruited in response to district concerns at their under-representation (APPG Local Growth, 2013). In accordance with Coalition requirements (HM Government, 2010b), the board was chaired by one of its private sector members. The board reserved powers of approval over the HotSW LEP's strategic framework (including its SEP) and investment programme (including LGF funding) while delegating authority to five newly established sub-groups (HotSW LEP, 2015a). The **Finance & Resources Committee** (FRC) was chaired by a private sector board member and maintained oversight of the governance and financial management of core LEP activity. Each of the three **Leadership Groups** was chaired by a private sector board member, provided strategic advice and guidance on the delivery of the 'place', 'business' and 'people' SEP themes, and oversaw the strategic and financial management of the respective investment sub-programmes.

The **Strategic Investment Panel** (SIP) had delegated responsibility for the LEP's investment programme, including the negotiation of deals and the delivery of its major project portfolio (HotSW LEP, 2014a). Figure 6.5 shows that SIP membership was designed to represent a cross-section of key LEP interests and actors: its three SEP themes, its four upper-tier geographies, its public and private stakeholders, and its non-executive and executive functions.

Figure 6.5 – HotSW LEP Strategic Investment Panel (SIP) membership and roles



Similar to actors in many LEPs (Ward & Hardy, 2013), SIP members wore multiple 'hats', performing more than one HotSW LEP role and representing more than one institution, creating the potential for competing loyalties and allegiances (Jones, 2001). At the time, the SIP was chaired by the chair of the Finance & Resources Committee. Its other voting members were the Chief Executive of the HotSW LEP, the chairs of the three Leadership Groups, and a representative of Somerset County Council (the accountable body). There were also non-voting SIP members: the four senior local authority officers who sat on the LEP management team, and the local authority leader or cabinet member who chaired the Local Transport Board (an independent body that worked with the LEP and local authorities to secure and manage funding for major transport schemes across the HotSW area). SIP meetings were also attended by LEP central team members, an

independent advisor, and central government actors from the cross-departmental Cities and Local Growth Unit (CLGU).

The SIP was perceived by interviewees as an ‘influential’ body that faced the ‘really, really difficult’ task of corralling, synthesising, and prioritising, the varying and sometimes conflicting investment objectives of the HotSW LEP’s diverse stakeholder groups. Managing and coordinating the interests of multiple local institutions was a ‘thorny’ issue for many LEPs (Pike et al., 2015). Given the SIP’s position at the nexus of the HotSW LEP governance structure, several interviewees emphasised the importance of constructive working relationships between SIP members. For the SIP’s authority to be recognised, its board members were particularly important because they needed ‘to be seen by the wider board as acting in the interest of the LEP as a whole and providing a level of scrutiny and challenge to the Chief Executive and the officer team’ (local authority actor). SIP members and attendees were active in both ‘front stage’ and ‘back stage’ governance and had instrumental roles connecting diverse actors, institutions, geographies and interests, and orchestrating the HotSW LEP’s emergent PBL.

In March 2014, the HotSW LEP finalised and submitted its *Strategic Economic Plan (SEP) 2014-2030* (HotSW LEP, 2014g) to government as the basis for its allocation of LGF. Half of LEPs inherited their strategies from RDAs, reflecting the legacy of regional dismantling (Pike et al., 2015) and their reduced capacity for evidence gathering and strategic thinking (Balch, Elkington & Jones, 2016): ‘The problem is they haven’t had an intelligence function. They haven’t had the data or the research to enable them to do

anything different to what they've done. They've been trying to operate on a shoestring' (university actor). A former SWRDA actor was retained to produce the HotSW LEP's SEP and much of its basis 'was the economic analysis that was done for the Regional Economic Strategy, but with updated figures and a consultation exercise with the LEP areas. It was shaped and brought up to date and then given a framework' (HotSW LEP actor). Reflecting ongoing sensitivities around the HotSW LEP's legitimacy, the SEP focused not on the LEP as an institution but the HotSW as an economic geography (Pike et al., 2015).

In response to the EU's smart specialisation agenda (Boschma, 2015b; HotSW LEP, 2014f), the SEP identified a number of 'sector strengths' highly reminiscent of SWRDA's eight priority sectors (South West RDA, 2006), another legacy effect (Peck *et al.*, 2013).<sup>43</sup> The SEP based its case for sector strengths on site-specific 'transformational activities' located in each of the upper-tier local authorities: marine (Devonport South Yard in Plymouth); environmental sciences and big data (Met Office supercomputer in Exeter, Devon); nuclear (Hinkley Point C nuclear power station in Somerset); photonics and electronics (innovation centre in Torbay); aerospace (Somerset's proximity to the West of England Advanced Engineering cluster); and health sciences (major teaching hospitals in Plymouth and Exeter) (HotSW LEP, 2014g). HotSW LEP actors asserted that this

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<sup>43</sup> SWRDA's priority sectors were: Marine; Aerospace and Advanced Engineering; Environmental Technologies; Biomedical and Healthcare Sciences; ICT; Creative Industries; Food and Drink; Tourism (South West RDA, 2006).

reflected the lack of coherence of the HotSW LEP geography and the need to keep all upper-tier local authorities onside.

The HotSW LEP's strategic priorities were selected on the basis of three 'core aims' (creating conditions for growth; maximising productivity and employment opportunities; capitalising on distinctive assets) and three 'leadership themes' (place; business; people) that resembled SWRDA's three strategic objectives (South West RDA, 2006).<sup>44</sup> Its strategic priorities included: dualling the A303/A30 strategic corridor; reducing London to Plymouth rail times to less than 2.5 hours; achieving 100% superfast broadband coverage; strengthening flood defences; building 10,000 new homes a year; unlocking designated strategic employment sites in and around major settlements; raising average earnings in line with the UK average; and major initiatives relating to its 'sector strengths' (HotSW LEP, 2014g). Some strategic priorities had gained added impetus in early 2014 from events, including the Dawlish rail collapse and the Somerset Levels flooding, but most pre-dated the formation of the HotSW LEP and were longstanding local authority (and SWRDA) proposals. Some interviewees were disappointed at the lack of innovation and fresh thinking: 'Lots of local authority agendas have been driven through this, so schemes, old schemes, that they were wanting to bring forward have been brought forward. [...] So they've just gone for low-hanging fruit and projects that were already in preparation' (university actor). Others emphasised that economic development, particularly infrastructure investment, was a 'long term

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<sup>44</sup> SWRDA's three strategic objectives were: (i) an effective and confident region – place; (ii) successful and competitive businesses – business; and (iii) strong and inclusive communities – people (South West RDA, 2006).



business: [...] the instrument of change element of the LEP is enabling long developed plans to actually come to fruition, making a difference between them happening and not happening, by creating the context' (former local authority actor).<sup>45</sup>

A framework in the form of a 'three-by-three matrix' was adopted (Figure 6.6). Several HotSW LEP actors – board, SIP, and management team members – emphasised how 'grateful' they were for this simple but 'really useful' matrix: 'It's a good framework, you can put everything in and keep an eye [on it] as you're going through a bidding process'; 'Our LEP-in-a-nutshell'; 'It is the bedrock. On top of that you build a narrative around the context that you're working in, which is part political, part economic, part tactics.'

**Figure 6.6: HotSW LEP strategic priorities**

|                 | <b>Creating conditions for growth</b>      | <b>Maximising productivity and employment opportunities</b> | <b>Capitalising on distinctive assets</b>           |
|-----------------|--|---|---|
| <b>Place</b>    | Infrastructure: transport, digital, energy | Employment and housing sites                                | Specialist facilities: marine, science, environment |
| <b>Business</b> | Business support: start-ups and growth     | Business support: productivity, markets                     | Business support: innovation, smart specialisation  |
| <b>People</b>   | Employment and skills infrastructure       | Jobs, quality careers, workforce skills                     | Talent for growth, higher-level skills              |

Source: based on HotSW LEP, 2014a, p.18

<sup>45</sup> To illustrate the long-term nature of local economic development, one interviewee highlighted Cranbrook – a major new town outside Exeter – which was first mooted in the 1995 East Devon Local Plan, prior to the creation of RDAs, but only began construction in 2012, after RDAs had been abolished and replaced by LEPs.

The matrix appeared to serve three main functions: (i) as a heuristic that enabled HotSW LEP actors who faced high information-processing costs (Bristow & Healy, 2014a) to make sense of a complex institutional-geographical strategy; (ii) its themes provided the internal organising framework for its Leadership Groups and Delivery Teams; and (iii) it helped HotSW LEP actors describe and explain the SEP ‘externally, so people know where the key objectives are and where the fit is’ (HotSW LEP actor). In this sense, the SEP provided HotSW LEP actors with a meta-narrative of their economy. The device was perceived to be crucial given the disruptive change LEP actors had faced in their first four years: ‘The role of the LEP has had to evolve given that it has taken on different directions and different remits according to government whim – you can call it policy if you like’ (local authority actor). Amid difficult institutional-geographical arrangements and conflicts of allegiance, this organising logic and narrative was constructed to justify the HotSW imaginary and facilitate PBL.

## **6.5 Conclusion**

In early 2014, HotSW LEP actors formalised their governance arrangements, developed their SEP and submitted their first Growth Deal proposals. The HotSW LEP’s institutional-geographical arrangements had emerged from the dismantling of SWRDA. This hollowing out and filling in of state scalar organisation was largely political, with central government actively (but discreetly) steering an ostensibly localist process. During the first three years of their partnership, local governance actors were subjected to processes of state rescaling *and* reshaping. The latter included institutional layering and conversion (Martin, 2010) as the HotSW LEP accumulated new responsibilities and

evolved into a central-local conduit for funding. As HotSW LEP actors found themselves reoriented away from their envisaged strategic role, the informality and improvisation that marked their institutional emergence became problematic. Formalising was partly driven by Whitehall's unwillingness to 'let go' (Ayres & Pearce, 2013) and gave local governance actors more clarity on their remits and responsibilities. However, the process took time and diverted actors' attention as they focused on making sense of their new roles and arrangements while more stable partnerships like Cornwall, the West of England and Greater Manchester appeared to pull ahead.

Central and local governance actors agreed that, in addition to economic pressures including 'peripherality', 'connectivity', 'low productivity' and 'skills issues', the novelty and incoherence of the HotSW LEP's institutional-geographical arrangements were a major challenge. The Coalition had encouraged the partnership that emerged, but even central government actors mused, 'is a big LEP on that scale the right one to be representing a region? Would two LEPs have been better? [...] One thing that people would regard as a weakness would be its sheer size and therefore its ability to find enough issues to coalesce around to make the impact that's needed.' This increased the opportunity for intra-LEP and local-local tensions which required time and effort to overcome. This was further complicated by the HotSW LEP's internal capacity issues and high degree of dependence on local authority actors – actors whose primary loyalty and strongest ties of association lay with their own local authority areas and institutions.

However, by early 2014, incentivised by the Coalition's decision to channel major funding through LEPs, actors had begun to identify common cause and, in the form of the SEP, develop an organising logic and a collective, long-term vision and sense of direction around which the HotSW LEP's diverse actors and organisations could coalesce (Beer & Clower, 2014; Borraz & John, 2004; MacKinnon *et al.*, 2019). Local governance actors believed that their brief but intensive period of governance reform had given the Coalition greater confidence that they could be trusted to manage significant funding. Central government actors largely agreed with this assessment: 'They've managed to keep a very large and diverse partnership together now for nearly five years which is not an inconsiderable achievement.' Having generated some evolutionary momentum, several HotSW LEP actors feared a re-emergence of central government's 'endless search' for appropriate scales and forms (Pike & Tomaney, 2009), and 'compulsive reorganisation' (Jones, 2010), of local/regional economic development governance: 'Government always has a terrible habit, if something is working, of changing it. [...] There's constant flux. [...] There have been various proposals, should you change your area or whatever, and we say look, for Christ's sake, don't change things, we're only just really getting the momentum up now, don't abolish it. But of course, government is impatient' (HotSW LEP actor).

This chapter has examined how processes of state transformation, associated with the Coalition's state rescaling and reshaping project, unfolded in the HotSW LEP in the period to 2014, and the consequences for micro-level adaptive responses. It focused on the HotSW LEP's contested institutional emergence which saw local governance actors

effectively locked into novel and incoherent institutional-geographical arrangements that created conflicts of allegiance and exacerbated the pressures associated with processes of state transformation. It analysed how actors, in responding to these pressures, felt obliged to spend more time than peers in more established partnerships justifying their arrangements and making sense of their changing roles, responsibilities and relationships. These issues will be examined further in Chapter 9. The next chapter turns to the emergence of the 2014 Plymouth City Deal.

## **7. PLYMOUTH CITY DEAL: CENTRAL-LOCAL TENSIONS, ADAPTATION, AND PLACE-BASED LEADERSHIP (PBL)**

### **7.1 Introduction**

This chapter examines the operation and unfolding of micro-level adaptive processes and capacities during the negotiation of the Plymouth and South West Peninsula City Deal. It represented the first such central-local ‘deal’ to be agreed in the HotSW LEP area, but the Coalition’s insistence that it had to reflect ‘the wider peninsula and Plymouth’s place within it’ (City Deal actor) resulted in more novel institutional-geographical arrangements aimed at enabling local governance actors to secure a City Deal. This benefited the complex adaptive ‘system’, conceptualised here as the local/regional economy (Bristow & Healy, 2015; Martin & Sunley, 2015). However, actors’ loosely coupled networking and relatively weak associations to new ‘spatial imaginaries’ disrupted the emergent PBL and HotSW LEP geography that the Coalition had only recently ‘encouraged’ and ‘sponsored’. This chapter draws on published secondary sources and in-depth interviews to examine how the City Deal partnership and proposal were constructed, and how local actors and institutions navigated shifting central-local relations (Pike *et al.*, 2015). It focuses on the evolutionary and adaptive processes evident during this period of change.

### **7.2 Plymouth: industrial inheritances, institutional emergence**

Plymouth is a port city located on the south coast of Devon. In the late seventeenth century, the British Royal Dockyard was established at the mouth of the River Tamar, which separates Plymouth from Cornwall, leading to a lengthy period of naval and urban expansion (Jewitt, 2001). Plymouth became a county borough in 1914 after the merger of its three constituent towns (Plymouth, Stonehouse, and Devonport) and was granted city status in 1928. By this time, it had become heavily dependent on the navy and dockyard for industry and employment (PCC, 2008). This large naval presence meant the city was heavily bombed during the Second World War. In response, the 'Abercrombie Plan for Plymouth' was developed (Abercrombie, 1943), and the city was substantially rebuilt in the post-war years. It continued to be administered by Devon County Council until it became a unitary authority in 1998 (Pycroft, 1995). By this time, its naval presence had shrunk and Plymouth was locked into a transitional period of deindustrialisation and decline (PCC, 2003) in common with many old industrial cities (Martin *et al.*, 2016). During the SWRDA years, Plymouth and its neighbouring authorities at the south-western periphery of South West England – Cornwall and Torbay – consistently underperformed on key economic indicators (South West RDA, 2011a). This combination of peripherality and uneven development had consequences for the roles of local governance actors: 'We have a different agenda from people around the M4 who have to deal with the consequences of growth, whereas here we have to make growth happen' (PCC politician).

The institutional emergence of Plymouth City Council (PCC) was beset by difficulties and shocks. In 2003, a new 'MacKay Vision for Plymouth' was developed that sought to

‘invigorate’ the Abercrombie plan, regenerate the city and increase its urban population from 241,000 to 300,000 by 2031 (MBM Architectes & AZ Urban Studio, 2003). Only a year later, PCC was one of just a small minority of English local authorities that the Audit Commission categorised as ‘poor’ in its first report on local government performance, prompting intervention from central government and a change in Chief Executive (*The Local Authorities (Categorisation) (England) (No.2) Order*, 2004). The Audit Commission was particularly concerned by PCC’s inheritance of a ‘very serious’ financial position, ‘poor’ quality children’s social services, inadequate waste disposal facilities, and its inability to prioritise activities, which meant senior managers were ‘severely stretched by the scale of improvements needed’ (Audit Commission, 2006, p.5-9). Several interviewees described an institution that turned inward, led by a new Chief Executive who was unapologetically interested in tackling only three things (local authority officer):

Kids, budget, and waste. [...] Because do you throw a couple of aspirin to a drowning man with a headache? No. You sort out the drowning thing first. [...] How do you look outwards when you are constantly being got at from behind because you are not providing basic services that a council should? [...] If you want to have the beginning of Plymouth starting to take its place as the key urban area of the peninsula, you might as well start with actually just improving the way [PCC] behaved as a basic council, you know, doing basic things.

PCC’s evolution thus unfolded in a path-dependent way, its early inheritances limiting the decision-making choices available to its elite actors (North, 1990). Interviewees



described a period of change narrowly focused on addressing the above three main issues. Several interviewees recalled creative initiatives that were brought forward during that period and, to their frustration, rejected by the Chief Executive: 'that's for the next person' (local authority officer); 'ahead of its time unfortunately' (local authority politician); 'stuff didn't happen here' (local authority officer). However, the period culminated in PCC winning the 2010 'Best Achieving Council of the Year' award (The MJ, 2010) 'and it was like a jolt of electricity going through the organisation' (local authority officer). With PCC's three main issues resolved, the corridor of opportunity for actors to look outward and build relationships widened (Wilson, 2007).

In 2012, a new Chief Executive was appointed who 'wanted to make their mark and was brought in specifically to forge partnerships' (PCC actor). The city began bidding for several high-profile initiatives sponsored and funded by central government, including Enterprise Zone status and hosting the new UK Offshore Renewable Energy Catapult Centre. However, PCC's recent history of independent, inward-looking confrontation with concrete problems (Ansell, 2011) had created a *competency trap* (Levitt & March, 1988), and many PCC actors lacked the skills and experience to compete with other localities: 'A lot of things we weren't winning. We didn't win the first round of Enterprise Zones because we cocked it up. Tactically we got it all wrong. The Catapult, we took the wrong approach to winning one of those. So we just weren't good at getting our act together' (PCC actor).

### **7.3 City Deals: local opportunities, central constraints**

The Coalition announced its City Deal process in late 2011 under its localism agenda (HM Government, 2011). The process enabled the Coalition to avoid conferring substantial fiscal autonomy on English cities and city-regions and, instead, undertook a controlled form of limited decentralisation by devolving responsibility and finance for economic development related policy areas (Deas, Hincks & Headlam, 2013). The first tailored City Deals with each of the eight core cities were agreed in 2012 and in 2013 twenty further cities, including Plymouth, were invited to participate in a second wave of negotiations (Pugalis *et al.*, 2015). The Coalition strategically selected a 'deal-making process' (HM Government, 2011) founded on territorial competition and negotiation to incentivise cities and city-regions to identify and prioritise 'innovative' infrastructure and economic development related 'asks' of central government (O'Brien & Pike, 2015). In return, cities and city-regions were required to guarantee strong and accountable leadership and offer governance reforms to unlock growth (HM Government, 2012b). Each City Deal was cast as 'a two-way transaction [...] with both parties willing to offer up and demand things in return' (HM Government, 2011, p.2, 6). The process was enacted through informal, back stage negotiations (Ayres, Sandford & Coombes, 2017) between political forces unequally endowed with power (O'Brien & Pike, 2019). Uncertainty around the parameters of each deal rendered principal-agent relationships fluid and opaque, with deals becoming 'about what places can get' (local authority officer quoted in O'Brien & Pike, 2015, p.R21). Central and local governance actors found themselves recast as deal-makers and those able to learn deal-making skills and adapt most quickly to the novel governance environment were able to pull ahead (Pike *et al.*, 2015).

The invitation to participate in City Deal negotiations materialised at a time when PCC actors were seeking such opportunities and had ‘ambition that then was looking for a vehicle to translate itself forward’ (local authority officer). Local governance actors had ‘learned a long and painful lesson of numerous failures to secure government funding for various initiatives over very, very many years’ (City Deal actor): ‘we were acutely aware we needed to stop the rot [and] regain trust from central government’ (local authority actor); ‘Plymouth needed its reputation enhanced. It needed its connections put in place. And it needed to show that it had the machinery and the willingness to act decisively where opportunities arose, and to give off that impression to other people’ (local authority actor).

Interviewee perspectives differed on how the City Deal partnership and proposal emerged, but there was clearly a period of improvisation during which local actors and institutions weighed up whether to get involved before concluding that, given the Coalition’s commitment to the agenda, ‘if [this boat] leaves and you’re not on it, you’re going to have difficulties’ (local authority actor). The ‘hidden hand’ of central government was again evident in scalar selectivity: ‘they were very clear it can’t be Plymouth only’ (local authority officer). There was an early ‘push from government that said this can’t just be about the city, this has to be about the wider peninsula and Plymouth’s place within it, so there was a political necessity to show a broader partnership commitment’ (City Deal actor). Local actors thus devoted time and energy to identifying a new spatial imaginary and partnership structure that would reflect the city’s sphere of influence and prove acceptable to central government.

Local authority collaboration was, though, in its nascent stages: 'Prior to City Deal, prior to the Heart of the South West meetings, the actual interaction between political leadership in the peninsula was marginal, issue-based, and not based on a huge sense of mutual trust or cooperation or anything else' (local authority actor). A Peninsula Leadership Group, which comprised informal, agenda-less meetings between the political leaders of Plymouth, Devon, Torbay and Cornwall (not Somerset) had been initiated in the last years of SWRDA to build relationships and create the basis for a lobbying force more in line with other parts of the UK: 'the North East are thick as thieves, they'll have their arguments in private and they'll present a very united front to government and to other key stakeholders, whereas in the far South West there's no tradition of powerful, collaborative lobbying' (local authority actor); 'it's very, very easy to ignore the far South West when you've got every stakeholder making their own case' (City Deal actor). The camaraderie and trust developed at the Peninsula Leadership Group meetings would play an important role in securing local political consensus on the final shape of the City Deal partnership and proposal.

The City Deal partnership and proposal emerged from interactions between diverse local actors in response to Coalition requirements (O'Brien & Pike, 2019). Interviewees described several sessions early in the process that were spent debating how the proposal should be themed. In part, this involved calculating what shape of proposal would be acceptable to the Coalition given its guidance that the City Deal process was 'not about the roll-out of blanket policies. It is about the government granting licensed

exceptions to cities to do things their way' (HM Government, 2011, p.6); 'It shouldn't address all issues of economic growth for an area, but it should focus on what's real, what's unique, what's different. They didn't want a whole lot of City Deals that were the same' (Plymouth City Deal actor). In part, it involved searching for a vision and sense of direction around which diverse actors and organisations could coalesce (Beer & Clower, 2014; Borraz & John, 2004; MacKinnon *et al.*, 2019): 'the whole process, it must have taken us nine months, trying to find the thing that binds us altogether' (local authority actor). The length of time taken highlights the difficulty of coalition building in complex, multi-actor networks (Harvey, 1989).

Early ideas including housing-led growth were dismissed: 'We were getting quite strong signals back from government that that wasn't what they wanted. [...] Try again, they said' (local authority actor). Out of the interactions of local actors emerged the idea to base the proposal around Plymouth's dockyard. PCC had for decades been seeking to persuade the Ministry of Defence (MOD) to release its disused South Yard<sup>46</sup> to the city for economic use. The site offered a rare combination of deep water access and employment space that, if redeveloped as a 'marine industries production campus' (PCC, 2015), could be shaped, moulded, and 'strategically coupled' with the needs of global firms (MacKinnon, 2012; Yeung, 2009) and 'hugely transformational for the city of Plymouth' (City Deal actor). It was timely because, driven by its austerity imperative, the Coalition had 'decided that utilisation of assets is high on the agenda' (PCC politician)

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<sup>46</sup> Re-branded 'Oceansgate' in 2016.

and its commitment to the City Deal agenda ‘meant that there was ministerial level banging of heads together, saying, come on, why – MOD – do you still have this land and why won’t you release it when actually we’re trying to divest ourselves of local landholdings anyway?’ (City Deal actor). Local actors have the capacity to adapt or deflect central programmes to their own ends (MacKinnon, 2000; Sabatier, 1986), and this was a further example of a local authority viewing the shift in the policy environment and governance mechanisms as a window of opportunity to bring forward a ‘longstanding’ proposal: ‘I remember the conversation, what if we used the latest funding initiative of the day to do what we’ve always wanted to do?’ (PCC actor). In response to the Coalition’s deal-making process, PCC adapted not its ‘asks’ of central government (the ends) but its manner of asking (the means).

PCC actors negotiated the Plymouth City Deal on the back of several failures in a tougher second wave of City Deal negotiations when central government was perceived to be set on giving away as little as possible and ‘departments had caught up and were less prone to accept radical change’ (local authority officer quoted in O'Brien & Pike, 2015, p.R22). Several PCC actors attributed agreement of the deal to the city’s new-found confidence and outward looking leadership: ‘Plymouth raising its profile, leading, knowing what it wanted to achieve, making its case, arguing it’s the right thing to do. The management and leadership of the council has helped government see the benefits of releasing [South Yard].’ Central government actors corroborated the perception that PCC had a ‘stronger, more focused political drive’, ‘good people’ at the senior officer level, and a recognition that ‘this is important, and you need pace, urgency, and you

need some innovation and change in the way things are done and delivered.’ Several actors from PCC’s partner institutions also supported the interpretation (City Deal actor):

It was the confidence of the City Council to ask and continue to ask for something that, when I think it was first raised, was put in the ‘too hard’ box [...] and it was people like [PCC Leader] and [PCC executive] who just would not let it go. And I think they were actually quite strong negotiators with government, saying, well if this is a City Deal, it’s got to be worth having, and [the release of South Yard] is the one thing that is within government’s gift that has needed sorting for ages, it’s the one thing that if you’re saying City Deals are about doing something you wouldn’t normally get, this is it. So what changed? I think it was a change in attitude, where we weren’t – well, *the city* weren’t – comfortable to say, oh okay, then we’ll just ask for the usual scraps.

#### **7.4 Adaptive processes and tensions: learning, loose coupling, and storytelling**

##### **7.4.1 Learning**

Several adaptive processes and tensions were evident within this emergent PBL (Grillitsch & Sotarauta, 2020). In particular, interviewees described a period of intensive individual and collective learning as local governance actors sought to make sense of the environment (Hannan & Freeman, 1984) and their changing roles, responsibilities, and relationships (Jones *et al.*, 2004). CAS theory foregrounds the role that social interaction plays in this learning process (Martin & Sunley, 2015), whereby actors continually adapt

their behaviour based on observations of the system or of others around them (Bandura, 1977; Bristow & Healy, 2014a). One City Deal actor described how local governance actors, recognising the need to handle central-local relations differently, made concerted efforts to learn from other cities and local authorities who had developed 'sophisticated channels of communication with government: [...] What was the formula for creating a compelling argument and evidence to woo government? Who do you gather around you to get that done? Who do you need to work with in government? Who do you need to speak to? All that stuff.' In this sense, the City Deal process saw PCC and other local governance actors shift towards double-loop learning where they reflected on whether they did the right things and challenged at least some of their underlying assumptions (Argyris & Schon, 1974; Flood & Romm, 1996).

PCC actors already valued network interaction for its role in the learning process: 'We're a big learning community. [...] Different local authorities have got different strengths and different weaknesses. [...] The people who are good inform the people who aren't very good. [...] You can probably throw a rope around any bit of geography in this country and, if people have a reason for getting to know each other and working together, you will bring benefits.' Through reflexive, social learning (Pahl-Wostl, 2009) in the context of the City Deal opportunity, PCC actors concluded that network interaction and partnership building were prerequisites for securing central government funding. Reflexive actors learn from their actions and adjust their strategies accordingly (Bevir & Richards, 2009b). One City Deal actor described the evolution in the mindset of one influential PCC actor whose initial response to the City Deal invitation had been 'this



is about Plymouth [and then] there was a particular meeting where [this PCC actor] basically said, look, here's my Plymouth flag, I'm tearing it up.'

PCC actors recognised and could articulate the agglomeration benefits of city-regional collaboration (Giuliano, Kang & Yuan, 2019), particularly to Plymouth given its legacy of spatial myopia (Grillitsch & Sotarauta, 2020; Maskell & Malmberg, 2007). The City Deal 'was a way to say, what is the city? Apart from what happens in a city, it's what happens around a city. [...] We don't have that tradition [of collaboration]. We've had to create it' (PCC officer). Reflecting the importance to PBL of providing a long-term vision and sense of direction (Beer *et al.*, 2019; MacKinnon *et al.*, 2019), one PCC politician argued: 'It is impossible to run a successful city without partnership. It is impossible to run a successful city without networks of people. They don't have to be like-minded, but you have to have common purpose.' Several interviewees adopted the narrative that PCC's willingness and ability to build a wider coalition of geographical partners was instrumental to securing the City Deal and the transfer of South Yard. As one PCC politician asserted: 'Do I think it would have happened automatically? Certainly not. Do I think the joined-up approach led by [PCC leader] and [PCC executive] helped it happen? Absolutely.'

#### **7.4.2 Loose coupling**

Partnership building was partly an expedient strategy adopted by PCC actors to achieve success (Jessop, 1990): 'we had to keep everyone in the tent, we had to say, there's

something in it for all of you' (PCC actor). Non-PCC actors and institutions adopted a similarly pragmatic approach, recognising that partnership working in the City Deal context was an important means to an end: 'City Deal was the only show in town [...] the only real, clear opportunity in town to engage as a geographical area, taking in the kind of economic functional area around Plymouth and the peninsula. It was *the* way into government' (CloS LEP actor). Local governance actors' loosely coupled networking enabled them to adapt their institutional-geographical arrangements in response to Coalition demands without disrupting the local economic system (Grabher & Stark, 1997; Weick, 1976): 'we're not precious about which partnerships you form, and where and when, so different partnerships are formed at different times for different purposes'; '[we] just adapt to the shape of the opportunity' (HotSW LEP actors).

Most interviewees viewed this loosely coupled approach as advantageous, but several expressed concerns about the long-term sustainability of networks and partnerships constructed in response to new central government initiatives rather than evolving organically (Pike *et al.*, 2015). One City Deal actor observed:

One of the issues is that when we get money to do something [...] we feel the need to create some sort of business network. [...] So we build these networks and then as soon as that money is spent or the capital investment is made, those networks kind of wither on the vine until somebody comes up with the next plan to do something, and then we build another network. [...] Whether they're strategic or not, I very much doubt. I think most of the time they're quite tactical, and they evolve and they dissolve quite quickly.

The loose coupling of local governance actors in response to central government funding opportunities generated novelty (Schumpeter, 1987) and led to a proliferation of networks (Bevir, 2010; Rhodes, 2007). This benefited PCC and the local economic system, temporarily at least, but raised doubts over the longevity of new partnerships created.

### **7.4.3 *Storytelling***

Storytelling played an important role in building the coalition of City Deal actors as a way of justifying and making sense of the institutional-geographical arrangements selected, and of earning the trust and confidence of central government. In 2012, South West England had been designated the UK's first Marine Energy Park (HM Government, 2012a) and local governance actors chose to construct their narrative around marine assets as a theme that 'binds the peninsula together' (PCC officer). One City Deal actor encapsulated it thus:

There was obvious strength in saying, around the marine piece for instance, you've got Wave Hub [in Cornwall], you've got FaBTest [in Cornwall], you've got the stuff [in Plymouth, e.g., Plymouth Marine Laboratory and the University's COAST Laboratory], you've got North Devon [marine energy deployment], you've got the South West Marine Energy Park, you've got all these assets. The one thing you don't have is somewhere [South Yard] where you can manufacture marine energy devices and put them into the water. So it played a much better narrative to say this is part of that wider peninsula suite of facilities and assets, and completes the picture in terms of Technology Readiness Levels, than it would

have done to say, this is just about Plymouth and what we can get. So it was a way of buying in the support of a much wider regional partnership which played well to government.

Local governance actors thus harnessed and adapted an existing narrative to couple endogenous assets to broader economic development opportunities (Dawley, MacKinnon & Pollock, 2019; MacKinnon *et al.*, 2019)

PCC actors invested time and energy in getting the story straight (Rhodes, 2005) and ensuring it hung together (Weick & Browning, 1986), having failed to do so in the past: 'So we had to get the story right around marine. [...] The biggest marine industrial park in the UK with unique deep-water assets that are totally unique to the country. It's a strategic national asset. [...] It was about shaping the deal and the story' (PCC actor). Local governance actors had learnt that government ministers favoured proposals that were headline-generating, and PCC hired a consultant to craft the narrative and ensure it embodied persuasive storytelling (Throgmorton, 2003): 'That was super important for government. Effectively, they need to be able to describe it in two sentences. [...] Ultimately [South Yard] was big enough for government to get excited about, so it was a big deal that was, instead of faffing about, we're going to take all this massive naval asset and turn it into one of the best technology centres. That can be described in thirty seconds in a lift' (PCC officer). PCC actors also sought to articulate a story of institutional-geographical recovery (Dunlop & Radaelli, 2013; Pike, Dawley & Tomaney, 2010). They tied the overall City Deal narrative back to PCC's Local Economic Strategy which in 2006 first articulated the city's twin growth and marine agendas (PCC, 2006): 'there's a whole

golden thread here of a narrative about the city' (PCC politician); 'when you then bid for something [...] everyone can straight away go back to that thread (PCC officer).

In a context of interterritorial competition, power relations and politics, PCC actors were especially focused on establishing a reputation for major project delivery with central government: 'If you've got a reputation for anything in those circumstances, what does it need to be? Well, frankly, delivery – when government say, [...] by heck they'll deliver and we'll get the headlines' (PCC officer); 'The other thing we have going for us of course is that having had the money, we spent it. [...] Delivery's quite a good thing. [Central government actors] were saying some pretty uncomplimentary things about colleagues in other areas, but [...] we had a good reputation' (PCC politician). One central government actor emphasised that 'telling a good story is important but having the substance to back it up is essential too because otherwise that will get unpicked sooner or later [and] it'll undermine their case if they're not delivering.' Conscious of Plymouth's historic reputation for 'continually failing' and the imperative to establish central-local relations built on trust, PCC actors constructed a 'discursive narrative of strategic adaptation' (Pike, Dawley & Tomaney, 2010, p.68) around its more recent track record of delivering major projects. One PCC officer reflected, 'I learnt a very important lesson which was, in terms of political power [...] you've got to have loads and loads of pipeline projects, a track record of delivery. Politicians, they're hungry [...] so our whole story is around delivering more. So once you've got that momentum [...] the politicians then get confident. [...] Finite resource that government will ensure takes the path of least resistance, it's like water, it's going to go where the delivery is, so what you've got to do

is you've got to make sure that you can deliver.' Central government actors agreed that coherent *emplotment* (Goldstein *et al.*, 2015) helped PCC and its partner institutions secure a City Deal. One observed of Plymouth City Deal actors: 'The way to be resilient is to have a good, strong growth story [and] I think they had that.'

## **7.5 The Plymouth and South West Peninsula City Deal**

The Plymouth and South West Peninsula City Deal was announced in January 2014 (HM Government, 2014b) after local governance actors had successfully pitched the deal behind closed doors 'in front of a star chamber' of UK government ministers and aides (City Deal actor). Processes of layering and improvisation, typically used to explain institutional change (Martin, 2010; Pike *et al.*, 2015), were evident in the way the shape of the deal evolved between invitation and agreement. Local governance actors described how central government departments, struggling to make sense of a new governance mechanism and conduct simultaneous negotiations with multiple cities and city-regions (O'Brien & Pike, 2015), improvised their 'asks' and 'offers' as discussions progressed: 'We got everybody singing the same sort of tune, and then they [central government actors] kept chucking stuff in – oh, you can do this in your City Deal. So suddenly pilots on youth unemployment. It was basically whatever government department had a bit of spare cash they didn't know what to do with, put it into a City Deal' (PCC actor). Thus the locally-generated South Yard proposal was layered with several loosely connected Coalition initiatives: (i) Regional Growth Fund (RGF) funding for local business support coordination; (ii) Youth Deal funding for initiatives including a mentoring scheme, a wage progression project, and a scheme to connect young people

and employers; and (iii) governance reforms, including the formation of a Plymouth City Deal executive body and programme delivery board (PCC & Partners, 2014), and the ‘conversion’ (Martin, 2010; Pike *et al.*, 2015) of the Peninsula Leadership Group into the City Deal Leadership Group.

Local governance actors, however, discovered that the mooted ‘two-way transaction’ was a tactical and lop-sided bargain between unequal political forces (O'Brien & Pike, 2019). One City Deal actor explained:

We went to government and said that we wanted to have a skills development programme that was targeting higher apprenticeships and engineering and STEM skills, particularly relating to engineering and the marine sector, and the government came back and said, ‘we don’t really have any money for that, but we do have money for you to get your NEETs back into employment so can you run a programme on that?’ [...] So it’s kind of a little bit frustrating that when you go to government with a proposal, what you get back is what government wants to spend its money on and what it’s got budget allocated to do, and I think that applies to a lot of these City Deals [...]. Effectively it is government channelling its own money to its own objectives and paying lip service to what local people are saying you actually need.<sup>47</sup>

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<sup>47</sup> STEM: science, technology, engineering, and mathematics. NEETs: young people not in education, employment, or training.

Interviewees reported gaining little value from delivering the extra City Deal initiatives, and even early hopes for the local business support coordination initiative faded once the Coalition required it to be retrofitted to a new national framework for LEP Growth Hubs: ‘You’ve ended up with something very formulaic’ (City Deal actor). Evolutionary learning did not arise from confrontation with concrete *economic development* problems (Ansell, 2011) but rather emerged from the *political* problems created by power imbalances between central and local government and the dialectical interplay between state structures and the strategies of social forces (Jessop, 1990). One local authority officer reflected: ‘The one thing I’ve learned from the City Deal process in Plymouth is to be careful what you ask for, because what you ask for won’t be what’s given, you’ll get something else that government wants to offload. [...] When we first launched the City Deal, we thought we had a lot more scope with the funding we had been given to do a lot more things, but obviously read the small print – it’s like ‘buyers beware’ – so I think we’ve learnt quite well from that.’

One PCC actor reflected on the implications of central steering for local autonomy, and the consequences for adaptation, adaptability and emergent PBL:

Does central government influence significantly what happens locally? Yes, it does. [...] Would any of this have happened without us being prodded from outside? I don’t know, I don’t think there’s evidence to say that it would. Do we have these fantastic ideas on our own? No. Are we fantastic in the way we respond to them? Yes. Did we drag ourselves out of the ‘crap council’ bracket just off our own volition? No, central government intervention actually. Did that



fail a lot of places? Yes, it did. Did our politicians pick it up and run with it? Yes, they did. Did the officers go, yes we're up for this? Yes, they did, so there's a huge amount of other stuff going on, but is it external intervention? Did we think up City Deal? No. Did we go, stuff City Deal, we could have a collaborative arrangement with these people, we don't need any government, we've got capital programmes, we've got land, we've got a relationship with the MOD already, we've got a relationship with Cornwall, we've got a relationship with our district council neighbours, we could pull this together, did we think that? No, we didn't. We were offered City Deal and we competed for it and we got it and that was actually a driver [...]

On several occasions over a number of years it was state intervention that provoked adaptation through which local governance actors learnt to enact PBL.

## **7.6 Emergent place-based leadership**

The Coalition's insistence that the City Deal partnership had to reflect Plymouth's place in the wider peninsula resulted in novel institutional-geographical arrangements which had several evolutionary consequences. One repercussion was the undermining of the novel HotSW LEP geography that the Coalition had 'encouraged' and 'sponsored' only a few years before (central government actor). HotSW LEP actors found themselves relegated to playing a bit-part role in the City Deal: 'Plymouth view the LEP as: we'll have some money if there's some going, but don't get involved thanks, we know what we're doing.' The City Deal partnership evolved instead from the Peninsula Leadership Group geography, covering at least three functional economic areas (South West RDA, 2006)

and comprising the upper-tier authorities of Plymouth, Devon, Torbay and Cornwall (not Somerset) in addition to the lower-tier authorities of South Hams and West Devon, the University of Plymouth, and the HotSW and CloS LEPs (PCC & Partners, 2014). This provided an 'opening up' moment (Pike *et al.*, 2016) for PCC to assume a PBL role and build on its recent decision to create partnerships and look outward.

PCC actors faced particular challenges because political control of the council regularly swung between the Labour and Conservative parties (PCC, 2021).<sup>48</sup> Several interviewees drew a contrast between the disruptive political operating environment in Plymouth and the 'more stable [...] quieter [...] consistent' environment (former local authority officer) in local authorities such as Devon and Manchester, where 'continuity and consistency [in political control] stood them in good stead' (central government actor). This view was in line with the argument in EEG that stability in institutional arrangements contributes 'to constructing and nurturing adaptive capacity in place' (Pike, Dawley & Tomaney, 2010, p.68). However, PCC actors were committed to their city and their institution and had learnt to adapt to their unstable political environment: 'We are used to being a council with altering administrations, so over the years we've learnt that if you've got strategic goals, for God's sake don't pin them to one political party to the exclusion of the other because they could quite easily be out of power' (PCC officer).

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<sup>48</sup> PCC was controlled by the Conservative Party from 2007 to 2012, by the Labour Party from 2012 to 2016, and after the May 2016 election by the Conservative Party in coalition with the UK Independence Party (PCC, 2021). PCC political control therefore changed hands during the primary research and interviews were undertaken with representatives of both main political parties.

PCC's ability to corral the City Deal partnership and assume a PBL role was attributed to several factors. Some attributed it to PCC's decision to invest in its economic development function, despite the austerity context, which ensured it had the capacity to do more than 'providing basic services' (local authority actor): 'They're better tooled up than a lot of the other local authorities, especially their economic development function. Most other councils are talking about severely cutting back because of their cuts' (HotSW LEP actor); 'They clearly put money where their mouth is, I mean that's the thing you really have to hand to the City Council, is that they are putting money into economic development at South Yard; they are putting considerable resources into the City Deal and making it happen' (City Deal actor). PCC actors described using the austerity context as an opportunity to develop 'new ways of working' and become more 'agile', 'entrepreneurial', 'creative', in recognition that 'if you don't change, you're going to get yourself in trouble. Some attributed it to the camaraderie and trust relations developed at the political level through the informal Peninsula Leadership Group meetings set up years previously: 'You've got to bring everyone else with you, and you've got to create a sense of political ownership of stuff, because the officers, the one thing that's definite, the officers would not have been able to create the [...] City Deal environment on their own. The officers could not have got Cornwall, South Hams, West Devon and Plymouth round a table without political leadership' (local authority actor).

Several interviewees attributed it to the vision, tenacity and skill of one particular political leader, described in terms reminiscent of Harvey's charismatic *urban entrepreneur* (Harvey, 1989): 'The rock star' (local authority officer); 'The work by [this

political leader] was immense in terms of leadership and direction, explaining the benefits of the City Deal to the wider region and bringing partners in the wider region on board which wasn't an easy task' (local authority politician); 'In the room with the other politicians, [this political leader] knows how to sell ideas [and] did an amazing job in creating a sense of consensus where one absolutely didn't exist' (local authority officer); 'Instrumental in driving both resources and a vision for what Plymouth could and should be' (central government actor). HotSW LEP actors argued that change in political control of PCC led to 'a real change in the dynamics of the LEP board, because you've got a different type of individual, much more on the front foot.'

The development of a collective, long-term vision and sense of direction around which diverse actors and organisations can coalesce is a fundamental aspect of PBL (Beer & Clower, 2014; Borraz & John, 2004; MacKinnon et al., 2019), which the political leader in question articulated in the following way:

The story I keep telling is that in 1941, with the post war reconstruction of Plymouth, the Forder Valley was zoned as the Plymouth by-pass. It's now the parkway that runs through the very middle of Plymouth. In 1941 it was the northern rim of Plymouth. They protected that land for thirty years, thirty-five years, until the government decided to fund the A38 parkway. We've got to be thinking like that again, we've got to be thinking long-term. We've got to be thinking, what is Plymouth like post-2031 when we've got 300,000 people here? Where do we go next? [...] The art of leadership is building teams, and it is building coalitions of the willing to enable things to happen, so if you don't have

people buying into what you're trying to say, if you don't sell the vision properly, if they don't understand their part in the vision, then they're not going to participate. Networks don't get built automatically as of by right. Networks, in my view, the ones that work, are the ones that have believers.

It is noticeable that, to articulate PBL, the political leader in question drew on stories and networks to reflect, strategically, on Plymouth's past, present and future path trajectories, its long-term evolvability and the leader's own role in this (Grillitsch & Sotarauta, 2020). The temporal orientation of actors (Emirbayer & Mische, 1998) is an important factor in their strategic capacity to enact change (DiMaggio, 1988; Grillitsch & Sotarauta, 2020). An evolutionary approach emphasises the path-dependent and historical nature of economic development (Storper, 1997), but governance actors' deliberations on the future and their perceptions of future opportunities (Jessop, 2001) enable them to enact PBL and contribute to the evolvability of local/regional economies (MacKinnon *et al.*, 2019).

Several interviewees compared the political leader's role in the City Deal partnership to Howard Bernstein's role when he was Chief Executive of Manchester City Council: 'It's been absolutely proven that a coalescence of political and professional power, the right group of people at the right time, is transformational. It's categoric. You can see it with the Bernsteins of this world' (local authority officer). In doing so, interviewees drew attention to the role of non-political governance actors in PBL: 'It's down to inspirational people who've really been able to work with political leadership, but very often it's been

key officers who've been the inspiration and driving force behind that' (business representative).

One common theme that emerged from interviews related to the background of the key non-political actors in the City Deal partnership, many of whom had previously worked in regional and network governance roles, mainly in RDAs. Unlike actors who had spent their careers in local government, these actors mourned the dismantling of RDAs and the emergence of a governance landscape in which regions were no longer administrative units but merely *spatial imaginaries* (Watkins, 2015). One local authority officer complained: 'You've basically got national and local now, and you go and talk to the civil servants, and they're all talking about regions, but they haven't got regions. So regions have disappeared, and they harp back to that gap in between. So we've lost all of that and I just think it's a complete mess.'

The reasoning of actors takes place against the background of a particular subjective or intersubjective web of beliefs (Bevir, 2010), and these ex-RDA actors spoke of having inherited a tradition of cross-boundary collaboration that facilitated the multi-scalar coordination required to build the City Deal partnership (Pike, Dawley & Tomaney, 2010):

It's just an administrative convenience. Real stuff goes on across those boundaries, doesn't it? (LEP actor)

RDA had been dissolved, [...] think where those staff have gone. So I have an RDA background, [local authority officer] has got an RDA background, [LEP actor] has got an RDA background. [...] All those players that you've got – [LEP actor] as well, and also [LEP actor] – the one thing they all have in common, we all worked previously in sub-regional or regional [roles] and therefore, when you go to talk to people and say we think we should do this because collectively if we lobby together we'll be stronger, then everybody buys into it because they understand that context (local authority officer)

We've almost created a mini-RDA [...] These people just reappear in different guises (local authority officer)

In adapting to the new governance landscape, ex-RDA actors retained beliefs and behaviours developed under regionalism. This led to another evolutionary consequence of the Coalition's insistence on the City Deal's novel institutional-geographical arrangements: they became a jumping-off point for other collaborative initiatives, spanning multiple local authorities and LEAs, including a peninsula-wide rail taskforce and a south coast marine cluster that stretched from Cornwall to Hampshire. A PCC officer observed: 'Out of City Deal, maritime and marine have become really important for the city. [...] The fact that we'd got people to coalesce around marine because of the City Deal gave it the momentum and the gravitas and the support that meant it became not an issue as to whether they needed to get it understood and shared and promoted within their partnerships.'

The City Deal experience thus gave local governance actors the confidence to look even further outward and build partnerships at a geographical scale necessary to achieve their economic development ambitions: ‘Networking on that side of stuff is absolutely essential, just to get scale. There are some places that don’t have to – Cambridge perhaps, Oxford – [but] you’re working furiously with people in order to give yourselves some sense of mass and scale’ (local authority actor); ‘It’s about networks, it’s about making sure that Plymouth is connected. [...] There is a risk in the south coast marine cluster that Plymouth loses its individuality, but I think that risk is less than the risk that it just gets ignored’ (City Deal actor). Through the City Deal experience, PCC had begun to develop a political maturity already evident in localities such as Greater Manchester, where strong network relationships, high levels of trust, and a shared understanding of the agglomeration benefits of partnership working had been developed over many years (APPG Local Growth, 2013). One City Deal actor argued that the vindication of partnership working as an approach was the City Deal’s primary ‘legacy [...] a real catalyst to that way of approaching economic development.’ Through the process, the city and its actors grew in confidence that they could compete with other cities for high-profile central government initiatives and funding: ‘Plymouth’s not afraid now to ask for things. It’s got to ask in the right way, with the right argument, but if it gets all that right, it knows how to win it’ (City Deal actor); ‘There can’t be many cities at the moment that have got as much stuff going on as us’ (PCC politician). Partnership building remained in some ways a politically expedient strategy selected to *legitimise* a particular path trajectory (MacKinnon *et al.*, 2021), but nevertheless formed an important part of PCC’s emergent PBL, as one City Deal actor argued:



There's a maturity in the city of its position in being able to lead a partnership of organisations and local authorities. [...] There's much, much more desire, willingness, and recognition of the greater potential for success. Now, is that a philosophical commitment to working in partnership? Is it bollocks?! At the end of the day, [PCC actor] wants what's best for Plymouth [and] doesn't give a toss about anyone else. But to get what's best for Plymouth means you need to do the partnership piece.

### **7.7 Political process in motion: waning of the City Deal Partnership**

Several novel institutional-geographical arrangements and collaborative initiatives emerged from Plymouth City Deal interactions, but the City Deal partnership itself was short-lived. There were two main explanations for this. First, the wider marine narrative constructed to bind the partnership together soon unravelled as it became clear that PCC's primary focus was on the development of South Yard: 'The challenge will be, and I think it probably is at the moment, to retain the support of all the regional partners when they see almost the entire emphasis being on a small patch of land in the centre of Plymouth' (City Deal actor); 'A lot of the intention in Plymouth is now focused on the very site-specific activity at South Yard. [...] Some of the wider strategic benefit of that City Deal process is slightly lost. It does feel like it's become more about a project. [...] I've kind of lost that sense of South Yard as a strategic asset for the peninsula' (CloS LEP actor); 'I'm a bit cynical about the whole thing. It worked for Plymouth to get some money and some funding particularly for South Yard, but I'm not sure about its strategic future' (City Deal actor).

Several non-PCC actors questioned whether the 'governance arrangements for Plymouth City Deal should have been reviewed to check that they were still fit for purpose' (CloS LEP actor) given the shift in focus to 'less about direction and governance and strategy and more about just checking that these programmes are running themselves' (City Deal actor). This was not helped by the perception, commonly held by interviewees, that the extra peninsula-wide programmes and initiatives, insisted on by central government departments as part of the City Deal, were of little value locally: 'We did try and make it into the *City and Peninsula Deal*. [...] We wanted to do a range of sites, but the reality is it's the one site. So in a period of time when the people stuff has finished [...] City Deal will be all about South Yard and actually what it will become is a steering group probably for the Enterprise Zone in some way because that's what it is. So for me it was an early partnership, it covered off some of the early agendas that we were interested in, it had aspirations to be much more, but government didn't allow it to be' (HotSW LEP actor).

The decision by central government to expand LEPs' responsibilities and resources rapidly and significantly (National Audit Office, 2016a), while the City Deal process was still in motion, provided the other main explanation for the waning of the City Deal partnership. In 2013, shortly after Plymouth was invited to participate in the second wave of City Deal negotiations, the Coalition announced the creation of the LGF and its intention to allocate funding on a competitive basis through Growth Deals negotiated with individual LEPs (HM Government, 2013). Nationally, the announcement of Growth

Deals was viewed as a 'turning point' for LEPs, easing concerns that they had been sidelined by the City Deal process (Pugalis *et al.*, 2015). Locally, the attention of Plymouth City Deal partner institutions (the two LEPs and the other local authorities) shifted to Growth Deal negotiations even as the Plymouth City Deal was being announced in January 2014 (HM Government, 2014b). The conflict of allegiance experienced by one City Deal actor, amid stronger associations with their primary institution and geography, reflected that described by others:

When the government launched Growth Deals everywhere, I think that what City Deal was, and could do, shifted. [...] If the Growth Deals hadn't existed, I could have seen a journey where the City Deal kind of grew and grew and grew and did more and more and more [...] if it was the *only* show in town and the *only* way to engage with government, [but] right at the cusp of that City Deal, probably not long after it was announced, [...] probably weeks after that, the government announced the Growth Deal process. Whatever hat I wore at that time, was I going to go in with something very focused on a very important city for [my geographical area]? Was I going to put all my energy into that? Or was I going to go with something that was entirely bespoke for [my geographical area], and we knew had a potential funding programme alongside it? Well, I didn't really have a choice.

## **7.8 Conclusion**

The Coalition selected the City Deal process to stimulate urban growth and innovative thinking, defining success as 'empowered local leaders that are able to drive real change

in their city by looking outwards to the private sector, rather than up towards central government' (HM Government, 2011, p.2). Its invitation to Plymouth did result in change but the novelty of its governance mechanism together with its multiple interventions in the process, intended to steer the direction of the negotiations, had the unintended consequence of intensifying, not reducing, local governance actors' focus on central-local relations.

PCC's institutional emergence had been beset by shocks and difficulties from which it had to de-lock itself. It did so successfully, but it required a period of intensive, independent and inward-looking problem-solving and adaptation that 'crowded out' (Grabher, 1993) the more outward-looking skills and experience required to compete with other cities for investment. PCC actors perceived the invitation to secure a City Deal as an opportunity to learn from the cities that had developed sophisticated channels of communication with government. Their learning focused less on observing and identifying innovative examples of market-driven growth (Brenner, 2004) than understanding how to play by the Coalition's 'rules of the game' (Gertler, 2010). This enabled PCC actors to adapt not their 'ask' of central government – South Yard was a longstanding proposal – but their manner of asking.

Interviewees identified several benefits derived from the City Deal process. PCC actors were pleased to have unlocked South Yard, and both PCC and non-PCC actors, many drawing on prior experience working in RDAs, learnt how to construct cross-boundary institutional-geographical arrangements that were acceptable to government and how

to wrap them in a narrative that government wanted to hear. Several actors emphasised the role of the City Deal process in legitimising coalition building and partnership working in a peninsula with no tradition of powerful, collaborative lobbying. The City Deal partnership was, however, short-lived. In part this reflected weak ties of association and local governance actors' loose coupling, an adaptive process adopted and refined in response to the Coalition's continuing experimentation with governance forms, mechanisms, and scales (Deas, Hincks & Headlam, 2013; Pike *et al.*, 2015). Local governance actors would 'just adapt to the shape of the opportunity' (HotSW LEP actor), meaning that the partnerships built, and the spatial imaginaries constructed, lacked loyalty and stability, were tactical, and evolved and dissolved quite quickly.

The pressures necessitating adaptive capacity in Plymouth included deindustrialisation and the shrinking state, but local governance actors were generally more focused on the pressures associated with the Coalition's state rescaling and reshaping project. Central government intervention to encourage and even enforce change had marked PCC's institutional evolution, from improving its overall performance in 2004 to delineating its LEP boundaries in 2010. In common with many other City Deals (O'Brien & Pike, 2015), the Coalition also intervened to shape Plymouth's City Deal: its institutional-geographical arrangements (peninsula-wide), main proposal (marine not housing), and its overall form (extra initiatives).

This perpetual rescaling and reshaping of the state drove adaptation, an evolutionary process *through which* local governance actors developed and nurtured adaptive

capacity. In this sense, central government intervention provoked both *adaptation*, the ongoing process by which actors adapted to pressures (Mackinnon, 2017), and *adaptability*, the dynamic capacity to effect and unfold evolutionary trajectories (Pike, Dawley & Tomaney, 2010). In responding to pressures, local governance actors learnt how to use storytelling and loose coupling to secure a City Deal and assume a PBL role. They exhibited the capacity for collective action and learning that characterises the governance of more successful (MacKinnon *et al.*, 2009), more competitive (Storper, 1997) and more adaptable (Cooke & Morgan, 1993) local/regional economies. However, the City Deal process proved ‘frustrating’ (City Deal actor), the deal ‘lopsided’ (O’Brien & Pike, 2019), and the partnership short-lived. Continually evolving processes of state transformation, including the introduction of Growth Deals, soon reoccupied actors’ attention and once again diverted their capacity to adapt. Central government intervention did stimulate change and adaptation, but it was adaptation to the intervention itself, rather than to economic change as they had intended. One local authority actor encapsulated the views of many local governance actors on this political process in motion (Peck, 2001): ‘The projects never change. The drivers never change. It’s just the mechanisms for attracting funding change.’

In 2014, the attention of local governance actors shifted to Growth Deal negotiations (HM Government, 2013). The next chapter examines how the Growth Deal process unfolded in the HotSW LEP, whether and how local governance actors applied lessons learnt from the negotiation of the Plymouth City Deal, and the consequences for local/regional adaptive capacity.

## **8. GROWTH DEALS: COMPETITIVE LOCALISM, UNINTENDED CONSEQUENCES, AND CONTINUING EXPERIMENTATION**

### **8.1 Introduction**

This chapter examines the HotSW LEP's negotiation of three Growth Deals, with a particular emphasis on Growth Deal 3, which coincided with my primary research. Unlike the City Deal process in which select cities and city-regions, rather than LEPs, were invited to negotiate ostensibly open-ended deals, the Growth Deal process involved all thirty-nine LEPs competing for a share of the new fixed-funding multi-year Local Growth Fund (LGF). The Coalition announced the completion of a first round of Growth Deals in July 2014, and the expansion of these deals in January 2015 (Growth Deal 2). In March 2016, the Conservative majority government announced its intention to negotiate a third round, requiring LEPs to submit bids in July 2016 and announcing the completed deals in early 2017 (Growth Deal 3) (Ward, 2020).

The timetables imposed by central government and the £9.1 billion allocated to LEPs over the three rounds (National Audit Office, 2019) constituted a 'rapid' and 'significant' expansion in LEPs' responsibilities (National Audit Office, 2016a). This created pressures in the HotSW LEP as its institutional-geographical arrangements made it challenging to construct cohesive bids around which actors and organisations could coalesce. However, this 'conversion' (Martin, 2010) of the HotSW LEP from strategic body to conduit for significant funding also had the effect of binding the partnership together as

local governance actors focused on adapting to new central rules in order to ‘win more money from government’ (HotSW LEP actor) – cumulative short-term adaptation that regularly diverted them from longer-term strategy and project development (Grabher, 1993). This chapter examines the evolutionary and adaptive processes, and the central-local, local-local, and intra-LEP tensions, evident during this period of change.

## **8.2 Growth Deals 1 and 2: dog-eat-dog competitive localism?**

The Growth Deal process emerged from the neoliberal notion that inter-locality competition would stimulate entrepreneurialism, innovation, dynamism and growth (HM Government, 2013). Heseltine argued that central government should encourage ‘competitive localism’ (Deas, Hincks & Headlam, 2013) using its most important lever, funding (Heseltine, 2012). The Coalition’s experimentation with Growth Deals for allocating funding built on the perceived success of the first wave of City Deals, and the Growth Deal process represented an adaptation or ‘reorientation’ (Martin, 2010) of that process extended to all thirty-nine LEPs. (HM Government, 2013). A deal-making process enabled the Coalition to promote local growth and incentivise governance reform without relinquishing influence and control (Deas, Hincks & Headlam, 2013; Pike *et al.*, 2015). The Growth Deal process and outcomes were largely on Coalition terms and the tight timetables imposed prompted many LEPs to prioritise ‘shovel ready’ projects over more strategic projects that represented better long-term value for money (National Audit Office, 2019). Many LEPs were concerned that the speed of evolution hindered their evolution as institutions (Pike *et al.*, 2015) and favoured LEPs with established institutional-geographical arrangements (APPG Local Growth, 2013).



These concerns were echoed by HotSW LEP actors still adapting to their own institutional-geographical arrangements. As discussed in Section 6.4, the Coalition used LEPs' Strategic Economic Plans (SEPs) as the basis for Growth Deal 1 funding allocations, and the SEP submitted by the HotSW LEP in March 2014 featured strategic priorities presented in a 'three-by-three matrix' (HotSW LEP, 2014g). The timetable and a lack of project development capacity meant that most of the strategic priorities were longstanding local authority (and SWRDA) proposals that pre-dated the HotSW LEP. One interviewee commented: 'They've had to deliver to very tight timescales – well, not deliver but *win* resources and get them out the door with very limited resource. [...] All of their activity got focused around bidding documents and stuff like that rather than thinking things through and being very original in what they were doing.'

As discussed in Section 6.3, the Coalition's conversion of LEPs into conduits for funding in an austerity context also incentivised greater partnership working in the HotSW LEP: 'When central government suddenly gave a rationale for the LEPs by making them the conduit through which public funding would be allocated [...] everyone got interested in them because they were the route for getting money when there wasn't much money around' (university actor). Questions of the legitimacy, accountability and representativeness of the HotSW LEP were temporarily set aside as local governance actors and institutions focused on securing funding. However, the Coalition's 'competitive localism' rhetoric, timetable and consequent preference for shovel-ready projects meant that, for Growth Deals 1 and 2, HotSW LEP actors focused much of their

attention not on developing innovative projects but on adapting to the Coalition's revised rules.

Having developed a SEP that helped to make sense of and explain their institutional-geographical arrangements and strategy, local governance actors turned their attention to negotiating 'tactics' (HotSW LEP actor). Growth Deals 1 and 2 'were more of an announcement as opposed to a deal' (HotSW LEP, 2014b) because the timetable limited the scope for central-local interactions, meaning actors focused on how to shape their bid (HotSW LEP, 2014d). This mainly involved reasoning what projects and proposals would elicit a positive response, with local governance actors drawing on their experiences and those of other LEPs (Goyal, 2005; Håkansson, Havila & Pedersen, 1999). For instance, some longstanding proposals were favoured because their higher public profile was expected to play well with ministers, and others were favoured because they aligned with the remits of contributing government departments. One former local authority actor commented: 'It partly comes out of some intuition about what government would wish to see in the fact that the funding that the LEP is bidding for is very often, it's come from different parts of government. [...] The Department of Transport is one of the major funders of the Growth Deal, and therefore there's a view, there's an expectation, that a significant element of the projects that the LEP is hoping to have funded are transport projects.' Local governance actors' learning had a 'trans-situational' logic that triangulated between their past experience, the present situation, and the imagined future articulated in the SEP (Ansell, 2011). One HotSW LEP actor encapsulated the processes for Growth Deals 1 and 2 as follows:

I think Growth Deal 1 was all a bit of a ... let's help the LEPs get off the deck. Growth Deal 2 [...] came through with a very short timescale. [The SIP ran] through a spreadsheet of programmes. [...] Frankly the discussion wasn't too hard at that point. [...] There was definitely a clear view that one or two of them were going to get a big central government tick, and therefore exactly where they sat on a list became slightly political, as I recall. [...] The key one was the flood defences, and you were in a period at this stage of – Somerset had only just stopped being under water for a couple of months, and it was generally felt that the flood defence work was always going to get a big tick from central government, and therefore the tactics – perhaps I should say tactics more than politics – of where that project sat on the list, given it was as I recall quite a sizeable piece, seemed to be important.

HotSW LEP actors entered Growth Deal 1 and 2 negotiations exercised by the prospect of inter-locality competition, noting in a board meeting that Growth Deal 1 alone featured over six hundred 'asks' across the thirty-nine LEPs (HotSW LEP, 2014e). 'It's dog eat dog', observed one board member. But by the time of the research, with Growth Deal 1 and 2 allocations public, several interviewees had begun to question the 'competitive localism' rhetoric: 'There is explicitly a competition but you've got civil servants behind the scenes doing sums and making sure it's fair shares at the end of the day [...] or they're using the additional money to buy their particular objectives like mayors. It's interesting if you look at our first two rounds of Growth Deal, which we quite rightly congratulated ourselves on and said, we've got the most in the country, that's

great, then if you add the two together and do the sums, it is about what we would have got on a pro rata allocation, it was about 2.5 percent' (HotSW LEP actor).

The HotSW LEP was awarded £130.3 million in Growth Deal 1 and an additional £65.2 million in Growth Deal 2 (National Audit Office, 2016a). After two rounds, this represented 2.7% of the total £7.3 billion LGF awarded: the fifteenth highest allocation nationally, and the second largest allocation in the South West after the West of England LEP (Ward, 2020).<sup>49</sup> Every LEP received a share of the £7.3 billion funding awarded through Growth Deals 1 and 2 (National Audit Office, 2016a), but variations in allocations appeared to be driven mainly by 'population size', a metric long used to distribute public funding (National Audit Office, 2019). Thirteen of the fifteen largest awards went to the fifteen most populous LEPs; with just under 1.7 million people, the HotSW LEP had the eleventh largest population (ONS, 2014). Per capita funding allocations ranged from £35 to £213 and revealed a bias towards urban agglomerations; the HotSW LEP had a slightly larger urban than rural population (ONS, 2014) and received slightly higher than average per capita funding (National Audit Office, 2016a). There was recognition among HotSW LEP actors that some tempering of the Coalition's initial spatial liberalism was inevitable. One observed: 'a minister doesn't want to be in a situation where they're getting a load of grief in parliament from other MPs because of the way something's been allocated [...] and you need to make sure that there aren't areas that continually lose out because they're just going to get worse and worse, aren't

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<sup>49</sup> The HotSW LEP's Growth Deal 2 allocation was the highest nationally, mainly driven by funding for Plymouth's Forder Valley link road, in what was a significantly reduced round of funding overall (£975.5 million compared to the £6.325 billion awarded in Growth Deal 1).

they?’ But the allocation of funding through Growth Deals 1 and 2 implied considerable distance between Heseltine’s ‘accept the consequences’ competitive localism rhetoric and the reality of governance.

### **8.3 Project delivery: a political process in motion**

In the fourteen-month period between central government confirming Growth Deal 2 allocations and commencing Growth Deal 3, the attention of local governance actors shifted to project delivery. The HotSW LEP had been awarded funding for thirty projects in Growth Deal 1 and a further ten in Growth Deal 2 (HotSW LEP, 2015c). The projects included: a large number of transport (mainly road) schemes, several linked to strategic employment and housing sites; investments in site-specific ‘transformational activities’ around South Yard in Plymouth, the Met Office supercomputer in Exeter Science Park, Hinkley Point C nuclear power station in Somerset, and the Electronics and Photonics Innovation Centre (EPIC) in Torbay; superfast broadband coverage; and flood defences in the Somerset Levels which received the most funding (HM Government, 2014c). In turn, the HotSW LEP had to deliver project outputs including 22,000 new jobs, 11,000 new homes, and several standardised commitments: strengthen governance; communicate with stakeholders; introduce new project assurance frameworks and practices; and achieve value for money (HM Government, 2015).

The minutes of relevant HotSW LEP board and sub-group meetings, corroborated through interviews and observations, indicated that establishing a project portfolio that

adhered to central government requirements consumed a great deal of time. LEPs were not considered to have the governance and accountability structures to oversee large-scale budgets and projects (HM Government, 2013; National Audit Office, 2016a). LEPs themselves reported not having enough staff with the right skills due to insufficient revenue funding (National Audit Office, 2016a). The HotSW LEP faced multiple challenges: insufficient revenue funding to cover project management and delivery costs (HotSW LEP, 2014c); lengthy delays between central government announcing and confirming its funding, generating slippage in its project portfolio and necessitating regular financial profiling (HotSW LEP, 2015b); and project-specific issues including unexpected costs (e.g., securitising South Yard) and state aid compliance (e.g., the eligibility of nuclear projects for European funding) (observation of SIP meeting, 4 May 2016).

The responsibilities associated with project delivery absorbed a large part of every monthly SIP meeting during the research. For instance, much of the October 2016 SIP meeting was concerned with project delivery, including: how to handle shortfalls in funding and expenditure given central government's insistence that funding be spent in-year or clawed back; how to balance central government's timescales with the need to conduct appropriate technical and economic appraisals of large capital projects; and how to resolve principal-agent issues in complex procurement chains (observation of SIP meeting, 4 October 2016). Several micro-level adaptive processes played out during SIP meetings as members sought to make sense of the pressures they faced: 'What do you do when you're in flight and bad things are happening? How do you respond?' reflected

one SIP member. Members frequently drew on their own experiences (Hannan & Freeman, 1984) and traditions (Bevir, 2010). For instance, to explore options for recycling underspend in order to avoid losing it, actors drew on their private sector, local government and RDA backgrounds and practices to make suggestions.

As suggested by CAS theory (Martin & Sunley, 2015), learning emerged from the interaction of members at SIP meetings (Bristow & Healy, 2014a). For instance, one private sector member's proposal to write to central government challenging its in-year spending requirement was rejected because, as one public sector member stated, 'Treasury can be quite brutal. They'll say that if we can't spend it, there's another LEP that can.' Instead, public sector members suggested a more subtle approach of briefing local MPs and asking them to use their influence in Westminster, citing previously successful instances of doing so. Local MPs corroborated their role in the process: 'I have an opportunity to bend the ear of ministers on a regular basis, especially in the lobby of the House of Commons, and I was able to do that, and at the end of the day Conservative ministers are keen to help Conservative members of parliament, especially in marginal seats which will make a difference whether or not they are still going to be in a job. [...] I've been able to use the Houses of Parliament in order to talk about our story. [...] It's understanding the politics of the argument you're putting forward.' The trial-and-error approach associated with the experiential learning cycle (Moyson, Scholten & Weible, 2017) was also evident in SIP meetings. For instance, a newer SIP member proposed funding major programmes rather than individual projects, to achieve in-year spending profiles by moving project funding around within programme budgets. However, other

SIP members highlighted that this had been tried previously but central government had insisted on programmes being broken down into their constituent parts.

Private sector members drew on their experience of contract management to advocate taking a 'tougher' line with funding recipients that were experiencing significant project slippage, but public sector members were concerned about the political and relational impact of threatening to claw back or pull funding from high-profile local projects. The SIP's approach remained more in line with that of the former Head of the Prime Minister's Delivery Unit: 'gentle pressure, relentlessly applied' (Barber, 2008, p.119). But such discussions at SIP meetings demonstrated that, in local economic development governance, functions including project delivery and oversight were often political processes.

With delegated decision-making responsibility for the HotSW LEP's investment programme, including the negotiation of deals and the delivery of its major project portfolio (HotSW LEP, 2014a), SIP meetings frequently involved local governance actors seeking to make sense of, and succeed within, central government rules. Discussion often turned to what 'line to take' with central government on funding and project-specific issues (observation of SIP meeting, 4 May 2016), and how actors could use their networks to 'learn from good practice' and others' experiences of central-local interactions (observation of SIP meeting, 4 October 2016). Overseeing the delivery of a major project portfolio constituted a significant expansion of the HotSW LEP's remit. Local governance actors had to make sense of and adapt to their new responsibilities



(Jones *et al.*, 2004). Central government retained a key role in steering governance arrangements (Jones & Macleod, 1999) through its funding rules, the assurances it required, and the governance and accountability structures it demanded. HotSW LEP actors frequently found themselves diverted by these rules.

#### **8.4 Growth Deal 3: adapting to rules, playing the game**

In the March 2016 budget, the Conservative majority government announced its intention to negotiate a third round of Growth Deals with LEPs required to submit bids in July 2016 (HM Treasury, 2016). The announcement again provoked intensive sensemaking among HotSW LEP actors, reflected in the minutes of the March 2016 board meeting: 'Advice suggests that we look at how exciting our pipeline of projects is and the amount of private sector match available, both of which will be factors in government decision making. Whilst GD 3 is a working title, it may be a different process to the previous 2 rounds. [...] The LEP will also need to understand the rules of engagement' (HotSW LEP, 2016a). This extract illustrates actors' preoccupation with central government requirements and their beliefs and perceptions at the time: that the Growth Deal 3 process would unfold differently to the previous rounds, and that developing a long-term 'pipeline' of projects had assumed greater urgency.

The Conservative government amplified the Coalition's 'competitive localism' rhetoric in Growth Deal 3 in a bid to unlock local growth and stimulate greater local governance reform (Pike *et al.*, 2015): 'We got a letter in mid-April from [Secretary of State for

Communities and Local Government] Greg Clark saying there was going to be another round of Growth Deal, [...] it's a competitive process [...] and there was a specific thing in there that will be a challenge to us in [HotSW] about mayoral authorities having an enhanced status' (HotSW LEP actor). One central government actor reiterated the narrative that 'for ministers it is a competition, they want to reward the best bids': 'We were told that the next round of Growth Deal will be even more competitive than previous rounds, so it's us against thirty-eight, and that's a very deliberate policy decision by national government, to say it's a competition' (HotSW LEP actor).

Central government's preference for shovel ready projects (National Audit Office, 2019) had prompted the HotSW LEP to develop a long-term project 'pipeline'. The intention first appeared in the minutes of the March 2015 Business Leadership Group meeting, and HotSW LEP actors confirmed that, from autumn 2015, 'in anticipation that there would be another round of Growth Deals, we've been refreshing our pipeline'. This largely consisted of upper-tier councils developing their own pipelines, given the HotSW LEP's lack of in-house project development capacity. Plymouth in particular had learned from its City Deal experience: 'The thing we discovered pretty early on was the funding put out had ridiculously short timeframes so [we've] created this incredibly big pipeline of opportunity. [...] We had a weekend, we were asked literally on the Friday, there was an underspend, anyone interested in innovation assets? The bid was in on the Monday morning' (PCC actor).

However, the impact of the timetables was not evenly spread, and the HotSW LEP's inability to support local authorities particularly disadvantaged district councils that faced their own resource capacity constraints. One lower-tier local authority actor commented: 'You'll get a really short timeline, or there's a fund that you can apply for, but we need shovel-ready projects. Well, it's unrealistic to have a shovel-ready project because you'll have had to have done a lot of work to get it to that point, and [the HotSW LEP] don't have the capacity to support you through that because of the nature of it. It comes last minute to them. They farm it out and it is better that they do than don't, but it comes back to all the well-funded, well-resourced authorities who can respond.'

Displaying a capacity to assume different simultaneous temporal orientations (Emirbayer & Mische, 1998), HotSW LEP actors learned from the first two rounds of Growth Deal and, anticipating a future round, began to adapt by developing a project pipeline. However, central government's timetable meant that most Growth Deal 3 proposals would still pre-date the formation of the HotSW LEP, having been initially mooted or worked up under SWRDA: 'Local government staff budgets have been cut back so much, we've been working through the big projects that have been on the shelf for a while' (HotSW LEP actor); 'The LEPs have been working off the intellectual capital created by the RDAs. [...] It's been rapid response, very little deep thinking' (university actor). With only four months between the announcement of Growth Deal 3 and the deadline for submissions – too little time to make further significant progress on project development – HotSW LEP actors perceived that their potential for success again rested

on adapting to the new rules, playing the game, and constructing one of ‘the best bids’ (central government actor).

### **8.5 Navigating central-local relations: CLGU boundary spanners**

Officials in the cross-departmental Cities and Local Growth Unit (CLGU), created in 2014 to manage central-local relations on behalf of central government (O'Brien & Pike, 2019), played an important role in the development of the HotSW LEP's Growth Deal 3 bid. Whereas Growth Deals 1 and 2 had been experienced locally as announcements rather than deals (HotSW LEP, 2014b), Growth Deal 3 was characterised by the informal, ‘back stage’ negotiations familiar to actors involved in the Plymouth City Deal (Ayres, Sandford & Coombes, 2017). Central-local negotiations were primarily conducted through CLGU officials assigned to individual LEPs across England.<sup>50</sup> These ‘relationship managers’ had to perform a balancing act between providing central government departments with a ‘local presence’ and undertaking ‘a sponsorship role’ on behalf of LEPs (CLGU official). One commented: ‘When I’m in Whitehall I feel my role is to champion not just the LEP but the place, and when I’m local I feel like my role is to be Whitehall’s voice.’ Doing this effectively meant playing multiple roles: advocate, coach, and sometimes enforcer (Guarneros-Meza & Martin, 2016).

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<sup>50</sup> This section draws on interviews with several CLGU officials operating across England, with identifying details carefully managed to protect interviewees’ identities.

CLGU officials were crucial intermediaries, horizontally connecting Whitehall departments and vertically connecting central and local governance actors (Guarneros-Meza & Martin, 2016). In this sense, CLGU officials were engaged in 'boundary spanning' activities (Williams, 2002). In PBL (Beer *et al.*, 2019) and informal governance (Ayres, 2017), where considerable emphasis is placed on actor interrelationships and webs of influence, 'boundary spanners' such as CLGU officials play an important role (Guarneros-Meza & Martin, 2016). Deal-making interactions and decision-making processes often take place 'back stage', usually without a clearly defined audit trail, and while this provides a 'safe space' for negotiations, it also requires interpersonal trust (Ayres, 2017). Boundary spanners can help to build trust and mutual understanding, resolve conflicts and facilitate partnership working by virtue of their nodal position (Guarneros-Meza & Martin, 2016). However, the fluidity of Growth Deal negotiations and the variation in institutional-geographical arrangements complicated the role of CLGU officials and rendered their influence uneven across LEPs.

CLGU officials were conscious of the nature of their role but interpreted it in different ways. One CLGU official described being 'a critical friend' to LEPs. Another described being both 'translator' and 'broker': 'I see my role as facing in two ways but without being two-faced.' Another emphasised 'the difficulty of being a collaborator and champion on the one hand but also having to challenge the same people, and sometimes local stakeholders find that quite difficult when you have to switch from their collaborator to their critic.' Echoing the challenge faced by boundary-spanning Whitehall officials under regionalism (Mawson & Spencer, 1997), one CLGU official compared the

role to 'being on a seesaw in the middle with your foot on both sides, and sometimes I'm up the government end giving them the high ride and being a bit tough because there are tough messages to deliver [on the effectiveness of policy], and sometimes I'm tipping the other way and I'm spinning a bit to government about the place because I'm the champion for them and can be a mouthpiece in Whitehall when they can't be themselves, and it's a very tricky balancing act sometimes [...] because I would be accused by some of my central colleagues of going native at the same time as being the heavy hand of Whitehall.'

CLGU officials argued that if LEPs wished to influence negotiations and 'understand and articulate what's going on, you really need that line into your relationship manager.' One HotSW LEP actor perceived 'the ability to change central government's thinking [as] very limited', but LEP actors valued the ability of CLGU officials to 'give guidance as to whether we are heading in the right direction or not: [...] what government wants, what would go down well with government and what wouldn't go down well with government.' LEP actors drew on their relationships across the LEP network to substantiate the information and guidance they received, so CLGU officials were careful to 'ensure consistency' by, for instance, adopting common scripts (CLGU official). However, CLGU officials' differential capacities (Jessop, 2001), and the way they interpreted their roles (Jones *et al.*, 2004), shaped central-local interactions.

CLGU officials facilitated the flow of information – ‘we’re delivering messages rather than programmes’ – but when departing from common scripts, they toed the official line to differing extents and this affected both the support individual LEPs received and the nature of the central-local relationships built. Different actors play different roles and exert different levels of influence in different contexts (Grillitsch & Sotarauta, 2020). This influences micro-level interactions and shapes the learning and adaptation that takes place (Bristow & Healy, 2014a; MacKinnon *et al.*, 2019). One CLGU official encapsulated how and why they interpreted their roles differently and the consequences for central-local relations:

How much of this is confidential and can we reveal? How much of this is taking the minister’s line? How much of it is our interpretation and our own personal views? It’s quite difficult territory for anyone coming into it new, so there will be variations in the way relationships have developed. As relationship managers we get commissioned to do various things with our LEPs and you can be doing a really excellent job just by doing everything the commission tells you to do and completely on message. You don’t give away anything more or anything less than you’re told to cascade or to collect and bring back into the fold. [...] I realise you get even greater value from operating a bit below the radar, so offering an interpretation of policy and direction of travel, words of advice here and there that are helpful to people to get more, so helpful to me because I can get a deeper insight into the ambitions of place, and for the LEPs and the local authorities it gives them a sharper sense that they’re closer to what ministers

are saying and what government's thinking, because I maybe reveal a bit more than some of my counterparts would who are strictly on message.

These differing approaches affected the value LEPs derived from central-local interactions which meant that some LEPs kept their CLGU official at arms-length, whereas others routinely invited theirs to LEP meetings: 'We like having some government officials in these meetings, they're normally very astute about how they walk right up to that line of the things they can say and be helpful but not cross it' (LEP actor). The HotSW LEP's designated CLGU official – with whom local governance actors had a 'really good relationship' – attended board and SIP meetings because LEP actors believed this helped them to learn, adapt, and 'get into the best position we can' (HotSW LEP actor). The relationships built with CLGU boundary spanners contributed to HotSW LEP actors' development of tactics, creation of narratives and shaping of bids.

## **8.6 Navigating intra-LEP tensions: back stage negotiations, informal bargaining**

Central government's rules created pressures in the HotSW LEP as the complexity of its institutional-geographical arrangements made it challenging to construct a cohesive bid around which diverse actors and organisations could coalesce. For instance, central government's local growth agenda – 'policy through an economic prism' (former local authority actor) – favoured investment in cities (National Audit Office, 2016a) and disadvantaged rural areas and district councils (APPG Local Growth, 2013), which was problematic in the HotSW given its mix of urban-rural areas: 'That's part of the tough



choices the LEP has to make around prioritising when limited resources need to be invested, because government is always pushing for value for money and bang for buck and where we are going to get the most jobs and the most houses for that private sector leverage. Frankly, that is not very often going to be North Devon, it's much more likely to be somewhere like Plymouth or Exeter' (central government actor).

Local authority actors acknowledged that they were 'rivals as well as partners' and that, as in previous rounds, there would be 'winners and losers' in Growth Deal 3. Several described the tactics employed by local authorities to get their own institutional projects and proposals considered and up the LEP's priority order, for instance, by including separate, albeit related, projects in economic impact assessments and undertaking coordinated lobbying in different fora. These intra-LEP competitive tensions arose from the HotSW LEP's complex, polycentric institutional-geographical arrangements. This perhaps explained why, unlike the Plymouth City Deal, which had the city as a central focal point, Growth Deal negotiations saw no emergence of a single charismatic *urban entrepreneur* (Harvey, 1989). Instead, interviewees emphasised the value of 'facilitation' and 'mediation' – important skills in PBL (Beer & Clower, 2014; Harvey, 1989) – provided by three particular private sector board members who had no attachment to any sub-area. A deal-making process that involved multiple upper-tier local authorities operating on an equal basis required not visionaries but leaders capable of keeping 'a very large and diverse partnership together' (central government actor) and 'moving the conversation on' (HotSW LEP actor).

The process was complicated by the multiple ‘hats’ worn by HotSW LEP SIP members, which gave rise to conflicting loyalties and allegiances (Jones, 2001): ‘There are some really good examples of cooperation between local authorities with the greater interest in mind, which you could argue is an adaptation because pre-LEP they [...] didn’t have to work together, [...] but I think they are always going to be constrained by the fact that [...] they are democratically accountable to their electorate’ (HotSW LEP actor). In particular, the four senior local authority officers had to balance the priorities of their own institutions with those of the LEP, interests that didn’t ‘always sit well’ together (HotSW LEP actor). In order to reach pragmatic compromise (Bailey *et al.*, 2021), these officers had to negotiate the geographical mismatch between the HotSW LEP’s central government mandate and the local democratic mandates of political leaders: ‘They will say to you, to take this back is going to be a really difficult sell, they will say that sometimes and you feel for them because they know that it’s logical [...] but they know they’ll go back into that political arena, and it will be difficult’ (HotSW LEP actor).

In this context, most interviewees emphasised the importance of the interpersonal relationships (Ayres, 2017) between representatives of different local authorities that had been developed since the formation of the LEP, often ‘brokered’ by LEP or CLGU actors: ‘a lot of that, to resolve that, comes down to relationships with people’ (HotSW LEP actor). Several interviewees argued that these interpersonal relationships had been more important than the governance reform of early 2014 in helping actors to navigate intra-LEP tensions: ‘If there are good relationships and you come together and form an approach to delivering something, it will work. Nothing ever works just because of good

governance, it works because of good relationships. [...] Good relationships with good governance is fab, but good governance can't make up for bad relationships' (local authority actor).

One way this manifested itself was through informal bargaining across Growth Deal rounds 'to try and even things up' (HotSW LEP actor). Several actors described how PCC's support for others' priorities in Growth Deal 1 was reciprocated in Growth Deal 2: 'One of the reasons we got such a brilliant transport settlement this year [...] from the Growth Deal was because we had backed Torbay and Devon in previous years, and they're going hey, Plymouth really need the Forder Valley link road to the north of the city [...] but we showed willing in previous years to support other people's schemes' (PCC actor). Local authorities agreed to divide proposals and projects into three categories: (i) those they all wanted and would collectively advocate, e.g., reducing London to Penzance rail times; (ii) those only a minority wanted but which had no negative impact on others and would therefore be collectively supported, e.g., the Kingskerswell bypass; and (iii) those upon which they agreed to differ, e.g., de-trunking the A38 where 'we actually are in competition with each other' (local authority actor). To avoid discussing such matters publicly, local authority leaders met informally 'back stage' before every board meeting to agree common positions on politically sensitive issues (HotSW LEP board member).

The Conservative government's competitive localism rhetoric played an important role in reducing intra-LEP competition, building relationships and moving the conversation onto 'not infighting as a partnership but looking outwards' (HotSW LEP actor). On the

one hand, central government's state rescaling and reshaping processes had the unintended consequence of diverting actors away from market-driven economic development towards the pursuit of public funding. This held true for several other LEPs: 'They are in competition with each other for government funding [when] they ought to be in competition with each other for private sector inward investment. Whether they're as good at the latter as the former is an interesting question' (CloS LEP actor). On the other hand, whether real or imagined, the notion that local governance actors were competing for funding with other LEPs enabled HotSW LEP facilitators and mediators to shift the focus away from intra-LEP rivalry: 'you do realise that having that debate is soaking up all the time when we should be talking about how we're going to do better than Cornwall, Gloucestershire, West of England' (HotSW LEP actor). In response to the competitive localism framework, local governance actors collectively focused on adapting to central government rules: 'We recognised we all win if we get a good bid in, and whilst people wanted to know why if they seemed to be getting less than others [...] there was a lot more focus on making it the strongest bid it could be' (HotSW LEP actor).

## **8.7 Shaping the bid: tactics, roles and narratives**

Several tactics shaped the development of the HotSW LEP's Growth Deal 3 bid, as local governance actors drew on their own experiences and traditions. The May 2016 board meeting minutes show that actors focused on creating a compelling narrative and prioritising projects in a way that 'ticks all the boxes against the criteria set out in Greg Clark's letter' (HotSW LEP, 2016d, p.6). The SIP was made responsible for converting

projects and proposals identified by Leadership Groups (place, business, and people, plus transport) into a single, prioritised list. SIP members emphasised that comparing and ‘ranking’ such different projects, which had been subject to discrete funding streams before Growth Deals, was ‘a very difficult thing to do’ (HotSW LEP actor): ‘The idea of ranking the projects is a government official idea, it’s not something that the LEP would want to do’ (HotSW LEP actor).

Public and private sector SIP members tended to play slightly different roles in the prioritisation, drafting and negotiation process. Local authority actors drew on their networks and experience to anticipate what would play well with ministers: ‘You know what they’re looking for, because you read the speeches, you follow what’s been put out in publications, you listen quite carefully to the language that’s used [...] the mood music [...] listening and then making sure you’re responding to what they’re wanting to buy’ (local authority SIP member). Private sector actors drew on their commercial experience to help shape the bid itself. One commented:

What I brought [...] is that knowledge about selling and how things are presented, and to tell a good story [...] about why you should be investing. [...] Why is that tiny construction skills project important to you as a LEP? [...] This is our heritage, this is why the construction sector is not served well in terms of skills in our area, and [...] if we can make it that much better, there will be more work for young people, the cost of building houses and employment space will be less, and if we do it really well it will be something for the rest of the nation and indeed the world to adopt as a model. So that’s the story, and if you tell it

well people say that's exactly what we should be doing and we can understand why that's number one or two in the list.

One HotSW LEP actor referred to local authority projects and proposals as 'the raw material' that had to be shaped 'into a story that government can understand: [...] there's a lot of soft power in getting a good story across.' Another argued that 'the power of the integrator of a narrative is really crucial.' Central government actors acknowledged that storytelling was particularly important for the HotSW LEP given its lack of recognisable geographical identity: 'Heart of the South West, what does that mean? It doesn't tell you that it's Devon and Somerset, Plymouth and Torbay, so already you've got a book with a very long title that nobody's going to pick up off the bookshelf. So having that sort of pithy, straightforward, compelling language around what you want to do and why you want to do it is your starting point. It's a sort of rallying call to others to say, oh, so I get it, so what you're trying to do is use the M5 corridor to regenerate the South West' (central government actor). HotSW LEP actors adapted this positioning statement to craft 'a very robust story about the return on investment': 'We have to be able to sell the list. In other words, whatever the running order of the projects, we need to be able to draw up a credible argument as to why' (HotSW LEP actor).

Terms that echoed central government discourse – 'strategic bullshit bingo hooks' (HotSW LEP actor) – were selected and deployed. This included structuring the Growth Deal 3 bid around the twin themes of: (i) 'productivity', in reference to central government's recently-published productivity plan (HM Treasury, 2015); and (ii)

‘responding to economic shocks’, in reference to the anticipated impacts of the June 2016 EU referendum. The six ‘sector strengths’ identified in the SEP (HotSW LEP, 2014g) were adapted and rebranded as ‘golden opportunities’: aerospace and advanced engineering; rural productivity; marine; health and social care; data analytics; and nuclear (HotSW LEP, 2016b).

Interviewees described an iterative negotiation process (HM Government, 2013), supported by ‘guidance and clues’ from CLGU officials, during which HotSW LEP actors sought to anticipate central government responses and adapt accordingly: ‘We have to play the game a bit in terms of offering to government some projects that we know that they will automatically go for, because we could ask for £200 million and they could come back and say you haven’t got £200 million, you’ve got £150 million, and by the way we want you to fund these projects’ (HotSW LEP actor). SIP actors focused on ordering projects ‘cannily to encourage government to cut things off in certain places.’ One explained: ‘In the past we’ve basically taken all the projects and stuck them together into a single prioritised list, the tactic being to show government a list as long as your arm of projects which we could fund knowing we would never get all of it, and then it’s their job to have a negotiation with us about where we draw the cut-off line. This time our total list came to [...] two or three times what we’re likely to get, but it is a negotiation after all so we might as well start high.’ Local governance actors thus employed tactics and narratives designed to influence central government decision-makers and, in July 2016, the HotSW LEP submitted its final Growth Deal 3 bid, requesting £162 million funding (HotSW LEP, 2016b).

## **8.8 Fair shares: competitive localism rhetoric vs political reality**

Growth Deal 3 allocations were made in November 2016 and announced in three tranches in early 2017 (National Audit Office, 2019). The HotSW LEP was awarded £43.57 million, 2.4% of the total £1.8 billion LGF awarded in the third round: the eighteenth highest allocation nationally, and the second largest in the South West after the West of England LEP (Ward, 2020). Its funding related to ten of the twenty-seven projects submitted: innovation centres in Somerset and Torbay; construction skills and other training projects; superfast broadband coverage; and several transport (mainly road) schemes (HotSW LEP, 2017b).

As with Growth Deals 1 and 2, every LEP received funding in Growth Deal 3 (National Audit Office, 2019). Across the rounds, thirteen of the fifteen largest total awards went to the fifteen most populous LEPs. The HotSW LEP – which had the eleventh largest population (ONS, 2014) – was awarded £239 million over the three rounds, the sixteenth highest allocation nationally (Table 8.1).



**Table 8.1: LGF awarded to HotSW LEP through Growth Deals vs regional/national**

| <b>LGF round</b> | <b>HotSW LEP allocation</b> | <b>% of South West</b> | <b>Ranking in South West</b> | <b>% of England</b> | <b>Ranking in England</b> |
|------------------|-----------------------------|------------------------|------------------------------|---------------------|---------------------------|
| GD1              | £130.30m                    | 20%                    | 2/6                          | 2.1%                | 18/39                     |
| GD2              | £65.20m                     | 49%                    | 1/6                          | 6.7%                | 1/39                      |
| GD3              | £43.57m                     | 23%                    | 2/6                          | 2.4%                | 18/39                     |
| <b>Total</b>     | <b>£239.07m</b>             | <b>25%</b>             | <b>2/6</b>                   | <b>2.6%</b>         | <b>16/39</b>              |

Source: based on Ward, 2020, p.20

The correlation between a LEP's population size and total Growth Deal allocation increased scepticism amongst local governance actors about the Conservative government's 'competitive localism' rhetoric: 'Everything's about formulas for them [...] and even when they say the process is competitive, they'll have a spreadsheet showing what each area needs to get according to some formula, and they bring that ethos to bear on everything' (HotSW LEP actor). Central government actors acknowledged that, while 'fair shares' was not the 'starting point', civil servants were actively ensuring that the allocation of funding was broadly equitable across LEPs and English regions: 'The reality is you have to start from somewhere, so clearly analysts will have been grinding out the numbers from the bids to see how they stack up, and against a fair shares allocation, how much they already had in rounds one and two, and what that might mean for a round three' (central government actor). Interviewees generally attributed the tempering of the Coalition's initial spatial liberalism to Whitehall 'culture': 'Government has become less risk-taking, so we're back into formulas again. [...] I think

originally they were political concepts with a freshness that came from politicians who wanted to do things, and gradually civil servants have come in as usual' (business representative).

Local governance actors questioned the value of competitive processes given the *de facto* return to the per capita based, hypothecated grant funding of the RDA era. One HotSW LEP actor complained that the Growth Deal process was established 'in the context of devolution, letting go, [but] that's all been forgotten, obviously, and it's all about delivering a national programme again. All the money is allocated to certain things already before it's even come down. We were told it was a free competition, and there's a massive spreadsheet to fill in. So they just create these layers to help them manage and monitor and divvy out the money fairly at a national level.' Central government actors acknowledged that, 'increasingly, as the money ramps up, we're having to monitor – I'm not going to use the word 'police' – but watch what LEPs are doing with their money' (CLGU official). Responding to annual competitive processes made it 'more difficult to make longer term, more strategic investments, because you don't know from year to year how much money you've actually got and, on the whim of a minister or change of policy in government, a funding stream can be altered' (HotSW LEP actor). HotSW LEP actors believed that central government 'just overcomplicate everything': 'In no single year do you ever sit back and think [...] we know what we're doing, we'll just have a quiet year doing what we do. We're always presented with a new set of – the goalposts have moved, and so we've got to think now about how do we deal with that.'

In 2016, with Growth Deal 3 negotiations still underway, the Conservative government moved the goalposts again, by introducing Devolution Deals.

### **8.9 Devolution Deals: continuing experimentation**

The Cities and Local Government Devolution Act 2016 (HM Government, 2016) created the legal framework to accelerate English local governance reform and expand the number of mayoral combined authorities through Devolution Deals (Sandford, 2020). One HotSW LEP actor wryly observed: ‘Government set up the LEPs to do two things. One was to get business to be at the heart of economic development, and secondly to encourage new ways of working in local government. [...] From a government perspective, LEPs achieved the first, but probably didn’t get to where they wanted to go with the second, and as is the way with ministers, they’ve now turned their attention to, how do we do the second thing, not the first thing?’ At the time of my primary research, negotiations were only just commencing in the HotSW LEP area, but local governance actors did not ‘underestimate the challenges’ they faced given their complex institutional-geographical arrangements (HotSW LEP actor): ‘There are tensions that the devolution agenda is bringing to the fore. Contended leadership is emerging as a result of that, and question marks about the role of the LEP in the future’ (local authority actor).

The advent of Devolution Deals again diverted the attention of local governance actors – as Growth Deals had from the City Deal – and entailed a further shift in internal power

relations away from private sector HotSW LEP actors toward local authority actors and institutions, as one local authority actor reflected:

It goes to the heart of just how strong a partnership this really is. So when Growth Deals were the main deal in town and were essentially a negotiation between government and LEPs, everyone was locked into the LEP and keen to be supporting it. [Devolution] has really destabilised those paradigms [and] local authorities at senior managerial and senior political level are reasserting themselves, and are quite spiky about the LEP's role in the devolution dialogue with government, and quite prepared to find fault with the LEP in a way that they wouldn't have been so brave or brash about during the early rounds of the Growth Deal process where they probably felt it was dangerous tactics when money was on the table. [...] Government speaks with forked tongue on this matter, and to a LEP audience talks of the importance of LEPs shaping the agenda, and to a local authority audience talks of devolution being about governance and local accountability.

Central government negotiated Devolution Deals primarily with local authorities, albeit based on LEP geographies. The HotSW LEP thus found itself marginalised in discussions despite 'endorsing the principle of creating a Combined Authority for the Heart of the South West' (HotSW LEP, 2016c). The HotSW LEP board recognised this might entail 'a different type of LEP moving forward [but] the LEP has to conform and play the game if it is to get any money in the future' (HotSW LEP, 2015b). However, it was unclear whether incentives were 'sufficiently strong in all areas of the country to support

successful collaboration between local authorities’ (APPG Local Growth, 2013, p.24). Local authority actors, though newly empowered and beginning to craft ‘a compelling narrative around asks, setting out the vision for the future’ (HotSW LEP, 2015b), were sceptical whether the funding and flexibilities offered justified undertaking the governance reform required given their institutional-geographical challenges: ‘They want to know what it’s worth and what the deal looks like before they can even contemplate it’ (HotSW LEP actor).

Several local authority actors believed that the public sector relationships established through the City Deal and other collaborative initiatives including the peninsula-wide rail taskforce had ‘helped take forward the devolution agenda quite quickly’. But private sector actors were dismayed by the abrupt unravelling of wider partnership working and perceived that the lessons of the City Deal had ‘been totally unlearned. [...] Where was the same level of engagement in saying, okay, we did it for City Deal, we said the real thing that’s going to drive it is the marine sector, what about the LEP as a whole? [...] The polar opposite. [...] They would say, devolution is purely an agreement to devolve powers to local government, so nothing to do with you’ (City Deal actor). In fact, the context had changed, and local authority actors were evidently once again taking a loosely coupled approach to partnership building (Grabher & Stark, 1997; Weick, 1976): ‘they just adapt to the shape of the opportunity’ (HotSW LEP actor).

Devolution proposals were developed with ‘breathtaking’ speed (Blunkett, Flinders & Prosser, 2016) and once again this disadvantaged the HotSW LEP (APPG Local Growth,

2013) and hindered its organic evolution (Pike *et al.*, 2015). Local authority actors were 'not going to be rushed [but] the challenge is that the pace of the national policy on things like devolution and LEPs is moving at the pace of the fastest. So when Manchester's ready to go for elected mayors, it's at the end of fifteen, possibly even twenty, years of formal partnership [...] and they've been allowed to go through that evolution at a pace that's right for them, whereas the new agenda is forcing everyone to rush' (HotSW LEP actor). In the six years since it was created by the Coalition, the HotSW LEP had undergone successive waves of institutional evolution: the dismantling of SWRDA, early improvisation, layering, conversion, and now potentially recombination into Combined Authority form (Martin, 2010; Pike *et al.*, 2015). HotSW LEP actors, believing central government had lost interest in much of its original LEP agenda, argued that 'government policy is clearly the overwhelmingly most helpful and unhelpful particular characteristic around.' One encapsulated the pressures associated with central government's continuing experimentation with governance mechanisms:

The LEP is going to have to adapt [but] the LEP will always be subject to government policy and therefore some of any adaptation will [...] be enforced rather than an evolution. [...] The key thing that's kept the LEP alive, probably, it would appear to be the main voice which will be listened to in Westminster, and so whilst it has that voice, it will I suspect always carry clout. As soon as Westminster starts diverting its attention away from LEPs, I fear that the LEP itself might struggle to survive. [...] The LEP was formed by government policy and therefore that suggests to me that the LEP will die by government policy.

## 8.10 Conclusion

The goal of this chapter has been to examine how governance mechanisms promoted or inhibited local governance actors' adaptation to change and enactment of PBL. Growth Deals and Devolution Deals were the latest in a succession of institutional fixes, funding pots and governance mechanisms that central government introduced to promote local growth and incentivise governance reform without relinquishing influence and control (Deas, Hincks & Headlam, 2013; Pike *et al.*, 2015). Central government experimented with various scales and forms of governance and rules but rather than stimulate economic change and adaptation, these evolving processes of state transformation absorbed local governance actors' attention and diverted their capacity to adapt, prompting yet more experimentation. One HotSW LEP actor encapsulated the views of many local governance actors on the impact of this continuing, dialectical interplay between state structures and the strategies of social forces (Jessop, 1990): 'Structural changes, or changes in the environment like that, are impacting on us and we're operating in a flux because of that. We've made progress and people have learned but actually it's not always going forward because sometimes our ability to adapt and learn isn't as fast as the changes that are coming upon us.'

The 'fair shares' allocation of Growth Deal funding suggested a tempering of the Coalition's initial spatial liberalism and a gap between political reality and its competitive localism rhetoric. Heseltine's encouragement of inter-locality competition did not generate entrepreneurialism in the way he intended. Local governance actors responded entrepreneurially, but this was primarily manifested in the strategies and

tactics they adopted to adapt to central rules. Central government's continuing experimentation with governance mechanisms provoked adaptation, but to their interventions, rather than to economic change as they had intended. HotSW LEP actors did seek to contribute to the evolvability of their economy and began to develop a project pipeline, but the time required to plan major capital projects combined with central government's timescales and a lack of internal resource meant that most Growth Deal proposals predated the formation of the HotSW LEP. Central government intervention thus had the unintended consequence of diverting actors away from the economic development and PBL activity identified as necessary for market-driven growth in neoliberal discourses (Brenner, 2004) towards the pursuit of public funding.

HotSW LEP actors also had to navigate the complex operating environment occasioned by their lock-in to novel institutional-geographical arrangements, a legacy of earlier central government intervention. This prompted successive bouts of collective sensemaking and sparked intra-LEP tensions that local governance actors sought to navigate through 'back stage' negotiations and informal bargaining. The HotSW LEP's conversion to an institutional conduit for funding, and the prospect of inter-locality competition, did help bind the partnership together, as local governance actors focused on adapting to central government's evolving rules for disbursing funding. Actors drew on their experiences and inherited traditions and built relationships with CLGU boundary spanners to develop tactics, create narratives, and shape bids they had learned would 'play well' with central government. However, the Conservative government's shift to Devolution Deals disrupted any emergent PBL and revealed weak



inter-actor associations, as local authority actors and institutions adapted to the evolving governance landscape by marginalising the HotSW LEP.

The next chapter examines the implications of the empirical findings discussed in Chapters 6-8 for EEG's understanding of micro-level adaptive processes and capacities.

## 9. DIVERTING ADAPTIVE CAPACITY: EXAMINING MICRO-LEVEL RESPONSES TO EVOLUTIONARY POLITICAL-ECONOMIC CHANGE

### 9.1 Introduction

The aim of this thesis has been to advance understanding of how micro-level adaptive processes and capacities operate and unfold at the local/regional level in the context of cumulative, and often disruptive, political-economic change. It has achieved this by investigating how, and drawing on what capacities, the governance actors involved in the HotSW LEP enacted, responded and adapted to unfolding state transformation processes from 2010 to 2016. This chapter discusses the major findings and examines their significance in the context of the wider literature. The limitations, and the policy and practical implications, of this research are discussed in Chapter 10.

As discussed in Chapter 2, the EEG literature provides an extensive range of concepts, mechanisms and models of evolution and adaptation (Martin & Simmie, 2008) but has tended to focus on firms and macro-structural economic change and pay limited attention to how the critical micro-level adaptive processes at work are influenced by power relations, political factors, and the state (Bristow & Healy, 2014a; Grillitsch & Sotarauta, 2020). Key questions for EEG research remain as a consequence of this emphasis (Bristow & Healy, 2014b; Pike et al., 2016): (i) *who* is undergoing adaptation to *what*? (ii) *who* is demonstrating adaptability to *what*? and (iii) *how* do different micro-level adaptive processes operate in different contexts? EEG's response to these

questions has been criticised for its relative neglect of micro-level processes and the role of the state (Bristow & Healy, 2014a; Dawley, 2014; Hodgson, 2009; Morgan, 2012; Oosterlynck, 2012). Conceptualising the state as a complex social relation (Poulantzas, 1978) or peopled organisation (Jones *et al.*, 2004), wherein political forces with differential capacities are engaged in continual processes of scalar and strategic selectivity in order to harness state power (Jessop, 1990), directs attention to the micro-level interaction of governance actors (Bristow & Healy, 2014b).

An emergent, evolutionary GPE approach has begun to integrate economic and political factors, and to examine how power, politics, and governance shape local/regional economic adaptation at the micro-level (MacKinnon *et al.*, 2019; Pike *et al.*, 2009), but empirical evidence remains sparse and EEG lacks in-depth, qualitative, case studies (Boschma & Frenken, 2009; Bristow & Healy, 2014a; Hu & Hassink, 2015; MacKinnon *et al.*, 2009). Drawing on a study of the HotSW LEP, this thesis argues that while governance actors and their micro-level interactions and power relations play a crucial role in the evolution of local/regional economies, the literature has underplayed the extent to which these actors adapt to, and demonstrate adaptability to, pressures associated with evolutionary state transformation. This has important implications for understanding micro-level adaptive processes and capacities in the context of evolutionary political-economic change.

In Chapter 3, concepts from the EEG, state rescaling and governance literatures were integrated to characterise state rescaling (Brenner, 2004) and reshaping (Jessop, 2004)

as a 'complex evolutionary phenomenon' (Jessop, 2001, p.1221), with actors' economic and governance environments locked in a recursive political-economic relationship. Adopting an evolutionary perspective, Chapter 5 operationalised these concepts to unveil the continually evolving processes of state transformation that characterise the recent history of economic development governance in England (Pike & Tomaney, 2009).

Chapters 6-8 examined how the Coalition's state rescaling and reshaping project unfolded in the HotSW LEP and revealed its unintended consequences (Stoker, 1998; Storper, 2013) for micro-level adaptive processes and capacities. Central government attempts to promote local growth, stimulate competitive localism, incentivise governance reform and steer the direction of local economic development using a succession of governance mechanisms absorbed the attention of local actors. Local governance actors sought to adapt to both economic change and the processes of state transformation intended to help shape this change, but the intensity of the latter frequently diverted them from the former. Central government's continuing experimentation with governance mechanisms provoked adaptation but to its own interventions rather than to economic change as it had intended.

While the literature argues that local governance actors often resist central control (Davies, 2005; Harvey, 1989; Jones *et al.*, 2004), this chapter argues that actors did not so much *resist* central control as play central government's 'game', seek to master its rules, and become *diverted* by it. A combination of mainly endogenous developments

(novel, incoherent institutional-geographical arrangements) and exogenous pressures (cumulative, disruptive evolutionary *political-economic* change) meant that local governance actors' adaptive capacities were harnessed and diverted in ways underplayed in EEG's focus on macro-structural economic change. The chapter argues that actors' recursive and mutually reinforcing capacities are harnessed through distinct but interrelated and power-inflected processes: (i) selecting, defining and framing problems; (ii) solving problems and deciding how to act; and (iii) building and legitimising institutions and institutional pathways through which to act. It argues that perhaps the most significant consequences of recurring state transformation processes relate to actors' loosely coupled networking capacities which, amid relatively weak ties across new spatial imaginaries, can serve to undermine institution building around those imaginaries.

This chapter elaborates the contribution of this thesis to the EEG literature in relation to the three research questions formulated in Chapter 1: (1) How do processes of state transformation unfold in subnational economic development governance? (2) How do local governance actors experience and respond to the pressures they face? (3) How are actors able to enact purposive adaptation in this context? My contribution thus has several interconnected components integrated into a consolidated understanding of how power, politics and micro-level interactions can influence economic adaptation. Section 9.2 characterises the pressures associated with state transformation processes, discusses how an evolutionary perspective helps to reveal a political-economic process *in motion*, and reconfigures Grillitsch and Sotarauta's (2020) 'opportunity space'

framework. Section 9.3 examines the (unintended) consequences of state transformation processes, in particular the diversion of micro-level adaptive processes. Section 9.4 examines how this may be shaped by local governance actors' embeddedness in particular institutional-geographical contexts. It elaborates these arguments by examining how actors' loosely coupled networking capacities are harnessed and diverted in the context of evolutionary political-economic change. Section 9.5 concludes the chapter by summarising its main arguments and contributions.

## **9.2 State transformation as evolutionary pressure**

### **9.2.1 *Characterising state transformation: rescaling and reshaping***

In the discussion of state transformation processes in Chapter 3, this thesis drew on the state rescaling and governance literatures to refine sometimes binary perspectives on the changing nature of the state that explore scalar notions of 'hollowing out' and 'filling in' but insufficiently emphasise changes in governing strategies and practices. This enabled a distinction to be drawn between state *rescaling* (the spatial reconfiguration of the state) and state *reshaping* (the mechanisms by which state actors seek to steer governance and retain influence and control). This research has shown that, as Goodwin, Jones and Jones (2006) argue, *political* change, in the form of state transformation, typically comprises both *rescaling* and *reshaping* processes.

This thesis argues that processes of state transformation are underplayed in an EEG literature that largely focuses on economic forces and economic change. For example, Boschma and Martin's (2007) influential editorial, 'constructing an evolutionary economic geography', elaborates many of the critical EEG concepts discussed in Chapter 2, but makes no mention of power, politics, or governance. This tendency to prioritise economic relations at the expense of political relations reflects a broader pattern in the literatures on uneven economic development which emphasise either economic or political factors (Pike & Tomaney, 2009). In an evolutionary context, Pike, Dawley and Tomaney (2010, p.67) do establish a connection between (i) the 'turbulence and flux' of state transformation processes and (ii) the imperative for local/regional economic development governance actors and institutions to develop the capacity to respond and adapt. However, this conversation has not been sufficiently intense in EEG, and this thesis argues for a more integrated focus on evolutionary political-economic change and its consequences for adaptive processes and capacities.

This research has shown that, in England, economic development governance has been characterised by a trend toward *denationalisation* (Jessop, 2002) and an 'endless search' (Pike & Tomaney, 2009) for appropriate subnational scales. The examination of state *rescaling* processes (Brenner, 2004) in the empirical chapters revealed local governance actors struggling with pressures associated with the dismantling of regionalism, the positioning of 'localities' as the natural units of political-economic geography, and the introduction of LEPs. The *scalar* selection of the HotSW LEP's novel and incoherent geography itself created pressures because it locked local governance actors into a

complex operating environment characterised by institutional fragmentation. The empirical chapters also revealed local governance actors struggling in the face of state *reshaping* processes: the *strategic* selection of institutional arrangements and governance mechanisms (Hudson, 2006; Jessop, 2004; MacKinnon, 2000). The decision to make LEPs 'business-led' was an act of at least partial *destatisation* (Jessop, 2002) and provoked early tensions in respect of LEPs' legitimacy, accountability and representativeness among local governance actors in the case study area (Liddle, 2015). From 2010, a succession of institutional fixes, funding pots and governance mechanisms unfolded (Pike *et al.*, 2015) and the analysis showed that these exacerbated, and were exacerbated by, the pressures arising from the HotSW LEP's complex institutional-geographical arrangements. The consequences of these state rescaling and reshaping pressures for micro-level adaptive processes and capacities are examined in subsequent sections. What is important to establish here is that the empirical evidence from the case study shows that economic development governance actors must respond and adapt to pressures associated with both *economic* and *political* change.

### **9.2.2 Adopting an evolutionary perspective: political-economic processes in motion**

Adopting an evolutionary perspective focuses attention on how political-economic processes and pressures unfold *dynamically over time*, and this research has shown that the evolution of institutional arrangements via state transformation processes does not always unfold 'slowly' in the way often characterised in the literature. Institutional approaches to economic geography are pertinent here as they (i) explore how structures, which shape and mediate economic agency and action, change over time and



(ii) emphasise the evolution of the wider economic landscape (Amin & Thrift, 1994; Farole, Rodriguez-Pose & Storper, 2011; Gertler, 2010; Rodríguez-pose, 2013). As discussed in the literature review (2.7), institutions are typically described as relatively stable (Hodgson, 1993) 'carriers of history' (David, 1994) that provide continuity and typically change 'slowly' over time (Martin & Sunley, 2006). This is argued to be particularly true of aspects of the institutional 'environment', e.g., *informal* routines, conventions and traditions (North, 1990) and the wider cultural institutions that structure economic action and adaptation (Veblen, 1898). However, a more explicit emphasis on the shaping role of *power* and *politics* (MacKinnon *et al.*, 2009) draws attention to changes in institutional 'arrangements' (state rescaling processes) and the *formal* rules and regulations that shape economic activity (state reshaping processes).

The empirical chapters demonstrated that the speed of evolution in state rescaling and reshaping processes was such that it hindered LEPs' organic evolution as institutions, and left actors struggling to adapt. 'Following the path' of the LEP revealed that, in a relatively short space of time (six years), its institutional evolution was subject to consecutive and overlapping path-dependent mechanisms of dismantling, improvisation, layering, conversion and recombination, characterised as much by change as continuity. Economic development governance is often subject to such restructuring (Pike *et al.*, 2015) and, viewed dynamically in this context, the state and state forms are not static territorial entities but undergo change and transformation as they are produced and reproduced by the actors working in and through them (Brenner, 2004; Jessop, 1990; Lobao, Martin & Rodríguez-pose, 2009). Adopting an evolutionary

perspective, and integrating economic and political factors, thus reveals a political(-economic) process *in motion*.

This thesis argues that governance actors' economic and political environments are locked in a recursive political-economic relationship. To understand what necessitates adaptation and adaptability among such actors, pressures associated with evolutionary state transformation (Tilly, 2011) must be integrated with those of evolutionary economic change. Actors embedded in structures and institutions (Granovetter, 1985) are *shaped* by such political-economic change – but are also involved in *shaping* it. Jessop (1990, p.360) argues that their ability to do so is mainly determined by the strategies they choose to adopt but acknowledges that *unequal power relations* mean that some political forces will be better placed than others given 'the capacities of specific forces to engage in steering and the vulnerabilities of specific forces to steering attempts.'

In terms of central-local power relations, empirical evidence of the Coalition's tight control of Growth Deal terms, timetables and funding indicates that a hierarchical relationship still generally pervades (Bell & Hindmoor, 2009), supporting the idea that state transformation generally represents a change in state *form* and organisation (Macleod & Goodwin, 1999) but not necessarily a *diminishing* of central government power and capacity (Peck, 2001). Thus, when central government claims to cede authority, it typically retains the authority to change and mould the institutional arrangements that shape economic adaptation (MacKinnon *et al.*, 2009). As illustrated

by the Coalition's multiple formal and informal interventions to shape Plymouth's City Deal – its institutional-geographical arrangements, main proposal, and overall form – central government seeks to *dominate* central-local relations and *control* the rules of denationalisation. However, this strategy 'opens up' central power and authority to renegotiation (Allen & Cochrane, 2010) because, in CAS, governance is contingent and provisional (Bristow & Healy, 2014b) and steering attempts can prove counterproductive even for those who institute them (Jessop, 2003). For instance, the Coalition's insistence that the City Deal reflected Plymouth's sphere of influence undermined the HotSW LEP geography it had only recently encouraged, and its push for a more locally sensitive proposal led to the release of South Yard, a request the MOD had long resisted. Power dependence means that state transformation processes can provoke unintended consequences (Allen & Cochrane, 2010; Hudson, 2007) and unleash the kind of uncertainty, fluidity and experimentation that permeated the HotSW LEP area from 2010 to 2016. An evolutionary approach must be alive to such dynamics and their implications for understanding how actors seek to enact, respond, and adapt to change, which existing EEG literature risks overlooking given its underplaying of power, politics, and governance.

### **9.2.3 Reconfiguring 'opportunity space'**

As indicated in the literature review (2.9), the underplaying of power, politics and governance is evident in Grillitsch and Sotarauta's (2020) 'opportunity space' framework. This is intended to aid EEG analyses of micro-level change and adaptation by delineating what is possible at any given time, in any given place, by any given agent.

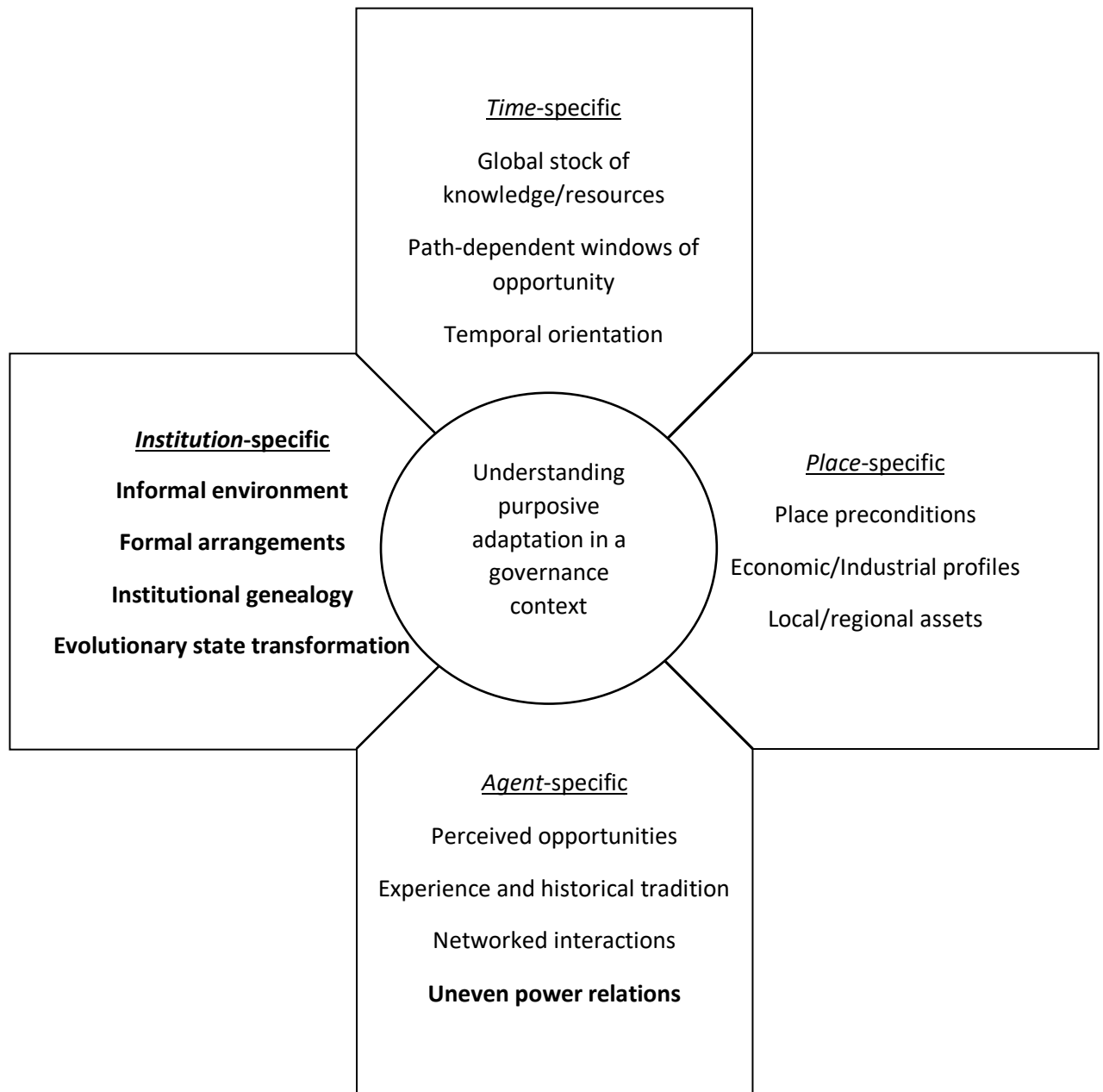
Three dimensions (time-, place- and agent-specific) delineate actors' scope, or opportunity, for exercising 'change agency' and purposive adaptation given their embeddedness in particular temporal and geographical contexts. Drawing on relational, institutional, and GPE perspectives, Section 2.9 queried the underplaying of power and institutional dynamics in the 'opportunity space' framework, particularly in relation to PBL where questions of power and governance feature prominently (Hudson, 2007; MacKinnon *et al.*, 2009).

This weakness was laid bare by the HotSW LEP case study which revealed local governance actors adapting, and demonstrating adaptability, to pressures associated with state transformation processes that are insufficiently captured by the opportunity space framework. Actors' preoccupation with, and the critical shaping role of, the pressures associated with state transformation processes were encapsulated by two influential local governance actors. One insisted that 'the projects never change, the [economic] drivers never change, it's just the mechanisms for attracting funding change.' Another complained that 'structural changes [...] in the [governance] environment [...] are impacting on us and we're operating in a flux because of that. We've made progress and people have learned but actually it's not always going forward because sometimes our ability to adapt and learn isn't as fast as the changes that are coming upon us.' Centrally imposed institutional configurations and governance mechanisms influenced how local actors enacted, responded, and adapted to change. These issues are examined in detail in the remainder of this chapter. What is pertinent here is that empirical evidence shows that actors' opportunities for exercising change

agency and purposive adaptation are, at least in part, circumscribed by institutional contexts and by power-dependent relations within and between scales. Therefore the 'opportunity space' framework is, in its current configuration, insufficient for analyses of PBL because, by underplaying institutional and power dynamics, it overlooks critical factors that shape micro-level adaptive processes and capacities in this context.

Figure 9.1 proposes a revised 'opportunity space' framework to support analyses of PBL and purposive adaptation in a governance context. This introduces a fourth *institution-specific* dimension to 'opportunity space'. Building on Jessop's (1990) strategic-relational approach, this framework does not imply an artificial separation between institutions and agency but directs greater attention to actors' institutional contexts as well as their temporal and geographical contexts (Gupta *et al.*, 2010). The four dimensions remain highly interrelated, recursive, and dynamic. Incorporating insights from the 'institutionally sensitive' approaches to EEG discussed in Sections 2.7 and 9.2.2 (MacKinnon *et al.*, 2009), the institution-specific dimension directs attention to both the informal environment and formal arrangements that constitute the institutional regime (North, 1990). It emphasises: (i) 'institutional genealogy' (Pike *et al.*, 2015), to draw attention to institutions' relative degree of stability or *change over time* (Martin, 2010; Pike, Dawley & Tomaney, 2010); and (ii) the *nature and intensity* of the power-inflected processes of state transformation operating in context (Brenner, 2004; Jessop, 2002). To address existing weaknesses in relation to power dynamics, the revised framework also incorporates critical notions of uneven power relations (Allen, 2003; MacKinnon *et al.*, 2009) into the *agent-specific* dimension of 'opportunity space'.

**Figure 9.1 – Four dimensions of ‘opportunity space’: exercising place-based leadership**



*Adapted from Grillitsch & Sotarauta, 2020; **dimensions** and **concepts** added*

The revised framework – reflecting CAS theory’s emphasis on agent interactions (Bristow & Healy, 2014a; Martin & Sunley, 2007) – thus directs attention to governance

actors' power-inflected interactions that are enabled and constrained by, and that shape and are shaped by, particular institutional-geographical contexts that change over time. The rest of this chapter draws on its dimensions to analyse the unfolding of micro-level adaptive processes and capacities, and the shaping role of local institutional-geographical contexts, in the face of evolutionary political-economic change.

### **9.3 Micro-level responses: resistance, adaptation, and diversion**

#### ***9.3.1 Examining adaptive processes: unintended consequences of state transformation***

The chapter now shifts from conceptualising the evolutionary political-economic *pressures* that local governance actors faced to examining how they *responded* and *adapted* to these pressures. It argues that state transformation processes, intended to help local governance actors and institutions adapt to economic pressures, themselves create pressures; and these more political pressures can, at least in part, displace economic pressures as the primary object of local governance actors' attention, and divert them from core economic development activities.

State transformation is often driven by the idea that good governance and PBL at the local/regional level promotes growth (Pike & Tomaney, 2009; Rodríguez-pose, 2013; Sotarauta & Beer, 2017). Cities and regions have become targets for policies intended to enhance economic performance (Brenner, 2004; Storper, 1997) as central governments search for appropriate scales and forms to promote the adaptability of

subnational economies without relinquishing influence and control (Pike *et al.*, 2015). This is evident in the perpetual restructuring and attempted optimisation of English economic development governance (Pike & Tomaney, 2009) including the Coalition's austerity-, localist- and competition-state oriented transformation project (Clarke & Cochrane, 2013).

This research suggests that what is particularly disruptive for local governance actors is the cumulative, and seemingly endless (Pike & Tomaney, 2009), nature of much state restructuring activity. A benign interpretation is that it reflects a dynamic, flexible, and innovative state reconfiguring itself in response to shifting economic problems, priorities, and realities, but as Jones (2010, p.377) argues, 'change is often ad-hoc and reactionary, ill-thought out in terms of strategic direction, and poorly focused.' Jones characterises this compulsive restructuring as a disease. This thesis has argued that the perpetual nature of much restructuring emerges from central government's attempts to deal with the unintended consequences of previous bouts of state restructuring, which in turn produce unintended consequences, prompting yet more experimentation (Bell & Hindmoor, 2009). This engenders a *crisis of crisis management* (Offe, 1984) and creates pressures and problems for local governance actors with consequences that are underplayed in the EEG literature.

The empirical chapters demonstrated that, in the aftermath of the Coalition's initial 'accept the consequences' spatial liberalism (Clarke & Cochrane, 2013), there was a cumulative reversion to centralising measures as central government sought to



influence and control the new political-economic landscape it had created. This was evident early on in the emergence of the HotSW LEP's geography, with central government actors seeking to deliver several (unwritten) Coalition requirements and steering an ostensibly localist process. The significant expansion in LEPs' responsibilities and funding in response to 'toothless tigers' criticism (Pugalis & Shutt, 2012) and Heseltine's (2012) competitive localism arguments created further tension between the rhetoric of local discretion and the practical and political reality of central scrutiny and control. The Coalition experimented with a succession of governance mechanisms as it sought to promote and steer the direction of local growth, stimulate inter-locality competition, incentivise governance reform, and maintain its localism rhetoric while retaining influence over the spending of supposedly autonomous LEPs. The Coalition found itself in Davies' (2005) dialectical bind, wherein its interventions had unintended consequences which, in turn, prompted further interventions. However, while Davies argues that the unintended consequences of experimentation tend to arise from the resistance it provokes – as local governance actors evolve strategies to *resist* central control (Harvey, 1989; Jones *et al.*, 2004) – the HotSW case study revealed adaptive processes unfolding in other ways.

Empirical analysis identified few examples of outright resistance in the HotSW LEP. As LEPs emerged, actors representing Cornwall resisted a wider partnership, but this had a knock-on impact on actors in the HotSW area whose own decision-making choices narrowed as a result (North, 1990), locking them into sub-optimal institutional-geographical arrangements. It is telling that on one of the few occasions when resistance

to central control was explicitly advocated by a HotSW LEP actor – the proposal to formally challenge central government on its in-year spending requirements – the idea was rejected for fear of the response: ‘Treasury can be quite brutal.’ It was considered too great a risk to defy the power of HM Treasury. Thus, despite growing scepticism about central government’s competitive localism rhetoric amid the *de facto* return to per capita based, hypothecated grant funding, local governance actors actively complied with its rules.

Austerity contexts (Pike *et al.*, 2018) and major cuts in local government funding (Clarke & Cochrane, 2013) mean that local governance actors and institutions are often too dependent on funding made available by central government to risk outright resistance. In such circumstances, as Harvey (1989) argues and as was evident in the HotSW LEP case study, local governance actors can become ‘agents of discipline’ for processes they might otherwise resist. MacKinnon (2000) emphasises that local governance actors do retain some scope to adapt and translate central directives to their own purposes; Sabatier (1986) similarly argues that local actors often seek to deflect or divert centrally mandated policies and programmes to their own ends. This was evident in several key instances in the HotSW LEP case study, the most obvious being PCC actors using the City Deal process as a window of opportunity to bring forward their longstanding South Yard proposal: ‘we used the latest funding initiative of the day to do what we’ve always wanted to do.’ This reflected a broader HotSW LEP reliance in Growth Deal negotiations on local authority and RDA proposals that *pre-dated* its emergence, a strategy largely prompted by the tight timetables imposed, the Coalition’s preference for ‘shovel-ready’

projects, and a lack of project development capacity locally, particularly within the LEP itself. What this shows, though, is that local governance actors' time and effort was not primarily invested in developing 'innovative projects' and responding entrepreneurially to *economic* change as central government intended (HM Government, 2011).

Pike *et al.* (2015) argue that, in the face of rapidly unfolding state transformation processes, local governance actors can struggle to retain their entrepreneurialism. This thesis does not dispute the potential for this to happen, but the empirical research suggests that local governance actors, on the whole, continue to flex their entrepreneurial and adaptive capacities, but mainly in response to short-term political pressures rather than in pursuit of long-term economic development goals. For instance, the empirical analysis shows that actors respond entrepreneurially to central government funding competitions, but often more in the strategies and tactics deployed to craft and communicate their bids than in the development of new and innovative economic development projects and pipelines. Individual and collective sensemaking capacities are harnessed to grasp the implications of shifting institutional-geographical contexts, roles, responsibilities, and relationships, rather than of broader economic conditions and dynamics. Storytelling capacities are harnessed to justify and legitimise institutional-geographical arrangements rather than frame and empower the unfolding of long-term economic trajectories; narratives are constructed to consolidate partnerships and earn central government's trust. Reflexivity, and the capacity to learn from experience, are harnessed in order to master the rules of the game, meaning evolutionary learning arises less from confrontation with concrete *economic*

*development* problems than it emerges from the *political* problems engendered by power-inflected central-local relations. Thus, local governance actors can in fact retain their entrepreneurialism in the face of state transformation pressures, but find it diverted.

### **9.3.2 *Diverting adaptive capacity: principal-agent problems and evolutionary learning***

As discussed in Section 2.4, ‘adaptability’ is the ability to anticipate and respond to ‘pressures’ – a *capacity* that can be *harnessed* in the face of pressures and problems (Brown & Westaway, 2011; Engle, 2011). Ideas of adaptability and adaptation are critical concepts in EEG, but this literature has paid insufficient attention to the influence of power, politics, and governance. Storper’s (2013) conceptualisation of local/regional governance as a large-scale, unfolding, principal-agent problem is insightful here. Whereas Storper draws on this conceptualisation to examine the policy and governance challenges posed by the principal-agent mosaic *within* city-regions, this thesis argues that it also helps to elucidate the consequences of power-inflected *central-local* relations for the unfolding of micro-level adaptive processes. Principal-agent theory argues that the strategies adopted by principals to steer and control agents with differing incentives and motivations have unintended consequences (Bevir, 2010; Fukuyama, 2004; Kettl, 2002a; Stoker, 1998). Chakravarthy (1982), for example, emphasises that constant pressure for *short-term* results can divert agents’ attention from *long-term* strategic goals. In an evolutionary context, Grabher (1993) argues that cumulative short-term adaptation can undermine long-term adaptability as the

*exploration* of new, longer-term, more strategic but also more uncertain opportunities is 'crowded out' by the *exploitation* of existing ones where returns are more proximate and predictable (March, 1991).

Grabher's analysis of the Ruhr reveals how an area's adaptability can be undermined by 'perfect' adaptation to its particular *economic* environment, and this thesis expands this analysis to emphasise the consequences of local governance actors' cumulative adaptation to changes in their *political*(-economic) environment. The empirical chapters showed that local governance actors were routinely diverted from longer-term strategy and project development by centrally organised and short-term initiatives and funding opportunities. Given the tight timescales, actors perceived that their greatest potential for success rested on adapting to rules, playing the game, and constructing 'the best bids'. In Plymouth, resolving PCC's early problems required a period of intensive and inward-looking problem-solving and adaptation that crowded out the development of the more outward-looking skills and experience that PCC actors needed to compete with other cities for central government funding. The Coalition intended its City Deal process to empower local leaders to 'drive real change in their city by looking outwards to the private sector, rather than up towards central government' (HM Government, 2011, p.2). However, its interventions and steering attempts *intensified*, rather than *reduced*, local governance actors' focus on central-local relations.

What appears to happen in contexts permeated by intensive state restructuring is that agents (local governance actors) focus more on the immediate political problems

generated by their principals (central government actors) than on longer-term economic problems that are, ostensibly at least, the object of principals' restructuring activity. This potential for one problem to be displaced, or 'substituted' (Kahneman, 2012), for another is anticipated in evolutionary theories of learning. As discussed in Section 2.11, evolutionary learning arises from confrontation with concrete problems as agents adapt to their environment (Ansell, 2011). Problems are socially constructed (Rochefort & Cobb, 1993), and engaging actors in a collaborative but often power-inflected process of problem selection and definition is a critical requirement in network governance (Kelman, 1996). Given their cognitive limitations, actors are selectively attentive and often prefer to solve problems perceived as simpler rather than those that are regarded as more complex (Ansell, 2011). The empirical evidence showed that HotSW LEP actors routinely focused on central government competitions as a means to win short-term funding, reduce infighting, and deflect attention ('move the conversation on') from more difficult and contentious problems such as how to optimally balance long-term investment and growth between urban and rural parts of the HotSW area.

Double-loop learning is typically distinguished from single-loop learning by the extent to which actors reflect on, question, and modify their guiding assumptions and behaviours (Argyris & Schon, 1974). However, attention to issues of power and politics shows that reflexive actors may question what they are doing but decide they have limited choice but to act and behave in this way, particularly if the easiest problem to agree on is the need to collectively respond to central government requirements and funding competitions. The HotSW case study shows that, in institutional contexts characterised

by cumulative and disruptive change, such behaviour can become routinised as local governance actors become accustomed through experience over time to adapting to more immediate political problems. These routines, reinforced through positive feedback mechanisms, can lead to *competency traps* (Levitt & March, 1988). This does not necessarily mean that local governance actors entirely lose sight of their ostensive task to 'strengthen local economies'. However, adaptation becomes a more contested, power-inflected, multi-dimensional process with political and economic strands. While these strands do not axiomatically pull in different directions, the acculturating effect of regularly responding to problems created by perpetual state restructuring means that it can become, quite significantly, the culture and the mindset.

The perpetual rescaling and reshaping of the state drives adaptation, an evolutionary process *through which* local governance actors develop and nurture adaptive capacity. In this sense, central government intervention provokes both *adaptation*, the ongoing process by which actors adapt to pressures (Mackinnon, 2017), and *adaptability*, the dynamic capacity to effect and unfold evolutionary trajectories (Pike, Dawley & Tomaney, 2010). The key insight here, given EEG's concern with how adaptive processes operate in particular contexts (Bristow & Healy, 2014b), is that local governance actors' efforts to adapt to processes of state transformation, and deflect them to their own ends, can absorb their attention and divert them from core path creation activities. Problem-focused actors, particularly in contexts of austerity and inter-locality competition (Harvey, 1989; Pike *et al.*, 2018), may focus on whatever constraints, requirements and opportunities central government puts before them. State

restructuring, in a sense, becomes the problem to be solved. This may not result in maladaptation *per se* but may inhibit actors' ability to flex their adaptive capacities in the areas that, ostensibly at least, would be most effective in achieving their core economic development goals.

In responding to successive centralising measures, local governance actors may well focus less on their substantive 'asks' of central government (the ends) and more on their manner of asking (the means) – for instance, by bringing forward longstanding proposals in response to new funding mechanisms, rather than developing new project pipelines (National Audit Office, 2016a). Thus, actors' attempts to adapt central government rules to their own strategic ends can divert them from these ends; mastering the rules of the game, winning (in Malthusian terms) 'scarce' funding and binding partnerships together can become ends in themselves and ultimately lead to 'goal displacement' (Selznick, 1984). This thesis therefore argues that the unintended consequences of experimentation can, in the context of cumulative and often disruptive political-economic change, arise from local governance actors primarily responding to the pressures and problems created by this experimentation. The very processes of state transformation intended to unlock entrepreneurialism and locational competitiveness can absorb actors' attention and divert their capacity to adapt.

#### **9.4 Institutional-geographical contexts: shaping micro-level responses, adaptation and PBL**



#### **9.4.1 Exploring actors' embeddedness: scale, stability, and spatial imaginaries**

Building on the revised 'opportunity space' framework in Section 9.2, this section examines how local governance actors' embeddedness in particular institutional-geographical contexts may shape the unfolding of the micro-level adaptive processes elaborated in Section 9.3. Drawing on research on the importance of stability, scale and spatial imaginaries in institution building (Ayres, 2014; Hincks, Deas & Haughton, 2017; Pike, Dawley & Tomaney, 2010), it argues that the diversion of local governance actors from PBL and path-shaping activities by cumulative and disruptive political-economic change can be exacerbated by novel and incoherent institutional-geographical arrangements. This thesis' use of a qualitative, single-case study approach has particular implications here for the interpretation of findings and the forcefulness of explanations (Hoggart, Lees & Davies, 2002); these implications, and potential avenues for future research, will be discussed in Chapter 10.

Institutional-geographical context plays a constitutive role in economic action (Peck, 2005). Processes of state rescaling and reshaping can thus be expected to influence the behaviour of governance actors who are embedded in shifting socio-spatial contexts. Grillitsch and Sotarauta (2020) argue that, in EEG, PBL constitutes an important form of change agency wherein diverse actors and organisations look beyond their narrow interests and mobilise collective action around a long-term vision and sense of direction (see Beer *et al.*, 2019; MacKinnon *et al.*, 2019). Chapter 5 explored evidence that localities with a history of collective action, particularly those with existing governance arrangements coterminous with functional economic areas (Balch, Elkington & Jones,

2016), are often better positioned to enact PBL. Deas, Hincks and Headlam (2013) argue that such factors can account for the marked unevenness in capacity and progress among local/regional economic development partnerships. This raises questions in EEG and PBL research about the significance of actors' *embeddedness* in particular local institutional-geographical *contexts*, the stability and scale of their institutional-geographical arrangements, and the consequences of these for adaptive processes and capacities.

This thesis argues that a combination of endogenous developments (novel, incoherent institutional-geographical arrangements) and exogenous pressures (cumulative, disruptive evolutionary political-economic change) can divert and undermine PBL. Actors face lengthy improvisation to adapt to novel spatial, institutional and relational contexts in addition to complex and rapidly unfolding governance landscapes. EEG emphasises that *economic* change and adaptation are *path-* and *place-*dependent (Boschma & Martin, 2007). Based on the HotSW LEP case study, this thesis emphasises that *how* local governance actors respond and adapt to *political-economic* change, and *the extent* to which it diverts them from PBL activity, is also path- and place-dependent – and shaped by actors' own particular local institutional-geographical contexts.

Chapter 5 explored how the Coalition disputed the scalar selectivity of the New Labour government and formulated a critique of RDAs partly based on their mismatch with functional economic areas (Pike et al., 2015). The Coalition's otherwise light-touch guidance for creating LEPs emphasised its concern that LEPs reflect 'natural' economic

geographies and cover 'real' functional economic areas (HM Government, 2010b), but fewer than half the LEPs approved actually did (National Audit Office, 2013). Localities with established network governance reshaped existing partnerships (Pugalis, Shutt & Bentley, 2012). Localities with histories of administrative fragmentation and institutional friction were at a disadvantage (Deas, Hincks & Headlam, 2013) and had to forge new partnerships on the basis of novel geographies (Pugalis *et al.*, 2015).

Given the Coalition's stated aims, Chapter 6 characterised the HotSW LEP's polycentric and mainly rural geography as 'incoherent' based on (i) its failure to reflect functional economic areas (it intersected five) and (ii) its legacy of administrative fragmentation and institutional friction between seventeen local authorities with little history of collective action. In relational terms, places are viewed as socially and historically constructed with greater or lesser degrees of political-economic integrity (Allen, Massey & Cochrane, 1998; MacKinnon *et al.*, 2009), and it was clear that HotSW LEP actors perceived themselves to be disadvantaged by their novel, polycentric institutional-geographical arrangements: 'artificial'; 'has no logic'; 'we didn't have institutions and [...] history to build on'; 'we were starting from ground zero.' Local governance actors were largely manoeuvred into these arrangements, initially by Cornwall's decision to 'go its own way' and then by central government's encouragement and steering. Once their window of opportunity to shape the geographical boundaries of local governance had closed, actors found themselves effectively locked into a complex operating

environment.<sup>51</sup> The HotSW LEP's institutional-geographical arrangements provoked local tensions, divided loyalties, and diverted PBL, with actors obliged to prioritise shorter-term activities – shaping bids, developing negotiation tactics, and 'playing the game' – in order to win funding and bind the partnership together. As in other newly-forged localities (Pugalis *et al.*, 2015), HotSW LEP actors found themselves distracted by institution and partnership building, and faced lengthy improvisation to find their feet.

In their review of PBL literature, Beer and Clower (2014) argue that: (i) effective leadership is critical to the success of 'place'; (ii) there is a relationship between PBL and local/regional economic development; and (iii) central government plays an important role in creating the conditions for PBL. Ayres (2014) supports these notions but argues that 'scale matters' and that the skills and resources required to lead large cities and small rural communities differ greatly. Ayres therefore calls for more attention to be given to the significance of *scale* in the emergence and enactment of PBL. This thesis builds on these arguments but its empirical analysis suggests that not only the scale but the geographical *coherence* of 'place' matters if leadership endeavours are to gain traction and credibility.

The empirical chapters determined that the HotSW LEP's geography lacked credibility from the outset with local governance actors who struggled to make sense of and

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<sup>51</sup> Nationally, there were no LEP boundary changes from 2010-2016 – though in 2017 (after my primary research had concluded) the South East Midlands and Northamptonshire LEPs merged, leaving thirty-eight LEPs in operation (NAO, 2019).

describe it. Even central government actors conceded that its sheer size and fragmentation was a weakness. It is notable how quickly the HotSW LEP's geography was undermined by the emergence of the Plymouth City Deal, enabling PCC actors to assume a comparatively effective PBL role until the City Deal was itself undermined by the announcement of LEP-based Growth Deals. PCC actors' endeavours to assume a PBL role were helped by the City Deal having Plymouth as its unambiguous focal point but also because its wider geographical boundaries more closely resembled the longstanding, more traditional economic development structure of Devon and Cornwall combined.

This thesis has examined how building institutions around new spatial imaginaries that lack a clear and convincing logic affects and diverts the adaptive behaviour of institutional actors. The case study analysis showed that no particular logic underpinned the strategic selection of the HotSW LEP geography. As one local authority actor put it, 'it literally was the bits of the South West that were left over.' Local governance actors sought to make sense of their geography retrospectively, constructing sense-making narratives around the SEP and its three-by-three matrix of strategic and sectoral priorities (HotSW LEP, 2014g). However, the SEP was itself largely inherited from SWRDA, and the identification of strategic and sectoral priorities was based on site-specific activities located in each of the upper-tier local authorities. This approach reflected the lack of coherence of the HotSW LEP geography and the need to keep all upper-tier local authorities onside. Most local governance actors expressed a preference for previous spatial imaginaries – the South West region or a combined Devon and

Cornwall – or a primary loyalty to parallel imaginaries, especially local authority administrative areas. The case study shows that such imaginaries can be firmly embedded and difficult to dislodge, particularly if new imaginaries lack logic and geographical coherence, and thus credibility, in the minds of local governance actors.

Recent work on the role of spatial imaginaries in institution building is helpful here (Hincks, Deas & Haughton, 2017; Jessop, 2012; O'Brien, 2019). This emphasises the political difficulties involved in building institutions around *new* 'soft space imaginaries' given actors' loyalty to *existing* spatial imaginaries, in particular highly durable local authority administrative areas (Hincks, Deas & Haughton, 2017). For new imaginaries to gain purchase and secure 'hegemonic status' (Jessop, 2012), they must compete with and dislodge previous and parallel imaginaries that are often firmly embedded and 'locked-in' (Healey, 2007). New spatial imaginaries are disruptive so their construction by political forces requires a clear and convincing *logic* that supports their existence, and consolidation *over time* through their integration into the institutional regime and their articulation into widely accepted understandings of socio-spatial relations (O'Brien, 2019). Hincks, Deas and Haughton (2017) argue that the traction and durability of the Greater Manchester imaginary was secured in a succession of phases, over time, by local governance actors drawing on economic imaginaries constructed around the logic of agglomeration economics. However, the HotSW LEP case study shows that if new soft space imaginaries lack logic and involve a redistribution of powers and resources, this can lead to tensions among existing actors, particularly those in local government.

The empirical chapters suggest that tensions are exacerbated if local actors perceive that their institutional-geographical arrangements have not emerged spontaneously but in 'the shadow of hierarchy'. For instance, the HotSW LEP's emergence was prompted by Coalition policy, and its geography encouraged by Coalition actors. A belief commonly expressed by interviewees was that the proliferation of such 'manufactured' networks and partnerships – constructed in response to central government initiatives and funding opportunities rather than emerging 'organically' – meant that once the initiative or funding ended, they 'wither[ed] on the vine' and a different one was built in response to the next initiative or funding opportunity: 'they're quite tactical, and they evolve and they dissolve quite quickly.' This was reflected in many local governance actors' – particularly local authority actors' – views of the HotSW LEP as a mere 'conduit for funding.' One influential HotSW LEP actor conceded that 'the LEP was formed by government policy and therefore that suggests [...] the LEP will die by government policy.' This contrasted with central and local governance actors' perceptions of longstanding economic development partnerships like Greater Manchester and the West of England as more stable and thus more able to mobilise quickly and adapt. One CLGU official emphasised that 'if you look at somewhere like Manchester who have been in effect heading for devolution for about twenty years, when LEPs came along, they didn't drop everything and reinvent themselves, they just changed the plate above the door and carried on what they had been doing.' Longstanding institutions that emerge organically appear to be more conducive to PBL and collective adaptation.

This research suggests that state restructuring provokes qualitatively different responses among governance actors in economic development partnerships *depending on* actors' local institutional-geographical contexts and how these contexts have evolved over time. This thesis' empirical evidence thus largely supports Pike, Dawley and Tomaney's (2010) argument that stability and continuity in institutional-geographical arrangements engender trust and are important factors in local governance actors' ability to interpret and adapt to pressures. Actors in longstanding partnerships appear more able to adapt central government initiatives and funding opportunities to fit their own relatively stable long-term vision and sense of direction. In contrast, actors who lack a unifying logic and a history of collective action seem more likely to adapt their core narrative and evolve their planned trajectory to fit central government requirements in ways that they believe will 'play well' with ministers and officials and secure the rewards (funding, flexibilities, etc) necessary to bind their novel partnership together. The contrast in, for example, the approaches of Greater Manchester and HotSW LEP actors suggests that micro-level adaptation to evolutionary political-economic change is path- and place-dependent, shaped by actors' embeddedness in particular institutional-geographical contexts.

This thesis emphasises the critical shaping role played by a powerful central state. However, while Sotarauta and Beer (2017) similarly argue that the nature and expression of PBL is shaped by the national policy environment and the forms and modes of central government, this research demonstrates why, from an evolutionary perspective, PBL must be more broadly situated within its wider temporal, institutional,



geographical, and political-economic context. Bristow and Healy (2014b) stress the importance to EEG research of identifying how different actors behave in relation to different pressures and in different contexts, and what influences their capacity to adapt. The HotSW case study suggests that the nature and history of actors' local institutional-geographical contexts shapes how they respond and adapt to central government policies and governance mechanisms. This *interaction* between *local contexts* and *broader processes of state transformation* helps to explain the 'variegation' that Pike and Tomaney (2009) detect in local governance processes and outcomes. It also helps to explain why, as Beer et al. (2019) argue, PBL is highly differentiated in its expression. Therefore, in order to understand why central steering attempts have differential consequences for micro-level adaptation and the unfolding of local governance networks over time, attention to the embeddedness of actors in particular evolving institutional-geographical contexts is important.

#### ***9.4.2 Loose coupling, weak ties, adaptation: implications for systems and institutions***

The arguments made thus far are now elaborated by examining how actors' capacity for loosely coupled networking (Grabher & Stark, 1997) – an important component of 'adaptive capacity' (Engle, 2011) typically generated by diversity of interest and power relations among actors and institutions (Hannan & Freeman, 1984) – is harnessed and diverted in particular institutional-geographical contexts in the face of evolutionary political-economic change. Building on ideas of spatial imaginaries and institution building, it incorporates notions of 'strong and weak ties' (Granovetter, 1973) and

‘institutional loyalty’ (Jones, 2001). It argues that actors’ loosely coupled networking capacities can benefit local/regional economic systems but, amid weak ties and conflicts of allegiance, they can also undermine the institutional-geographical arrangements intended by central government to help shape the trajectory of those systems.

The implications of loosely coupled adaptive behaviour for the stability of local/regional *institutional forms* has received less attention in the EEG literature than its implications for local/regional economic *systems*. In the HotSW LEP case study, loose coupling often benefited the complex adaptive ‘system’ – conceptualised here as the local/regional economy (Bristow & Healy, 2015; Martin & Sunley, 2015) – because it enabled diverse actors and organisations to adapt to evolving governance mechanisms, attract funding and accrue policy advantages. This ability of actors to adapt their behaviour in response to contingency without disrupting the whole system is an evolutionary advantage of loose coupling (Grabher & Stark, 1997; Weick, 1976). However, local governance actors’ loose coupling frequently undermined the legitimacy and authority of the HotSW LEP. The Plymouth City Deal, Growth Deals, the Devolution Deal, and collaborative initiatives including the peninsula-wide rail taskforce and the south coast marine cluster: all involved different actors, institutions, and geographies. Having learned from the experience of other localities that network interaction and partnership building were prerequisites for winning central government funding, local governance actors frequently adapted their institutional-geographical arrangements to the shape of the opportunities that arose, modifying geographies to fit themes and rules, and forming different partnerships at different times for different purposes.

It is helpful here to synthesise the insight from the previous section – that the relative degree of actors’ attachment to spatial imaginaries can help or hinder institution building – with the research on strong and weak ties discussed in the literature review (2.11). Hincks, Deas and Haughton (2017) emphasise the challenges involved in building institutions around *new* ‘soft space imaginaries’ given actors’ attachment to *existing* spatial imaginaries, in particular durable local authority administrative areas. These spatial imaginaries and accompanying institutions are, when constructed on a clear and convincing logic, consolidated by actors over time (O’Brien, 2019) and form the basis for the development of strong interpersonal ties characterised by longevity, emotional intensity, and trust (Granovetter, 1973). These ‘strong ties’ can facilitate adaptation in the short term but hinder adaptability in the long term *unless* they are combined with ‘weak ties’ directly and indirectly connecting actors in and across loosely coupled networks (Grabher & Stark, 1997). Thus, stability and continuity in institutional-geographical arrangements can engender trust and enable strongly and tightly connected actors to respond to short term pressures, but these same actors must be weakly and loosely connected to actors in other institutions and places to be able to interpret, frame and effect multiple evolutionary trajectories over time (Pike, Dawley and Tomaney, 2010).

The HotSW LEP case study revealed loosely coupled local governance actors who combined weak ties, in and across socio-spatial networks, with strong ties to durable local authority organisations and imaginaries. However, few local governance actors

professed to having strong ties to the HotSW LEP itself. One local governance actor commented that most local authorities would 'sweep away the LEP tomorrow.' HotSW LEP actors with no attachment to any sub-area – the 'facilitators' and 'mediators' among the central team and private sector board members – aspired for the LEP to be the 'constant' foundation or bedrock from which other networks emerged. However, the LEP's high degree of dependence on local authority partners for staff and expertise combined with its challenging institutional-geographical arrangements meant that most local governance actors' primary allegiance rested with parallel local authority imaginaries. In local/regional economic development governance, ties to existing, parallel imaginaries tend to be strong; ties to new imaginaries relatively weak.

Jones (2001, p.283) conceptualises this phenomenon in terms of institutional 'loyalty' and argues that the 'effectiveness' of subnational institutions rests on 'their ability to command the loyalty and commitment of the actors working in and through them.' The Coalition hoped to achieve this by allowing LEPs to emerge organically. However, institutional emergence is often a contested and largely political process that unfolds in the shadow of hierarchy. Processes of state transformation may be initiated by central governments to implement policies and impart a particular direction, but these same processes can create 'conflicts of allegiance', pitting institutions and imaginaries against one another: national versus regional (Jones, 2001) and local versus broader 'soft spaces' (Hincks, Deas & Haughton, 2017; Pemberton & Goodwin, 2010). As the experience of actors in the HotSW area shows, when conflicts of allegiance arise, local

governance actors tend to remain primarily loyal to the local authority organisations and imaginaries that are more firmly embedded and to which they are most strongly tied.

Questions remain over what combination of strong and weak ties is most favourable to local/regional adaptability (Martin & Sunley, 2006), particularly at the micro-level (Grillitsch & Sotarauta, 2020). However, while it is generally accepted that some combination is preferable for promoting the adaptability of a local/regional economic system (Pike, Dawley & Tomaney, 2010), the HotSW case study suggests that insufficiently strong ties of association can undermine the legitimacy and authority of the institution created to shape the evolution of that system. An institution's lack of logic, geographical coherence, and credibility in the minds of local governance actors – particularly if it has a history as a 'manufactured' rather than an 'organic' network – can lead to relatively weak ties and conflicts of loyalty that render it vulnerable to the disruption caused by actors' loose coupling in response to processes of state transformation.

In the HotSW area, actors' loosely coupled networking activity was founded on strong ties to local authorities: firmly embedded parallel imaginaries that the HotSW LEP was unable to dislodge. Its designation as a conduit for central government funding ensured its survival, and central government actors acknowledged the 'not inconsiderable achievement' of keeping a very large and diverse partnership together in order to attract funding. In this sense, actors' loose coupling could be viewed in purposive terms as being 'strategic' (Dawley, MacKinnon & Pollock, 2019), albeit diverted. However, central

government's decision to negotiate Devolution Deals primarily with local authorities, albeit based on LEP geographies, further disrupted PBL attempts and once again revealed ties of association to be relatively weak, as loosely coupled local authority actors and organisations adapted to the evolving governance landscape by marginalising the HotSW LEP.

The adaptive behaviour of local governance actors can, then, prevent or at least inhibit the *consolidation* over time of new spatial imaginaries and their accompanying institutions. If institutions built around new spatial imaginaries are not articulated into widely accepted understandings of socio-spatial relations (O'Brien, 2019), they remain 'to a large degree contingent and conditional, [...] fleetingly appropriate and effective in delivering particular desired outcomes' only when they coincide with political necessity (Pike *et al.*, 2015, p.202). Local governance actors have the capacity to adapt their institutional-geographical arrangements to the shape of opportunities, modifying geographies and forming different partnerships at different times for different purposes. Partnership building is, in this sense, a politically expedient adaptive strategy. As a consequence, multiple imaginaries may well emerge. The HotSW area was one such imaginary among several to emerge locally and, despite the status conferred on it by central government (which in any case ebbed and flowed), it was unable to gain real purchase with, and command the loyalty and commitment of, local governance actors. Local authorities, because they are more firmly consolidated and embedded, appear to be better positioned to retain their local 'hegemonic status' (Jessop, 2012). The experience of the HotSW LEP thus suggests a peculiar kind of *institutional thickness*, as

the narratives around its geography that local governance actors worked hard to construct were largely outward focused (aimed at winning funding) and lacked the belief and shared buy-in of actors in more fundamental terms. In such contexts, ensembles of local actors and organisations may coalesce around common *agendas* – usually an important factor in institutional thickness (Coulson & Ferrario, 2007; Zukauskaitė, Trippel & Plechero, 2017) – but not, except when necessary, around core institutions specifically built to shape and implement those agendas.

This directs attention to the evolutionary consequences of centrally driven processes of state transformation. Central government retains a key, albeit spatially recalibrated and decentred, role in political-economic coordination (Brenner, 2004) but its encouragement or imposition of particular state forms at particular scales conflicts with local governance actors' tendency to loosely and strategically couple at a range of geographies across multiple networks in response to evolutionary political-economic change. Central government attempts to rescale and reshape the subnational state into institutional-geographical forms in order to promote local growth while granting itself central scrutiny and control over policy and funding can lead to competition between these 'created' institutional-geographical forms and existing spatial imaginaries, particularly those associated with durable and embedded local administrative areas. Where and when new institutional-geographical configurations overlap with existing soft space imaginaries that have arisen organically and been consolidated over time, institution building may be facilitated (O'Brien, 2019) and a degree of stability and continuity achieved (Pike, Dawley and Tomaney, 2010). But artificial and non-intuitive

institutional-geographical arrangements, manufactured by, or in response to, central government steering, may struggle to secure the commitment of local governance actors whose loyalties remain elsewhere and who have learned the temporariness of such arrangements through observation of central government's perpetual restructuring.

Such incongruences reveal unintended consequences in central government's perpetual search for appropriate scales and forms of local/regional economic development governance. Pike *et al.* (2015, p.202, emphasis added) argue that centrally encouraged or imposed institutional configurations 'can quickly be rendered inappropriate and ineffective *obstacles to adaptation*, liable to further disruption and restructuring as conditions and contexts change.' This thesis argues that short-term shocks, including governance and funding pressures, may have a temporary galvanising or unifying effect. However, even if new institutional configurations coincide with embedded spatial imaginaries, centrally driven state transformation processes can still hinder the organic evolution of longstanding partnerships where actors are required to invest time in making sense of their institutional arrangements. Where these configurations compete with institutional loyalties and locked-in imaginaries, the tensions and battles provoked can divert local governance actors from pursuing the very economic development goals that, ostensibly at least, prompted central government's state rescaling and reshaping in the first place.

## **9.5 Conclusion**



This chapter has discussed the major findings of this thesis and examined their significance in the context of the wider literature. It contributed in several ways to advancing understanding of how micro-level adaptive processes and capacities unfold in the context of cumulative, and often disruptive, evolutionary political-economic change. In particular, it articulated how, and in what contexts, the disruptiveness of central government's continuing experimentation with institutional configurations and governance mechanisms can divert actors from the more sustained and strategic coupling (MacKinnon *et al.*, 2019) associated with core path shaping activity and the pursuit of longer-term strategic goals.

The chapter argued that the existing EEG literature underplays pressures associated with processes of evolutionary state transformation: both state rescaling *and* reshaping. It argued that actors involved in the governance of local/regional economies respond and adapt to both economic change *and* the continually evolving processes of state transformation intended to help facilitate and shape this change. An evolutionary GPE approach is deepening the conversation between political and economic factors and making their relationship more explicit in the shaping of local/regional economic adaptation (MacKinnon *et al.*, 2019; Pike *et al.*, 2009). However, in EEG more widely, the conversation has not been sufficiently intense (Oosterlynck, 2012), and the chapter argued that this is evident in the underplaying of power, politics and governance in Grillitsch and Sotarauta's (2020) 'opportunity space' framework. The chapter argued for a more integrated focus on evolutionary *political-economic* change and its consequences for adaptive processes and capacities. To help facilitate this, the chapter

reconfigured the 'opportunity space' framework to incorporate institutional and power dynamics, arguing that these are critical factors in analyses of PBL and purposive adaptation in a governance context.

EEG's understanding of micro-level adaptive processes also remains limited (Bristow & Healy, 2014a; Grillitsch & Sotarauta, 2020), particularly in response to evolutionary political-economic change (Dawley, 2014; Hodgson, 2009; Morgan, 2012). The literature emphasises that local governance actors often resist or seek to translate central control to meet their own purposes (Davies, 2005; Harvey, 1989; Jones *et al.*, 2004; MacKinnon, 2000; Sabatier, 1986). However, it underplays its unintended consequences for how micro-level adaptive processes unfold. The chapter addressed this by repurposing Storper's (2013) conceptualisation of local/regional governance as an unfolding principal-agent problem. Drawing on theories of evolutionary learning as a 'problem-driven' adaptive process (Ansell, 2011), the chapter argued that, in contexts permeated by intensive state restructuring, agents (local governance actors) are predisposed to focus more on the immediate political problems generated by their principals (central government actors) than on longer-term economic problems that are, ostensibly at least, the object of principals' restructuring activity. Over time, this can have an acculturating effect as adaptation to problems created by perpetual state restructuring becomes routinised in local/regional economic partnerships. Micro-level adaptation thus unfolds as a multi-dimensional process with political and economic strands. The chapter argued that, while local governance actors may not entirely lose sight of their longer-term objectives, there is considerable potential for them to be *diverted* from

path-shaping activities by responding and adapting to shorter-term state transformation processes that are intended to encourage such activities.

Addressing EEG's theoretical inattention to processes that connect the micro behaviours of actors to institutional evolution and change (Uyarra *et al.*, 2017), the chapter examined how local governance actors' embeddedness in particular institutional-geographical contexts may shape the unfolding of micro-level adaptive processes. Drawing on research on the importance of stability, scale and spatial imaginaries in institution building (Ayres, 2014; Hincks, Deas & Haughton, 2017; Pike, Dawley & Tomaney, 2010), it argued that the diversion of local governance actors from PBL activities by state transformation processes can be exacerbated by novel and incoherent institutional-geographical arrangements. By way of elaboration, the chapter argued that local governance actors' capacities for loose coupling may be evolutionarily advantageous in enabling them to adapt institutional-geographical arrangements to the shape of opportunities, by modifying geographies and forming different partnerships at different times for different purposes, without disrupting local/regional economic systems. However, the same capacities can, where weak ties and conflicts of allegiance occur, undermine the emergence of the institutional-geographical forms intended by central government to help shape the path trajectories of those systems, particularly when local governance actors remain attached to more firmly embedded spatial imaginaries, particularly durable local administrative areas.

There is therefore a tension between central government's encouragement or imposition of particular state forms at particular scales and local governance actors' tendency to loosely couple at a range of geographies across multiple networks in response and adaptation to evolutionary political-economic change. The chapter thus revealed risks inherent in the state's perpetual tinkering with and optimisation of local/regional governance. It argued that artificial and non-intuitive institutional-geographical arrangements, manufactured by or in response to central government steering, struggle to command the loyalty of governance actors who have learned from experience to be sceptical of their longevity. It argued that such arrangements become obstacles to adaptation, and the disruptiveness of central government's continuing experimentation with institutional configurations and governance mechanisms diverts actors from the more sustained and strategic adaptation necessary to pursue longer-term economic goals.

## **10. CONCLUSION**

### **10.1 Introduction**

This thesis has sought to advance understanding of how micro-level adaptive processes and capacities operate and unfold at the local/regional level in the context of cumulative, and often disruptive, political-economic change. In support of this aim, three research questions were explored: (1) How do processes of state transformation unfold in subnational economic development governance? (2) How do local governance actors experience and respond to the pressures they face? and (3) How are actors able to enact purposive adaptation in this context? The thesis addressed these questions by investigating how, and drawing on what capacities, governance actors involved in the HotSW LEP enacted, responded and adapted to political-economic change from 2010 to 2016.

This concluding chapter sets out the main research findings and contributions, considers their policy and research implications, and reflects on the research process.

### **10.2 Key findings, contributions, and implications**

#### ***10.2.1 Unfolding processes of state transformation***

This thesis has situated LEPs in ongoing debates over how local governance actors and arrangements help subnational economies respond and adapt to economic change, and how this can be facilitated by nation-states (Bristow, Healy & Norris, 2014). It has argued

that, despite policy ambitions to promote economic evolution and adaptability through PBL and institution building (Beer et al., 2019; OECD, 2019; Pike and Tomaney, 2009), central governments have only limited understanding of how local governance actors collectively enact purposive adaptation, how this activity is promoted or inhibited by different institutional configurations, and how continuing experimentation with scales and forms of economic development governance influences the unfolding and operation of micro-level adaptive processes. While *adaptation* and *adaptability* are critical ideas in EEG's explanations of subnational economic change (Martin & Sunley, 2006; Uyarra *et al.*, 2017), this thesis has argued that existing research underplays the extent to which local governance actors undergo adaptation to, and demonstrate adaptability to, pressures associated with state restructuring.

In part this reflects the firm-centric nature of much EEG research and its relative inattention to political factors and the shaping role of the state (Bristow & Healy, 2014b; Morgan, 2012; Pike *et al.*, 2009). Contrary to my original theoretical proposition, based on both my reading of the EEG literature and my own prior experience, this thesis found that actors involved in the HotSW LEP were generally less focused on economic pressures than on pressures associated with power-inflected processes of state transformation. Accordingly, this thesis has argued that critical attention to local governance actors' institutional contexts and embeddedness in structures of power relations is essential if key EEG research issues are to be addressed: (i) *who* is undergoing adaptation to *what*? (ii) *who* is demonstrating adaptability to *what*? and (iii) *how* do different micro-level adaptive processes operate in different contexts? To support and

contribute to EEG's response to such questions, Grillitsch and Sotarauta's (2020) 'opportunity space' framework was reconfigured in Chapter 9 to incorporate institutional and power dynamics as key factors in analyses of PBL and purposive adaptation in a governance context.

The *evolutionary* nature of state restructuring processes has been highlighted in the literature (Jessop, 2001; Pike, Dawley & Tomaney, 2010; Pike *et al.*, 2015; Storper, 1997). This thesis' evolutionary analysis of English economic development governance has shown how state transformation processes unfold in a path-dependent way, enacted in rejection of previous projects (e.g., the Coalition's dismantling of regionalism) or in response to the unintended consequences of more recent bouts of restructuring (e.g., the creation of the LGF and the conversion of LEPs to conduits for funding following criticism of their insufficient resources and chaotic funding regime). However, the literature has tended to emphasise either state *rescaling* (its spatial reconfiguration) or state *reshaping* (mechanisms of steering and control) and too little attention has been given to the pressures that these combined processes produce and their implications for the operation and unfolding of micro-level adaptive processes and capacities at the local/regional level.

This thesis has contributed to addressing this by (i) revealing and explaining the mechanisms used by local governance actors to interpret, respond, and adapt to changing situations and (ii) examining how actors become accustomed to adapting to what is in front of them, i.e., the more immediate problems and challenges arising from

central government's recurring attempts to (a) organise its relations with local/regional actors and (b) identify ways to facilitate subnational economic development.

### ***10.2.2 Micro-level responses and adaptation***

In evolutionary accounts of micro-level change, actors learn how to respond to pressures and problems and continually adapt their behaviour by observing and reflecting on the system as a whole (Bristow & Healy, 2014b; Martin & Sunley, 2015). Evolutionary learning is therefore an experiential, reflexive, and problem-focused process (Ansell, 2011; Kolb, 1984). A distinctive contribution of this thesis has been to show how these key characteristics of evolutionary learning render local/regional adaptive capacities vulnerable to disruptive political-economic change. Drawing on principal-agent theory, it has argued that in contexts permeated by intensive state restructuring, local governance actors' problem-oriented learning capacities mean they are predisposed to focus on and respond to the immediate political pressures that restructuring generates rather than the longer-term economic problems that are, ostensibly at least, driving the restructuring activity.

Critically, the thesis has argued that actors' capacity to innovate, adapt and exercise change agency is not necessarily reduced as a consequence. Pike *et al.* (2015) argue that, in the face of rapidly unfolding state transformation processes, local governance actors can struggle to retain their agility, flexibility, and entrepreneurialism. In fact, this research showed that actors continue to harness their adaptive capacity but mainly in



response to short-term political pressures rather than in pursuit of the longer-term, more strategic goals that Pike *et al.* are rightly focused on as the ostensive and critical responsibilities of local economic development institutions.

The research showed how actors enact purposive adaptation by flexing: (i) individual and collective sensemaking capacities in attempts to grasp the implications of shifting institutional-geographical contexts, roles, responsibilities, and relationships; (ii) networking capacities to build partnerships that ‘play well’ with ministers; (iii) storytelling capacities to justify and legitimise institutional-geographical arrangements, consolidate partnerships, and earn central government’s trust; (iv) evolutionary learning capacities to master central government rules; and (v) entrepreneurial capacities to compete for central government funding. These capacities are recursive and mutually reinforcing. For instance, PCC’s endeavours to de-lock itself from early inheritances, secure a City Deal and begin to assume a PBL role involved a complex mix of adaptive capacities and processes that unfolded over the course of many years – shaped by, and helping to shape, wider political-economic change. The central finding of this research is that, in the face of power-inflected processes of state transformation, local governance actors retain their adaptive capacity but find it diverted.

In this sense, central government intervention into subnational economic development governance provokes both adaptation and adaptability. State restructuring, itself engendered by economic change, generates evolutionary momentum, and propels adaptation *through which process* local governance actors develop adaptive capacity.

This does not mean that local governance actors necessarily lose sight of their core economic development objectives, but as micro-level adaptation unfolds in the context of both political and economic change, there is considerable potential for actors to be *diverted* from core economic path-shaping activities.

Conceptually, there are echoes here of Grabher's (1993) analysis of the decline of the Ruhr area. In Grabher's influential account, a preoccupation with refining existing capabilities and an overdependence on localised learning processes crowd out the ability to question the appropriateness of this behaviour, resulting in 'spatial myopia' (Grillitsch & Sotarauta, 2020; Maskell & Malmberg, 2007). However, there is a crucial difference with this thesis' contribution. Grabher's conceptual insights were derived from the interplay of mainly *endogenous* factors and relations: local/regional industries, networks, and political-administrative structures. This research has shown how *exogenous* pressures, arising from centrally driven processes of state transformation, absorb local governance actors' attention and divert them from longer-term strategic economic goals. In this conceptualisation, state restructuring processes initiated by central forces drag actors' temporal orientation towards the present (political challenges) and away from the future (economic pressures). Over time, this appears to have an acculturating effect as regularly responding to state political forces' recurring attempts to steer governance arrangements becomes, quite significantly, the local institutional mindset. Problem-focused local governance actors get locked into an adaptive cycle that is powered by, and revolves around, pressures arising from evolutionary state transformation.

EEG has paid insufficient attention to the potential for local adaptive processes in state restructuring contexts to unfold in this manner, and related literature has mainly focused on local governance actors' resistance to and (re)translation of central directives (Davies, 2005; Harvey, 1989; Jones *et al.*, 2004; MacKinnon, 2000; Sabatier, 1986). This thesis has argued that central government intervention can facilitate change and promote adaptability but steer it in unintended directions, in essence the diversion and, if not maladaptation, then certainly not the flexing of adaptive capacities solely and consistently towards promoting economic development compared with whatever requirements, opportunities and constraints central government intervention entails. EEG has been criticised for its limited empirical investigation of micro-level adaptive processes and capacities (Bristow & Healy, 2014b; Grillitsch & Sotarauta, 2020), and this thesis' empirical insights have emphasised why EEG research, if it is to more fully explain how such processes and capacities operate at the local/regional level, needs to be more alert to the complex, power-inflected and unintended ways in which micro-level adaptation unfolds in governance contexts.

### **10.2.3 Institutional-geographical contexts**

This thesis has shown how exogenous pressures associated with state transformation processes interact with mainly endogenous developments in governance actors' local institutional-geographical contexts. The research found evidence in the form of empirical examples that the diversion of PBL and micro-level adaptive capacities by state transformation processes was common in LEPs with novel and incoherent institutional-

geographical arrangements (e.g., HotSW) but less so in LEPs with geographical coherence, a unifying logic, and long-established partnership working that had emerged organically (e.g., Greater Manchester, the West of England, and Cornwall).<sup>52</sup> The evidence found is largely supported by, for example, Balch, Elkington and Jones' (2016) study of LEPs in South West England,<sup>53</sup> but caution is still necessary here given this thesis' adoption of a qualitative, single-case study approach. Research limitations are discussed below, but these tentative findings have implications for academic and policy endeavours to understand how changes in local institutional frameworks promote or inhibit local/regional adaptive capacity.

The thesis has sought to explain these findings by incorporating insights from temporally, spatially, and relationally sensitive research on the importance of stability, scale and spatial imaginaries in institution building (Ayres, 2014; Hincks, Deas & Haughton, 2017; Pike, Dawley & Tomaney, 2010). It has argued that local governance actors tend to loosely couple on a foundation of widely accepted institutional-geographical configurations. This evolutionarily advantageous capacity for loose coupling enables actors to construct additional, temporary institutional-geographical arrangements in pursuit of particular objectives without disrupting local/regional economic systems or undermining embedded spatial imaginaries and institutions (e.g.,

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<sup>52</sup> More LEPs were identified to support these findings but only a small number are named here to protect the identities of the interviewees, mainly CLGU officials, who identified them.

<sup>53</sup> Balch, Elkington & Jones (2016) found that, in the HotSW and Dorset LEPs, longer-term visioning and strategic planning had been hindered by tensions arising from their complex political-economic geographies and two-tier structures (in 2019, Dorset County Council and its district/borough councils were abolished and replaced by two new unitary authorities). This contrasted with the progress made in LEPs with histories of collective action based on either functional economic geographies (e.g. West of England) or existing county/unitary authority boundaries (e.g. Cornwall and Gloucestershire).

local administrative areas). The stability of these seemingly more 'permanent' institutional-geographical configurations appears to be founded on at least two important features (O'Brien, 2019): an underlying logic and/or geographical coherence that supports their existence, and their consolidation over time into the institutional regime and widely accepted understandings of socio-spatial relations.

The thesis has argued that actors' tendency to use such firmly embedded institutional-geographical configurations as the foundation for purposive adaptation and loosely coupled networking creates conflicts of allegiance with, and undermines central government's construction of, new institutional-geographical forms that are intended (ostensibly at least) to facilitate local/regional resilience and growth. The HotSW case study demonstrated that, when such conflicts of allegiance arise, local governance actors tend to remain primarily loyal to the local authority organisations and imaginaries that are more firmly embedded and to which they are most strongly tied. Central-local boundary spanners and local private sector actors with weak or no ties to any particular spatial-administrative sub-area or arrangements may attempt to mediate and facilitate partnership working, but often struggle in the face of competing scales and forms that have their own local democratic claims and mandates. The cumulative and seemingly perpetual nature of much state restructuring activity further erodes local governance actors' belief and confidence in novel, centrally driven institutional-geographical forms. Actors learn from experience to be sceptical of their longevity.

Tensions between new state scalar configurations and local governance actors' tendency to network at multiple scales, and the propensity for the problems caused by such state restructuring to displace longer-term economic goals, show the risks inherent in the state's perpetual tinkering with and optimisation of local/regional governance. Central government seeks and typically achieves some degree of control through such state rescaling and reshaping, but at what cost? The implications are particularly severe for peripheral economies and old industrial areas where, as Martin *et al.* (2016) observe, local governance actors and institutions play an important role in tackling deindustrialisation and decline – and, as a PCC politician emphasised, not so much dealing with the consequences of growth but 'making growth happen'. When such areas struggle with complex institutional-geographical contexts and arrangements, and austerity-driven reductions in capacity (Gray & Barford, 2018), uneven development is exacerbated by both economic and political conditions.

#### **10.2.4 Policy implications**

Given these risks, how might central governments facilitate political-economic change in a way that more effectively nurtures local/regional adaptive capacity? This research has underscored the challenges in addressing such normative questions by revealing the uneven consequences of imposing one-size-fits-all solutions in local/regional economies with diverse and often contested origins, inheritances, and trajectories, where successful partnership building and PBL typically evolve at their own speed. Partnerships with geographical coherence, a unifying logic, a history of collective action, and which emerge more or less organically, appear to be better equipped for sustained collective

adaptation in pursuit of longer-term economic goals. However, while partnerships with non-intuitive institutional-geographical arrangements manufactured by or in response to central government steering might help to solve isolated or short-term problems, they struggle to command the loyalty of governance actors. They are fleetingly appropriate and, after any initial organising logic has faded or expired, can become suboptimal and inefficient obstacles to longer-term adaptation.

Viewed in evolutionary terms, this thesis argues that such problems arise when powerful central governments seek to impose static, formal institutional arrangements on local/regional adaptive processes that are dynamic and change over time. This research has shown that static institutional configurations can go against the grain of, rather than promote and facilitate, local governance actors' more restless adaptive inclinations. This does not justify perpetual, top-down restructuring. As Hannan and Freeman (1984, p.151) assert in an organisational context that is also applicable here, 'the worst of all possible worlds is to change structure continually only to find each time upon reorganization that the environment has already shifted to some new configuration that demands yet a different structure.' As this research has shown, such recurring processes of state transformation create their own pressures that test even established partnerships.

In an English context, perhaps the key lesson from the HotSW LEP is that the search for static, rather than fluid and dynamic, solutions to English economic development governance's 'missing middle' (Shaw & Greenhalgh, 2010) is problematic. To facilitate

more flexible solutions, this research has argued that some form of institutional-geographical foundation appears necessary for the effective operation and unfolding of micro-level adaptive processes and capacities. It has demonstrated the enduring appeal of local authorities in this regard. As Pemberton and Goodwin (2010) argue, local authorities offer stability, democratic legitimacy, and a unit of political-economic geography around which broader, more fluid, partnerships and geographies can be built.

Given the large number of English local authorities (HM Government, 2021),<sup>54</sup> successive governments have sought to more efficiently engage with subnational economies through (typically static) institutional fixes such as LEPs. Exhibiting symptoms of Jones' (2010) 'disease', there are signs that the current Johnson-led Conservative government has grown dissatisfied with much of the LEP agenda: no further Growth Deals have been announced, major economic development investment including the new £4.8 billion Levelling Up Fund has been allocated directly to local authorities (HM Treasury, 2021a), and competitive bidding for local funding is being curtailed (Sharman, 2021). Signalling its intention for local authorities to assume primary responsibility for local growth capital funding, the government has commissioned a review of the form, functions and funding of LEPs and the effectiveness of their geographies (The MJ, 2021), with speculation that ministers want to increase their size and reduce their number (Hill, 2021).

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<sup>54</sup> In November 2021, there were 333 local authorities in England.



This research suggests that imposing a further round of static fixes risks compounding issues, not resolving them. More stable partnerships, those that emerged organically and cover functional economic areas (often but not always urban agglomerations such as Greater Manchester and the West of England) have already introduced formal working arrangements such as mayoral combined authorities (Sandford, 2020) and in so doing helped to ‘simplify’ (ostensibly at least) central-local relations. Given time, others in similar institutional-geographical contexts may follow. But in more rural, polycentric areas like the HotSW where one-size-fits-all arrangements poorly reflect economic complexities, perhaps more fluid arrangements are necessary to facilitate local governance actors’ self-organising capacity to modify geographies and form different partnerships at different times in response to particular economic problems and opportunities. This implies allowing local governance actors to organise resources around problems rather than having to force problems into machinery created for a particular purpose at a particular point in time (Sparrow, 2000).

In some ways, this notion evokes aspects of New Labour’s short-lived MAAs (see Section 5.2) which encouraged groups of local authorities to voluntarily establish cross-boundary arrangements to tackle particular economic development challenges. That policy positioned local administrative areas as foundational units of political-economic geography and encouraged the organic emergence of structural couplings, though this research suggests that its one-size-fits-all approach and insistence that governance arrangements be agreed ‘on a permanent basis’ would have undermined its utility in evolutionary terms. Instead, there is a need for genuine and sustained variation and

flexibility in institutional-geographical configurations given the diversity of local socio-spatial contexts and the shifting nature of economic pressures.

This research has demonstrated in a somewhat Veblenian (1898) vein that as different institutional scales and forms develop in different places at different times, some (e.g., the Greater Manchester partnership) survive in their core geographical form and maintain stability through gradual mutation, layering, conversion and redefinition, while others (e.g., the Plymouth City Deal partnership) wane, lose their purpose, get dismantled and in some way replaced. It has shown that facilitating self-organising local governance actors' improvisation of institutional and scalar fixes does not inexorably lead to the 'bewildering complexity' (Pike & Tomaney, 2009) and 'alphabet-soup' of subnational structures (Jones, 2010) that some have feared. The experience of the LEPs has shown that many partnerships opt to select stability over novelty. But some places, given local circumstances, need more variety. In the HotSW area, multiple scales and partnerships emerged during this research in response to particular problems, some formal and time-bound (e.g., the peninsula-wide rail taskforce), some informal and open-ended (e.g., the south coast marine cluster). More recently, joint Local Plans have seen the organic emergence of more novel institutional-geographical arrangements (PCC & Partners, 2019).

In such places, static structures may provide a façade of simplicity but prove to be obstacles to the adaptation and adaptability they are meant to promote. Genuine devolution of capital funding to partnerships of local authorities – some enduring, some

more fluid and problem-specific – would enable local governance actors to flex their adaptive capacity less in response to centrally driven state restructuring and more in pursuit of locally sensitive, strategic economic development goals. This research has shown that local institutions also need revenue funding and the right staff with the right skills to undertake the long-term visioning and coordination integral to PBL, and the viability of such activities in the continuing austerity context is questionable. Moreover, there remains a need for central government to ‘let go’ (Ayres & Pearce, 2013). Nevertheless, this thesis has shown that an improved understanding of how power relations and institutional dynamics influence, and are influenced by, local governance actors’ harnessing of adaptive capacity holds promise for informing future efforts to facilitate political-economic change in a way that more effectively nurtures local/regional adaptive capacity.

### **10.3 Reflecting on research strengths and limitations: future research avenues**

As discussed in Chapter 4, I adopted a qualitative, case study approach to examine how micro-level adaptive processes unfolded in a particular context and to address the lack of such studies in the EEG field (Boschma & Frenken, 2009; Bristow & Healy, 2014a; Hu & Hassink, 2015; MacKinnon *et al.*, 2009). With my focus on developing an *in-depth* understanding of governance actors’ beliefs, experiences and responses, I chose a single-case design to achieve the rich detail (Silverman, 2017) and deep contextualisation (Martin & Sunley, 2015) that intensive single-case study offers over cross-unit analysis (Flyvbjerg, 2011). The detailed analysis of one particular geographical area generated the richness and depth of data and evidence considered necessary to

open up the 'black box' of micro-level adaptation and adaptability and illuminate how such processes, behaviours and capacities operate and unfold at the local/regional level (Bristow & Healy, 2014b).

The HotSW LEP offered a critical case example of the multiple pressures necessitating micro-level adaptive capacity in many LEPs and more widely in subnational partnerships subject to complex and evolving forms of governance (Brenner, 2004). With its novel and polycentric institutional-geographical arrangements (encompassing seventeen mainly rural local authorities intersecting five functional economic areas), the HotSW LEP can and should be regarded as a multi-scalar, multi-institutional study through which some degree of comparison was possible. It featured important sub-units of analysis: the individual actors and organisations involved and three political-economic processes through which roles and relationships, actions and interactions, beliefs and capacities could be examined. Nevertheless, given this thesis' interest in central-local power relations which are likely to differ from place to place, the understandings presented are inevitably partial and situated.

While 'critical' single-case studies can be used to operationalise conceptual insights, test theoretical propositions, and expand and generalise theories (Barzelay, 1993; Yin, 2014), the theory-laden, interpretive knowledge generated remains context-dependent (Castellacci, 2006; Flyvbjerg, 2006). Meaningful insights emerged from interviews and were cross-validated in accordance with my triangulation strategy (Yeung, 2003) but my research design – in particular the decision to examine a single LEP – has implications

for the forcefulness of my conclusions in relation to other LEPs, localities and contexts. Evidence that novel and incoherent institutional-geographical contexts can provoke or at least exacerbate the diversion of local governance actors' adaptive capacities by state restructuring processes emerged from multiple interviews: (i) with HotSW actors who had perspectives on other LEPs and localities but no direct experience of working within them; (ii) with HotSW actors who had formerly worked in other LEPs and localities and were able to compare their experiences; and (iii) with central and local governance actors actively involved in other LEPs and localities who were able to unveil the experiences and perspectives unfolding in other parts of England. Interviews with CLGU officials assigned to individual LEPs across England were particularly insightful given the boundary-spanning nature of their role and their routine sharing and comparing of information on LEPs. Nevertheless, determining how and to what extent this temporally and spatially bound study reflects the beliefs, perceptions, experiences and behaviours of actors in other LEPs, and in different temporal, institutional, geographical and political-economic contexts, needs testing, refining and expanding in further research including comparative studies.

Several studies – in EEG (Pike *et al.*, 2016), PBL (Beer *et al.*, 2019), governance (Brenner, 2009), and urban (Ward, 2010) and rural (Pemberton & Goodwin, 2010) development – have identified a need for more comparative studies. This thesis has argued that such research should be sufficiently 'intensive' (Flyvbjerg, 2011) to enable in-depth examination of: (i) how local governance actors respond and adapt to evolutionary state transformation; and (ii) how such micro-level adaptive processes operate in particular

institutional-geographical contexts. Pike *et al.* (2016) highlight the challenges involved in comparing cases in EEG and advocate the ‘follow the path’ approach loosely adopted in this thesis. In EEG, this approach has mainly been applied to *economic* objects – (i) industries, sectors and clusters, and (ii) local, regional, and urban economies – rather than to explaining how and why *institutions* emerge and evolve over time (Pike *et al.*, 2015, is one notable exception). A related approach follows *dynamic processes* and their differential expression and unfolding over time and space (McMichael, 1990). Pike *et al.* (2016) propose examining and comparing how different economic actors and firms in different geographical settings respond to the underlying process of competition in the same market context. This thesis underlines the value that might be derived from comparing how governance actors in different institutional-geographical contexts respond to the same overarching processes of state transformation.

A key strength of this research lies in its ‘loose guide approach’ to interviews which did not overtly privilege predetermined subjects of interest and which helped to unearth the (unanticipated) finding that local economic development governance actors were generally more focused on political than economic pressures. Future EEG research might home in on this finding in several ways. Comparative research similar to Pike *et al.*’s (2015) analysis of all thirty-nine LEPs might examine the extent to which state restructuring processes absorb local/regional governance actors’ attention and disrupt micro-level adaptive processes. More detailed case study research might investigate how Growth Deals and other such processes operated and unfolded in particular LEPs with particular arrangements, genealogies, and contexts. Research might also follow the

process of the forthcoming UK Shared Prosperity Fund, details of which are yet to be confirmed by central government (Brien, 2021). Cross-LEP research may also be conducive to the reflexive testing of findings in practitioner workshops, a method considered unworkable in this thesis given the sensitivity of the findings among known participants, with gatekeeper-informants instead asked to add interpretative light to findings, conclusions and policy implications (Allen, 2017).

Given Jones' (2010) characterisation of perpetual state restructuring as 'a peculiarly English disease', case studies of areas and partnerships in the devolved nations of Scotland, Wales and Northern Ireland – which have ploughed their own restructuring paths (Colomb & Tomaney, 2016) – and countries such as the US, Australia and Germany – where regional/state structures have remained largely stable over time (Beer *et al.*, 2019) – would also help to test findings and expand and generalise the ideas developed (Yin, 2014). This thesis also touched on, but was unable to examine in detail, several locally led initiatives in and around the HotSW area to exploit particular sites and assets in order to establish or expand industries including health sciences, aerospace, nuclear and marine (see Section 6.4). Such empirical examples might be used to develop evolutionary GPE's examination of the role of local/regional actors, institutions, and mechanisms of path creation in the emergence of new economic activities (Mackinnon *et al.*, 2019, 2021).

Finally, a key strength of this research is the 'saturation' achieved (Given, 2008) in its access to elite local governance actors: senior-level professionals (at CEO, executive and

senior-management level) and local politicians (at leader and cabinet level). However, learning and adaptation is not confined to elites (Moyson, Scholten & Weible, 2017) and this thesis largely overlooks how and to what extent centrally driven state restructuring processes affect other local governance actors and how they respond and adapt. To address this, further research might explore the beliefs and actions, experiences and behaviours of actors such as district-level officers and 'street-level bureaucrats' (Lipsky, 1980). This thesis' original intention to supplement in-depth interviews by 'shadowing' (McDonald, 2005) elite actors proved unworkable given the logistics involved. The alternative method employed, undertaking 'direct observations' of partnership meetings, was valuable in enabling real-time observation of the micro-level interactions of a greater number and diversity of research participants in their institutional context (Mills, Durepos & Wiebe, 2010). However, Gains (2011) advocates ethnographic methods which enable researchers to more deeply immerse themselves in local governance networks and unveil how policy and related processes are interpreted and experienced, and how they operate and unfold. Such methods are particularly valuable for understanding how micro-level power relations influence economic change and uneven development (Faulconbridge, 2012); given EEG's acknowledged weaknesses in this regard, perhaps it might benefit from the greater use of such methods.

The future research avenues outlined here are suggestions for how micro-level explanations of change may be developed further in EEG. From a critical realist perspective, the knowledge generated would remain context-dependent (Castellacci, 2006; Flyvbjerg, 2006) but contribute to the development of wider frameworks of



understanding capable of analysing and comparing evolution across different time-space contexts (Martin & Sunley, 2015; Pike et al., 2016).

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## Appendix A: Interview Guide

UNIVERSITY OF PLYMOUTH

### INTERVIEW GUIDE

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|                                |   |
|--------------------------------|---|
| <u>Principal Investigator:</u> | <b>Tim Sydenham, University of Plymouth</b>   |
| <u>Title of research:</u>      | <b>Adaptive capacity and the evolution of subnational economic development networks</b> |

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#### Introduction

Thank you for your time.

Before the interview starts, just to flag some key aspects of the Research Information Sheet you were sent.

The aim of this research is to explore how local economic development actors and organisations develop the capacity to adapt to different pressures and evolve the economies they have the responsibility to govern, using the sub-region as a case study. It is designed to establish a greater understanding of the adaptive capacity of local economic development actors, organisations and networks in the context of the move toward greater devolution and decentralisation in economic development and related spheres.

The interview will last for up to an hour. The questions follow a general pattern only, relating to the challenges faced by key people and organisations involved in economic development in the sub-region, the way they have adapted in each instance, and the role of relationships and networks in this. The direction the interview takes will be guided by your insights and responses, rather than my questions which are only there as signposts.

The case study networks – the Heart of the South West LEP and City Deal Programme Board – have agreed to take part in this research, and for its members and stakeholders to participate. Taking part is voluntary, you have the right to withdraw from the research at any point, and your anonymity is guaranteed, unless you expressly agree otherwise.

So on this basis, can I just confirm that you agree to participate in the research?

Start recording.

#### Interview questions

- *Note: If participant represents more than one network, ask in relation to each network.*

#### **A. Key actors, organisations and networks**

1. Please describe your role in relation to the [network].

- How does your role differ from the role of others in the [network]?

- How did you first get involved with the [network]?
  - What do you value about involvement with the [network]?
2. Please describe the [network's] role in local economic development.
- How does it identify priorities?
  - How if at all has its role changed over time?
  - How does its role differ from other organisations and networks in the locality or sub-region?

**B. Pressures, external shocks and transitions**

3. How closely aligned are Plymouth's needs and goals with those of other parts of the sub-region?
4. What are the main challenges the [network] has faced since you've been involved?
- **[Inserted after the first round of interviews]** Prompts if required (analytical categories)
    - a. *Changes in the policy, institutional and instrumental environment.*
    - b. *Macro-economic trends and factors.*
    - c. *Local contextual factors.*
    - d. *Relational and network dynamics.*
    - e. *Other.*

**C. Adaptive capacity**

5. Describe how the [network] responded to the main challenges you've identified, using a specific example.
- Describe the role played by the key individuals involved.
  - Describe your own role in the response.
  - Why did the [network] decide on that particular course of action?
  - What alternative responses were considered?
  - Did the response require a change in the direction of travel of (a) the [network] (b) your own organisation (c) any other individuals or organisations?
    - If so, how were others persuaded to adopt that particular course of action?
6. Since you've been involved, what would you say are the key factors (or characteristics) that have determined the ability of the [network] to adapt to challenges?
7. Since you've been involved, what would you say are the key factors (or characteristics) that have determined your own ability to respond, adapt and contribute to change?
- Describe how if at all these factors (or characteristics) have been helped or hindered by your involvement in the [network]?
8. **[Inserted after the first round of interviews]** A number of interviewees have stressed how important it is for the [network] or city/sub-region to 'get its story straight' and 'tell a good story' about why people should be investing here.
- Why do you think this common theme has emerged from the interviews?

- In your view, in just a sentence or two, what is the [network's] or city's/sub-region's story?

**[Inserted after the first round of interviews] Themes to be alert to**

- State rescaling. Path dependence. Embedded agency. Adaptive capacity.
- Forms of adaptation: layering, conversion, recombination; dismantling; improvisation.
- Evolutionary learning – reflexivity; loosely coupled systems. Storytelling. Power relations.
- Inherited beliefs.