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Evaluating the transition from Regional Development Agencies to Local Economic Partnerships: The views of SMEs in the British West Midlands

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Abstract
After the election of the Conservative-Liberal Democrat Coalition in 2010, the UK Government instituted a radical reorganisation of governance structures for subnational economic development in England. This involved the abolition of Regional Development Agencies and the introduction of Local Enterprise Partnerships, defined as ‘joint local authority-business bodies brought forward by groups of local authorities to support local economic development across “functional economies”’ (Department for Business Innovation and Skills, 2010: 10). This article contributes to the debate about Local Enterprise Partnerships through an exploration and analysis of the views of small and medium enterprises (SMEs) with regard to lessons to be learned from the old Regional Development Agency system and the transition to the new Local Enterprise Partnership system. Empirically, it focuses on the experiences of digital media firms in the West Midlands region (and now in the Greater Birmingham and Solihull Local Enterprise Partnership). The article draws on desk research and in-depth interviews with Regional Development Agencies and Local Authority employees involved in economic development, industry representatives and business support organisations, in addition to interviews with small and medium enterprise owners and self-employed consultants/freelancers. The research reported here adopted a longitudinal approach with four rounds of interviews between 2010 and 2013. Overall, disruption to publicly funded networks was seen as a significant cost of institutional change between Regional Development Agencies and Local Enterprise Partnerships. Valued
functions of the Regional Development Agency were its role in increasing the visibility and coherence of the digital media sector and supporting networking. However, the SMEs reported considerable uncertainty regarding the role of the Local Enterprise Partnership and were concerned about the loss of well-functioning programmes and institutional support structures.

Keywords
digital media, Local Enterprise Partnerships, Regional Development Agencies, West Midlands

Introduction

Following the election of the Conservative-Liberal Democrat Coalition in 2010, the UK Government instituted a radical reorganisation of governance structures for subnational economic development in England. This involved the abolition of Regional Development Agencies (RDAs) and the introduction of Local Enterprise Partnerships (LEPs), defined as ‘joint local authority-business bodies brought forward by groups of local authorities to support local economic development across “functional economies”’ (Department for Business Innovation and Skills, 2010: 10). Local authorities and businesses were invited to submit proposals for LEPs in June 2010, with the total now standing at 39. The rationale and scope of LEPs included many activities that were formerly delivered by the RDA: helping to set key investment priorities, for example around transport, and supporting project delivery and coordinating proposals to a Regional Growth Fund (Department for Business Innovation and Skills, 2010). However, LEPs have far fewer powers and much smaller budgets than the RDAs they replaced (Bentley et al., 2010; Pugalis, 2012b; Pugalis and Bentley, 2013a).

The shift from RDAs to LEPs has sparked an extensive debate about the scale and scope of subnational economic development policy (Cochrane et al., 2013; Pugalis, 2012b; Shutt et al., 2012). Early commentaries on the proposed restructuring were critical of yet another ‘compulsive reorganisation’ (Jones, 2010) of economic development institutions (see also Bellini et al., 2012), this one particularly ill timed in the middle of a serious recession. Pugalis (2010) noted loss of skills and capacity, scarce resources and stalled momentum as potential negative consequences. Other concerns were raised about the geography of LEPs. According to the Government’s proposals (Department for Business Innovation and Skills, 2010), LEPs would reflect ‘functional economic and travel to work areas’. RDAs were derided as artificial political constructs, which were too large and did not reflect ‘real’ economic geographies, and LEPs are supposed to better reflect and respond to local priorities (Department for Business Innovation and Skills, 2011).

As the process of LEP formation got underway, the geography of new governance arrangements and strategies came under further scrutiny. LEPs were created through highly politicised processes, which Harrison (2011) described as ‘experienced coalitions of the willing’ rather any kind of ‘natural’ or ‘functional’ economic area which reflect patterns of spatial economic activity (such as commuting, supply chains and retail catchment areas). LEPs therefore reflect political geographies and the ability of local authorities to collaborate (Cox, 2010); historic political rivalries, for example, appear to have led to the Black Country forming its own LEP, rather than joining with Birmingham.
The lack of statutory powers or significant financial resources was also criticised (Bentley et al., 2010; Pugalis and Fisher, 2011). As Peck et al. (2013: 838) argued, RDAs were criticised for being driven by centrally determined targets and agendas, but they did have the capacity to influence regional actors and effect real change. LEPs, by contrast, might be considered ‘toothless tigers’ (Shutt et al., 2012). In addition to their lack of resources, LEPs’ dependence on bidding to funding streams controlled by central government suggested that the much-heralded localism they are supposed to represent is hardly a reality (Clarke and Cochrane, 2013; Shaw and Greenhalgh, 2010; Shaw and Robinson, 2012).

A recent special issue of *Local Economy* has provided a wide-ranging and thorough assessment of the rationale for LEPs and processes through which they were established, the financial and political challenges they face (Ayres and Pearce, 2013; Peck et al., 2013; Rossiter and Price, 2013), the extent to which they represent real localisation of policymaking (Bentley and Pugalis, 2013), the problems that arise from frequent institutional reorganisation (Pugalis and Bentley, 2013b) and the likelihood that LEPs will prove to be effective in various policy areas (Doyle, 2013; Fineberg, 2013). This ‘mid-term assessment’ (Pugalis and Bentley, 2013a) provides a detailed picture of the most recent reincarnation of subnational economic governance structures in England and adds to earlier debate regarding the development of LEPs.

These contributions have, however, mainly taken a ‘top-down’ approach (Halkier, 2006), focusing on institutional structures, and the development/implementation of policies rather than the firms who are, most often, the targets of economic development policy interventions (although see Shaw and Robinson, 2012). In this article, we seek to add to the debate about LEPs through an exploration and analysis of the views of small and medium enterprises (SMEs) with regard to lessons to be learned from the old RDA system and the transition to the new LEP system. Empirically, we focus on the experiences of digital media firms in the West Midlands region (and now in the Greater Birmingham and Solihull LEP).

The paper proceeds as follows. In the next section, we give an overview of the activities of the West Midlands RDA between 1999 and 2012 with a focus on the digital industries. We then present an analysis of the strengths and weaknesses of the RDA approach from the perspective of SMEs. In the third section, we turn to the transition from RDAs to LEPs, exploring the views of firms with regard to the challenges and opportunities apparent in the new governance landscape and their experiences of the transition between the regional and localist models. We conclude with some comments regarding the potential of LEPs more generally to support SMEs.

### The West Midlands region

In common with all other English regions, an RDA – Advantage West Midlands (AWM) – was established in the West Midlands in 1999. Between 1999 and its abolition in 2012, the agency invested around £3 billion and was also responsible for developing the Region’s Regional Economic Strategy (RES) in consultation with other partners (Advantage West Midlands, 2012).

The research reported here examined economic development in the West Midlands with a focus on the digital media industries. The second RES produced by AWM, ‘Delivering Advantage’ (Advantage West Midlands, 2002) identified 10 priority ‘clusters’, including interactive media for education and entertainment (later the Screen, Image and Sound cluster, and now known...
as the Digital Media cluster). This cluster comprised Film, Animation, Television, Interactive Media, Radio, Music, Computer Games, Photography and Digital Imaging. Within the region, approximately 2900 firms were active in digital media at the end of AWM’s life (Licari, 2009), which together had an estimated annual turnover of £1 billion. The cluster received £4.8 million funding between 1999 and 2010. Digital media was identified as an important sector in the West Midlands due to its increasing economic importance and rapid expansion more generally in the early 2000s, but in particular because of the concentration of computer games firms in the region (20% of UK production is based in the West Midlands) and the presence of two internationally active games’ publishers – Blitz and Code Masters.

The Digital Media Cluster Opportunity Group, which was made up of representatives from local firms, informed the RDA’s work. Numerous projects were undertaken, including Digital Central, which delivered business development and networking programmes for SMEs, sponsored digital events and conferences, rented office space in London for digital media firms to use and commissioned labour market and skills research. AWM also set up a Digital Media Fund, which provided financial backing to firms developing demonstrators and prototype games. The RDA also supported SMEs through its Creative Advantage Fund, giving grants and taking equity in innovative firms based in the region, and channeled European Regional Development Funds (ERDFs), notably through its Proof of Concept Fund managed by Warwick University. In 2009, the West Midlands was chosen to host the England and Wales commissioning hub for the Channel 4’s Four Innovation for the Public (4IP) fund and the RDA matched the TV channel’s funding to create a £10 million fund for interactive digital media projects in the region. Other significant investments included funding for the Digital Lab at Warwick University and the Serious Games Institute, which opened in 2007. AWM also funded a number of events including the Serious Virtual Worlds Conference and Digital Event, designed to raise the profile of the region (Advantage West Midlands, 2007; Dahlström and James, 2012).

Birmingham City Council also played a key role in economic development and business support during the New Labour years. Between 2002 and 2008, the council had a dedicated creative industries development team, which worked with AWM to disburse ERDF monies (Brown et al., 2007, 2010). At the end of 2008, the remit of the team was broadened to business development and innovation and, together with partners such as Business Link, the Chamber of Commerce and AWM, pulled together a variety of funding packages, including ERDF and the Working Neighbourhoods Fund, to support business after the onset of the economic downturn. The City Council also set up Digital Birmingham in 2006, an on-going initiative that brings together around 40 public and private sector partners to promote the development of digital infrastructure and coordinate bids for funding for all kinds of digital projects, but particularly to improve connectivity. Birmingham Science City, which was set up in 2005 and originally received core funding from AWM, continues to operate on a partnership model, facilitating collaborative projects between universities and local firms.

In his assessment of the cluster’s activities, written on behalf of the West Midlands Digital Media Cluster Opportunity Group, Harte (2010) suggests that ‘overall the Digital Media cluster has delivered a successful programme of sectoral development, building links between pivotal businesses, with the knowledge base and other organisations, accelerating...
new product development, new market entry, and supply chain development'. He notes that by 2010, the cluster claimed to have achieved a 226% return on its investment, to have safeguarded 184 jobs, to have helped 54 new businesses to set up or move to the region, to have supported 832 businesses, and to have facilitated 140 'collaborations'.

In the following sections, we analyse the ways in which SMEs and other stakeholders based in the region perceive the RDAs efforts in retrospect and the work of the LEP. This analysis draws on background desk research and in-depth interviews with RDA and Local Authority employees involved in economic development, industry representatives and business support organisations. We focus primarily, however, on interviews with SME owners and self-employed consultants/freelancers who work in digital media industries in the West Midlands region of England. The data reported here have been collected over a number of years, beginning in 2010. All our respondents were interviewed at least three times and many four times; first in 2010 shortly after the election of the Coalition government, when it had been announced that RDAs were to be abolished; for a second time in 2011 after the new LEP had been established for approximately one year; and a third and fourth time in the summers of 2012 and 2013. Each interviewee was asked to reflect on the strengths and weaknesses of each model of economic governance and the opportunities and challenges that have become apparent during the transition period.

AWM and the digital industries: An SME perspective

Increasing visibility and promoting interests

The activities grouped together in the Digital Media cluster are diverse and many are dominated by small (fewer than 50 employees) or micro (fewer than 10 employees) firms and freelancers (Licari, 2009; Technology Strategy Board, 2009). There has been a great deal of debate regarding the merits or otherwise of cluster policy and its implementation by RDAs (James, 2012; Taylor, 2010; Visser and Atzema, 2008). In creating the Digital Media cluster organisation in the West Midlands, however, AWM brought firms together into a politically recognised interest group which made them more visible to policymakers and gave them access to funding streams:

One thing AWM did do very well was providing a degree of coherence and packaging it all into a regional showcase. They had people who were very active, whose job it was to know everyone's business and put people together. (SME employee)

In particular, the RDA was seen as being effective in bringing together SMEs across the region in order to benefit from European funding streams – which required specialist knowledge and considerable resources to access. This role should also be seen in the context of the time period during which the RDA was in operation, which coincided with the rapid digitisation of all kinds of traditional media that were previously produced in separate industries (NESTA, 2008; Reid et al., 2010). Many interviewees suggested that a highly valued role of the RDA's cluster group was in bringing content producers from different media together in projects and networks that facilitated the integration of digital and traditional products and services:

I believe that the RDA has had an absolutely crucial and pivotal role in holding the region together to become a digital provider. It's brought together the skills of traditional television and radio makers with the skills of the gaming industry in the region. (SME owner)
Networking, collaboration and business support

For many SMEs whose owners or employees we have interviewed, the RDA also provided opportunities to build networks with potential collaborators and clients, which was particularly valued in the digital media industries where firms are very small and work on a project basis which makes networking very important: ‘Without the opportunities that the RDA provided through meetings, through events, and through promoting that person-to-person contact in the collaborative atmosphere...it’s actually quite difficult’ (SME owner).

The RDA achieved this through a programme of events, support for firms to attend conferences or trade missions, consultants who matched firms that might potentially collaborate and coordinating bids to a variety of European and national funding schemes. The RDA was very active in this area and it was very visible to firms in the region, who noticed a very clear difference after AWM was abolished: ‘There’s nothing really, no central hub for this sort of collaboration to happen, so you kind of see pockets of things emerging without the formality around it and without the support’ (SME owner).

The RDA was closely linked with other agencies that were heavily involved in business support and funding for firms in the creative sector, which were also abolished after the election of the Coalition government. In particular, our interviewees mentioned Business Link and Screen West Midlands (SWM) as two organisations that had worked closely with AWM and had left a gap in the business support landscape. These findings correspond to those of earlier survey research in the West Midlands by Mason (2007), which that showed that SMEs in the digital sector valued insights gained through events, conferences, etc.

A minority of interviewees, however, was not so positive about the networking and business support activities organised by the RDA, claiming that they brought together a relatively small group of firms. Some business owners also reported poor quality consulting and advice delivered through public channels, often because it was too generic and not tailored to the needs of SMEs in their particular industry.

Investment in ‘knowledge infrastructure’ and innovation projects

Perhaps the most visible outcomes of the RDA model were the infrastructure projects, notably the construction of the Serious Games Institute at Coventry, and a number of proof-of-concept/innovation funds to which firms could bid for project funding to develop new products. Perhaps surprisingly, given that these were a means for firms to access financial support, these schemes were the most unpopular of AWMs projects. Two of the most common criticisms of the support arrangements under the RDA were that a very small group of firms benefitted disproportionately from the networks and funding that was made available, and that as a result some firms became too dependent on public funding at the expense of private sector work:

For a little while every organisation working in digital media in the West Midlands was being constantly shunted towards this magical pot of funding...there were some companies that were being propped up by public funding. (SME owner)

There is a sense that some people feel they're outside of the circle and some people are inside it and seem to be doing very well out of it. (SME owner)

There was also a sense that in some ways the RDA was unable to effectively support SMEs and micro businesses in the creative...
sector that were very small because of the strict rules around the size of businesses that could access funds and the risk management criteria that the RDA had to adhere to:

A public sector organisation like AWM is incredibly risk averse...on the Black Country route there’s a bleeding great big building that AWM built. It’s been empty ever since...as far as I can work out. But that’s not risky, putting £50 million into a building somewhere. But to support an organisation of people who are changing and developing and don’t have a track record and have got off-the-wall ideas, was. (Freelancer)

However, there was certainly awareness on the part of those involved in developing the cluster programme that SMEs in the creative sector have particular needs that go beyond generic SME business support (see Licari, 2009). The last cluster strategy document, for example, set out a SWOT analysis, which recognised the challenges of supporting industries dominated by very small businesses and freelancers, rapidly changing markets and technological instability. It was also clear that to a great extent the RDA saw its role as focussing on businesses that had growth potential and wanted to move beyond the micro level:

A lot of it has to do with bringing these people together in a supply chain because it’s largely freelance and micro-businesses...To grow an economy you need ambition to say, ‘I want to grow bigger than that, I want to employ more people, because otherwise you have a whole circuit of lifestyle businesses that don’t really push past that point. (RDA employee)

However, with regard to the creative industries, it is clear there may be a continuing disconnect between both the objectives of public policy makers (economic growth) and those of micro businesses and SMEs, and the kinds of interventions that are possible.

Local Economic Partnerships: Opportunities and challenges

The Greater Birmingham and Solihull LEP, within which all of our interviewees were based, was formally established in May 2011. It was initially formed of Birmingham and Solihull, plus East Staffordshire, Lichfield and Tamworth, and was subsequently joined by Bromsgrove, Cannock Chase, and more recently Redditch and Wyre Forest Local Authority districts. This is a much smaller area than the RDA (with the old West Midlands region split between six LEPs). The first year of the LEP’s existence was spent finalising the board, setting up governance structures and producing strategy documents (GBSLEP, 2013). The LEP was also closely involved in negotiating the Birmingham ‘City Deal’ with central government, which will give the city council greater powers to act independently on a range of policy issues. It has also supported two successful bids to the Regional Growth Fund, developed and had approved plans for an enterprise zone, launched a ‘creative city’ partnership and established a ‘business hub’ in the city centre which houses the Chamber of Commerce, Marketing Birmingham, the city council economic development team, Finance Birmingham (a city council-backed fund that supports SMEs) and the professional services group Birmingham Forward.

Despite this activity, there was clear perception among our interviewees that the LEP was still feeling its way in the new landscape. Given the lack of statutory powers and responsibilities, LEPs have been established with a clean slate to define their own priorities and strategies. Whilst this meant there were opportunities to rethink old ways of working, it was clear that it had also presented considerable
challenges: ‘The government mandate to LEPs was “go off and do what you like” and then everyone says “what does that mean?”’ (Business consultant).

In his 2010 article, Jones bemoans the ‘pathology of compulsive reorganisation’ of economic development policy in England, which leads to confusion and an ever-growing list of abandoned initiatives. Many of the negative consequences Jones identifies are readily apparent in the West Midlands. For example, the fact that the LEP has had to start from scratch with and spend a considerable amount of time and effort on building partnerships and creating the bureaucratic framework has meant that their work has not been very visible. Consequently, the firms we have followed knew very little about the LEP and its activities during its first year. There was a great deal of confusion as to its purpose and powers, although individuals involved in the policy world – for example through the chamber of commerce, consultancy and business support – had recognised that its role is to be one of setting overall strategy, facilitating and overseeing partnerships between delivery organisations.

The uncertainty about the role and status of LEPs in the early stages of their establishment has been highlighted by Bailey (2011) and Pugalis (2012a). This uncertainty and lack of visibility and concrete projects in the early months of the LEP meant that most of our interviewees who owned SMEs or worked as freelancers – some of whom had been closely involved in the activities of the RDA – had disengaged from the debates about what the LEP might do:

I went along to a meeting early on and there were a lot of well-meaning people wanting to do something. They’ve made a lot of the right noises about it. What that translates into I’m not too sure. I saw some announcement about business development areas [Enterprise Zones], but other than that... (SME employee)

By the summer of 2013, the SMEs were still reporting that they knew very little about the work of the LEP and – in contrast to the RDA cluster organisations – saw no formal mechanism/forum through which their views could be put forward, a problem noted by Pugalis and Townsend (2013) in their critique of ‘fleet of foot’ partnerships. This situation was exacerbated by the loss of the City Council’s dedicated creative and cultural industries business support team, as scarce resources were focused on general business support following the recession (Andres and Chapain, 2013). By 2013, however, some had begun to negotiate the new funding landscape by themselves; for example, applying for proof of concept funding from the Technology Strategy Board and Creative England. Others had had contact with the Growth Accelerator programme which is administered at a regional scale.

**Funding and statutory powers: A policy gap**

Another major difference is that LEPs have extremely limited ‘delivery’ powers and a small budget compared to RDAs. In 2011, LEPs were given access to a Start Up Fund (worth £5 million in total) and a smaller Capacity Fund, both of which were awarded on a competitive basis. Following some concerted lobbying by LEPs, some stability in LEP finances was gained in September 2012, when the Government announced each LEP would receive a payment of £125k for the rest of the financial year, and that in 2013/2014 and in 2014/2015, LEPs would be granted £250k per
year for core funding, intended to ensure sufficient administrative and analytical capacity.

Another potential source of funding for LEP activities is the Regional Growth Fund (worth £2.4bn over 2011–2015), again allocated on a competitive basis, for which LEPs are only one among several types of agencies eligible to bid. LEPs also have the potential to generate income through Enterprise Zones where a combination of financial incentives, reduced planning restrictions and other support is used to encourage the creation of new businesses and jobs. Birmingham has had one enterprise zone approved, which, rather than being a single area, comprises 26 sites across the city centre, with creative industries being one of the ‘clusters’ of activity targeted.

Some further modest improvement in the financial position of LEPs followed the publication of the Heseltine Review in November 2012 (Heseltine, 2012). Heseltine advocated a Single Local Growth Fund (or pot) to be devolved to local areas subject to the satisfactory production by LEPs of multi-year strategic growth plans. In Spending Review 2013 (HM Treasury, 2013), Chancellor George Osborne announced a Single Local Growth Fund of £2 billion pounds a year from 2015 or £10 billion over the next Parliament, which was considerably less than the £49 billion Lord Heseltine had indicated (in both the original proposal and the amount actually allocated, the money is mostly diverted from existing funding streams). Finally, LEPs have been given responsibility for spending the £5.3 billion of European Structural Funds allocated to England over the period 2014–2020, for which they are required to produce elaborate strategic plans conforming to both national and EU requirements. However, the fact remains that LEPs have much smaller budgets in comparison to the RDAs that preceded them. LEPs face more challenges compared to the RDAs which were set up in far more benign economic conditions (Pugalis and Bentley, 2013a; Pugalis and Fisher, 2011; Pugalis and Townsend, 2013).

The sudden abolition of some of the key business support structures after the 2010 election, lack of clarity over the role of the LEPs, the time that it takes for the new structures to be established, and their limited ability to deliver projects have combined to create a policy ‘gap’ in the transition from the regional to the local model. This creates a number of challenges for the LEP in supporting the development of creative industries in the city. Most obviously support agencies such as Business Link, and funding streams from the RDA, have disappeared over the last four years. Many of the firms we interviewed had benefitted from start up or relocation grants, Business Link advisors, proof of concept funding and support for networking/marketing, within the region and beyond.

However, now there is also a greater risk that the business support offer may become fragmented with duplication of effort in different LEPs:

There can be a sense of putting a lot or work into duplicating effort that already exists….It’s not as strategic as it should be, there often isn’t prioritisation in the way that you would get in an RDA. Really this structure allows people to do what they want, because who is going to say ‘no’? (Freelance consultant)

To a certain extent this has long been the case, since the RDA and city council, for example, both funded business support initiatives, which co-existed with national schemes, for example run by the Technology Strategy Board. The issue now, however, is that the knowledgeable individuals who were able to negotiate this
system and identify appropriate schemes for SMEs are no longer in place.

As we have already indicated, the role of the RDA in bringing together and representing a range of digital media activities was widely seen as a success. Many interviewees noted that there was now a lack of leadership within the creative industries generally in the city. There are indications that the LEP will eventually fulfill a similar role by encouraging and leading partnerships between a variety of public and private sector organisations. One relevant example is the memorandum of understanding signed in July 2012, which brings together a range of partners to work together on developing Birmingham as a ‘Creative City’. The challenge is to coordinate and ensure strategic direction while being limited by the necessity of operating in a reactive way to opportunities to bid for different pots of funding.

In the digital media sector, recognition of strategic role played by the RDA has led to an attempt to continue the work of the Digital Media cluster. The cluster opportunity group continued to meet on an informal basis after the closure of AWM and the group has been debating ways to continue some of the activities of the old cluster, although there are other formal organisations and interest groups operating in the city and region; for example, the Producer’s Forum, the Musicians’ Union and the Social Media café. Interestingly, the group continues to support the cluster concept (see also Furmage, 2012) – in the sense of a formal organisation with some kind of cluster manager – despite the fact that clusters, with their regional connotations, have dropped out of the political debate: ‘Just because politically it was a naughty word for six months that’s no reason to abandon the concept of clusters or clustering which have historically got proven economic benefit’ (SME owner).

Discussions were on-going regarding the functions that a formalised cluster organisation might take on. There appeared to have been relatively little engagement with the LEP although meetings had taken place between LEP representatives and the cluster committee. The members of the committee have also tried to continue some of the work previously undertaken by the RDA, e.g. looking for funding streams and putting together bids. However, previously AWM or SWM would create experienced bid teams to support this activity. Now that infrastructure has gone and SMEs in particular found it difficult to find the time and resources to initiate collaborations and develop effective bids.

Reappraising the role of the RDA in the summer of 2013, two years after the LEP had been established, one SME owner declared that the SME community is disappointed with the effectiveness of the LEP. It’s not that they’re not interested but they don’t give the same level of support as AWM, in particular by informing SMEs and microbusinesses of opportunities and brokering relationships.

**Locally responsive or parochial?**

Another challenge related to the relatively small scale of LEPs is to ensure that it is able to build collaborative networks and partnerships that extend beyond its borders. This is an obvious necessity in some strategic policy areas such as transport but is also crucial to bid for larger funding schemes such as the Regional Growth Fund, and potentially to the next round of the ERDF (Pugalis and Fisher, 2011). The LEP is clearly building formal and informal links between neighbouring LEPs, which reflects, in some cases, longstanding arrangements between local authorities. However, historical political rivalries and
tensions, particularly between Birmingham and the Black Country meant that this kind of partnership working was more difficult than, for example, Manchester (mentioned frequently by interviewees) where a combined authority has been in operation for a long time (Bentley et al., 2010). One interesting finding is that none of our interviewees thought that there was a natural ‘functional economic geography’ that should be reflected in the boundaries of the LEP. Firstly, there were many different interpretations of labour markets and economic networks. Secondly, the size and shape of any kind of partnership were considered to be a reflection of political geographies that had to be negotiated and managed. Thus, there was no consensus among our interviewees about the most appropriate scale for economic policy to be planned and delivered. Some interviewees thought that Birmingham city was the most appropriate scale at which to pitch policies for the creative sector because it was a manageable geographical area, had a high concentration of creative firms and was politically and economically ‘marketable’. Others highlighted the importance of linking together smaller clusters of activity across the creative sector that are dispersed across the West Midlands, and working at a scale that is large enough for strategic projects to be undertaken. However, in our interviews with even the smallest firms, it was clear that links outside the city and region were extremely important:

To be honest we’re looking outside of Birmingham for a lot of the work that we do now. We’re based here but we don’t really see it as a place for opportunity on the kind of scale we want to work on. (SME owner)

A key challenge for the LEP will be to ensure that it supports wider networking and businesses whose markets are developing outside boundaries of the LEP.

Conclusions

In this article, we have considered the implications of the shift from RDAs to LEPs from perspective of SMEs, using a case study of Birmingham and the West Midlands, with a particular focus on the digital media industries. Our findings reflect the issues that are raised by the dismantling of one governance structure and the establishment of a replacement. Overall, our respondents saw some merit in the bottom up approach, which would offer local stakeholders greater opportunities to determine economic development priorities. However, there were also concerns that the lack of statutory powers held by the LEP and its small budget would hamper its attempts to bring together different partners. A common concern among our respondents was the ability of the LEP to form partnerships in order to coordinate issues as diverse as transport, skills and bids to central government or European funding streams, which require collaboration and cooperation at a larger scale. At the same time, there is uncertainty about the LEPs role and responsibilities. During the four years over which we have charted developments in Birmingham and the West Midlands, we have seen the emergence of a ‘policy gap’ as old programmes and structures were dismantled. It has taken a considerable amount of time for new arrangements to be put in place and for firms ‘on the ground’ there was little clarity about what support would be available. This highlights the importance of engagement and communication during policy transitions.

Our respondents also reflected on the strengths and weaknesses of the RDA model, and the challenges and opportunities facing the new LEP. From the perspective of SMEs, the RDA was in general seen in a positive light. It was valued because it had raised the profile of the digital sector by
creating ‘cluster’ groups which provided representation and networking opportunities that were important for firms wishing to collaborate and access funding streams. However, there were concerns about some of the RDA spending, particularly on large infrastructure projects, which were not perceived to be of great benefit to SMEs. There was also a sense that funding for innovation activities and ‘proof of concept’ projects was a mixed blessing, because some firms became over-dependent on public funding. At the same time, it was clear that carefully targeted funding had been instrumental in, for example, enabling creative firms in traditional media to expand into the digital arena in the 2000s.

Overall, disruption to publicly funded networks was seen as a significant cost of institutional change. This is reflected by the fact that although the cluster groups established by AWM were officially disbanded when it was abolished after the 2010 election, the Digital Media Cluster Opportunity Group continued to meet and is trying to re-establish some kind of official cluster organisation. A recurring theme was that, despite good intentions, the Birmingham LEP appeared to be starting from scratch. In his early commentary on Government plans for LEPs, Pugalis (2010) cautioned that dismantling the regional institutional structures might be akin to ‘throwing the baby out with the bath water’. To an extent, this appears to be the case in Birmingham and is something that should be in the forefront of policymakers thinking when the next round of compulsive reorganisation inevitably takes place.

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