

North East England, United Kingdom: institutional architecture in delivering enterprise policy¹

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Description of the approach (aims, delivery, budget etc)

Following an extensive consultation process concluded in 2001, the focus and geographical scale of operation and institutional architecture of the entrepreneurship policy delivery framework has been reorganised in North East England. A clear five-year regional strategy has been established by the Regional Development Agency (ONE North East) and is being implemented by the North East Business Support Network, with focused activities and clearly established priorities. Operating as a broadly-based entrepreneurship policy, the vision seeks to create a more entrepreneurial society with a diverse mix of new and developing businesses. The strategy aims to develop the region's enterprise culture, increase new business start-ups, encourage business survival and address the specialised needs of the region's high growth businesses. Drawing upon an evidence-based approach, and in recognition of the particular issues in the North East, it also aims to increase the numbers of women and people from disadvantaged communities starting new businesses. The strategy connects with the priority given to enterprise support in the RDA's Regional Economic Strategy and the national Small Business Service's emphasis upon business competitiveness. The enterprise strategy forms part of the Entrepreneurial Culture priority theme within the Regional Economic Strategy, comprising a programme budget of GBP 24 million (EUR 35 million) (9.5% of total RDA expenditure) for 2004-05. The strategy provides a framework for the co-ordination and direction of enterprise support activities in the North East region. Reorganisation of the policy delivery framework aims to expand the pool of people positively disposed to entrepreneurship, increase the new business start-up rate, develop more effective mechanisms to support business survival and enhance support for high-growth businesses. Mobilising the collective resources of key regional and local agencies is central to the strategy, including Business Links, Enterprise Agencies, banks, business associations and the education sector. Formal partnerships are used to embed co-operation between key regional institutions.

Why the approach is relevant to East Germany?

North East England shares a position as an old industrial region undergoing a prolonged economic transition marked by the contraction of its traditional industries and shift toward a private and public service-based regional economy. In the context of low levels of GVA per head, high unemployment and low levels of business start-ups in the UK context, enterprise and the creation of new businesses have been longstanding policy priorities. While less stark than the post-unification economic transition in East Germany, the experience of North East England is relevant because of its old industrial history, employee culture and weak entrepreneurship. High unemployment in East Germany and North East England creates an entrepreneurship conundrum. High levels of job creation are required to reduce unemployment. Yet simply encouraging more and perhaps less educated and skilled people to start new businesses may displace existing firms through low cost competition and prove unsustainable. Decades of enterprise policy have had limited effect upon entrepreneurship in the North East. Significant problems exist, including low rates of business start-up, limited business stock, significant business failure rates, under-representation of women and disadvantaged community entrepreneurs, low cultural valuation of entrepreneurship, and limited support for high-growth businesses.

¹ Source: Discussion Paper "Entrepreneurship in the Districts Mittweida and Altenburger Land", OECD LEED Programme, in: *OECD LEED Local Entrepreneurship Series*, October 2006.

Reasons for the success of the approach

A key drive has been the need to integrate and co-ordinate business support more effectively to reduce fragmentation and competition between providers, improve the quality and consistency of service provision and remove actual and perceived administrative barriers. A common regional approach is being developed to segment the market for business support and tailor services to the diverse range of new and existing businesses. The shared regional focus is considered necessary to achieve the required step change in performance. The North East Business Support Network was established in 2004 to develop the new business support delivery model and simplify routes to business support in the region. The governance and funding of Business Links has passed from the Small Business Service to the RDA, and has shifted their geographical policy delivery focus from the local to the sub-regional level, mirroring the RDA's four sub-regional partnerships in Durham, Northumberland, Tees Valley, and Tyne and Wear. The previous local focus led to fragmentation and duplication. Business Link acts as a broker and provides a 'One Stop Shop' single entry point and seamless connection to a wider network of service providers.

The obstacles that were faced and the quality of the response taken

The new policy delivery arrangements have received a positive assessment. However, the continued limited degree of success in promoting entrepreneurship – the North East still lags behind the national average across key entrepreneurship indicators – has encouraged consideration of a wider range of routes into enterprise, including intermediate labour markets and social enterprise, and a focus upon reducing or removing barriers to participation. Linking with the national policy framework, growing social businesses to meet local community needs and, with public subsidy, to provide training opportunities, has achieved some success, for example in child and elderly care, environmental improvement and recycling. In policy delivery terms, the drive for integration and simplification has struggled to reduce the number of organisations and programmes. Many entrepreneurs and new firms still claim the system is complex and confusing.

Considerations for adoption of this type of approach in East Germany

The North East England experience suggests a number of issues for East Germany, including:

- following the policy cycle model, the need systematically to review the evidence base to define the problem and review the existing policy delivery framework;
- echoing the strategy and vision sensitive to particular local and regional needs, the development of a clear strategy and priorities based on region-specific problems;
- enhancing institutional co-ordination and integration through the reorganisation of the institutional architecture, creating a focal and lead institution responsible for co-ordination and integration through formalised partnerships to embed co-operation;
- following the policy cycle model, rethinking the scale at which entrepreneurship policy is designed, developed and delivered (especially if the district level is too small, then cross-district integration and joint working may need to be explored); and,
- recognising that conventional business entrepreneurship may yield only limited results given the particular local contexts and histories, and the need for innovation and greater openness to the wider range of routes into entrepreneurship, especially social enterprise, that may be necessary.

Contact details and website for further information

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