Regional Development Programs: A Reason for Them Failing

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Abstract—This paper contributes to the analysis of the design of regional development programs. This is a case study the birth, life, death and afterlife of a stately development program in Norway, supporting diffusion of innovations by promoting e-business in SMEs (small and medium sized enterprises).

The study shows that joint projects like regional development programs have to be designed such that the present value of the future benefits always exceeds the present value of the future effort for all stakeholders vital for the survival of the project. The study also indicate that a development program not always have one common goal which all the stakeholders agree upon. There are several stakeholders who may have different goals by playing a part in the realization of the program.

Even if some parties evaluate the results of a development program as a failure, other may have attained their goals. The lessons learned from this study may advise the designers of development programs involving many independent stakeholders. There is a lack of research examining failing development programs, investigating the reasons for it to be considered a failure. This paper shows why a development program was terminated and gives hint to how joint programs could be designed in order for the program to deliver the wanted results to all the key stakeholders.

Keywords—Regional development initiatives, development program, stakeholders, diffusion of innovations, goal fulfillment, design of development programs.

I. INTRODUCTION

ISAKSEN [1] claimed that there has been an increased attention in the recent years to the importance of stimulating to the diffusion of innovations as a mean for improving the economical development in the industrialized countries. Regional development agencies have a long established role in regional planning, management and development in Norway as in other industrialized countries [2], [3]. The effort from the regional development agencies has changed from stimulating the innovation structures in big organizations in the 1970s to stimulating the innovation structures in SME in the early 1990s [1]. The central function for a regional development agency is to develop, plan and support innovative and effective development projects [4], [5]. The definition of a regional development agency used in this paper is; a regional based, publicly financed institution outside the mainstream of central and local government administration designed to promote economic development [6, p. 9]. A regional development agency should among others provide financial assistance to businesses and administrate and run projects to increase the long-term capacity of the region to develop [4]. The change processes initiated by the regional development agencies are planned and the purpose is to attain social and economical goals [2]. For the purposes of this paper, development programs are defined as all social and economic programs funded by regional development agencies. Cox et al. [7] claims that there is a lively debate in the economic development literature concerning the efficacy of such programs. Hughes [4] claims that regional policy is working, but it has much further to go before one could tell why what works and not. Some of this gap in our knowledge could be linked to coordination of independent actors. Coordination of activity among independent entities is especially troublesome for SEMs [8].

This study attempts to show the reasons the participators in the described case found to be most important for explaining their motivations for to develop and / or to participate in this regional development program. This case does also reveal how the individuals and organizations evaluated the outcome of the program as well as it rationales over their decisions on their contribution to the continuation and closure of the discussed development program.

II. THEORETICAL FRAMEWORK

Those who regularly interact with an organization or a project and who depend on the output of the endeavor are often labeled stakeholders [9]. Stakeholders provide resources to an organized effort and then expect some rewards in return for this effort [9]. An organization or a project can only exist as long as this exchange is balanced [10]. This implies that an effort, such as a regional development program, has to acknowledge the needs of both internal and external stakeholders in order to get access to important resources. Stakeholder theory enables an understanding of which individuals or groups a task like a regional development program depends on for ensuring success [11]. Stakeholders need to have some common aim for the project for it to survive in the long run. But even if different stakeholders to some extent do have coherent goals, they do not necessarily have to totally agree on all goals and especially not on the means to reach these goals. This would then lead to a potential conflict among stakeholders of what actions that are appropriate means to reach a more overall goal [12]. As a result, stakeholders may well inherently pursue somewhat different types of objectives or expectations [13].

Collaboration and orchestrating has been suggested as a tool for understanding the process of independent actors with somewhat diverging goals working together to accomplish a

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higher common objective. Hardy, Phillips and Lawrence [14] define collaboration as a cooperative, inter-organizational relationship that is negotiated in an ongoing communication process, and which relies on neither market nor hierarchical mechanisms of control. The term collaborative then describes independent organizations that are working together [15]. The advantages of collaboration relates to the synergistic outcome of the joint activities indicating that the gain could not have been achieved by any organization or individual actor alone [16]. The outcome could be a strengthened competitive position as the capability built by the collaborative process is hard to imitate by competitors [17]. Multiple forms of values are reported resulting from inter-organizational learning collaborations; individual capacity building, operational value, reputation and relationship building [18]. Several obstacles exist in the process of reaping this value. There are inherent difficulties in specifying the goals of the collaborative actions [19]. As there is a lack of traditional hierarchy other remedies for government has to be put in place in order to manage the collaboration [16].

Orchestrating can be viewed as a tool to align the individual actions toward an overarching goal. Orchestrating is the set of deliberate, purposeful action undertaken by a central actor to create value and extract value from a network [20]. Haga [21] suggests five main enablers that bring networks into action. These are network management, network infrastructure, training programs, leadership and processing roles. Network management is the process of building internal resources, relationships and processing roles. Haga [21] further define network infrastructure as the organizational tools that structure the way people and organizations cooperate. Training programs are defined as the deliberate efforts set in place to develop skills and knowledge sufficient for the actors to cooperate. Leadership is the involvement of the significant others that define which actions a group finds suitable [22]. Processing roles is the managed processes than governs the links the network have and develops with the external environment.

This initial theoretical discussion forms a backdrop for developing a deeper understanding of the dynamics in the case to be discussed further in this paper. The case depicts the creation and orchestrated collaboration among stakeholders in a regional development program.

III. THE CASE

This is the story of the creation, life, death and afterlife of a regional development program. Many were involved in the creation of it, all had to feed it with resources, not all benefited from its results, so someone terminated it.

This was in the middle of the "e-hype" times in the end of the 1990s. International and national magazines and newspapers dealing with ICT or business are claiming "e or die", and Norwegian national opinion makers point out that the level of e-business in the industry and trade is low compared with their foreign competitors. These opinion makers addressed the public both in ordinary local and national newspapers, in business news papers and in the prime

time news in the two public broadcasting companies, both in television and on radio several times. The Norwegian trade organization for ICT business (ICT-Norway) was one of the promoters of the image that Internet worldwide was widely adopted and that Norway was lagging behind. The ICT trade organization launched and promoted the idea that it should be a stately responsibility that all inhabitants and firms have access to Internet broadband, just as it is a stately responsibility that all have access to roads, electricity, water, and phone lines.

The Norwegian trade and industry organization (HSH) regarded this as an opportunity for getting stately funding for establishing broadband to all their members and their members potential customers. They delivered their arguments several times on the main news on both of the national broadcasting companies, as well as in local and national business newspapers. Their arguments shaped the political agenda. The researcher recorded several TV and radio clips as well as tens of news paper publications.

The stately minister of Trade and Industry was forced to respond to this public announced and argued demand, as it was soon election. She was took part in some of the debates around this issue in TV, radio and in newspapers. The ministry of Trade and Industry then arranged several meetings and hearings with researchers and industry leaders all over the country discussing how to best promote e-business among the population and among SMEs. The researcher participated in and took minutes from one of these hearings. The discussion in the hearings resulted in a whitepaper [23] to the national assembly describing the situation for the SMEs. In this whitepaper to the national assembly, the minister agrees; yes the adoption rate of e-business is low in Norway and trade and industry could benefit from a higher adoption rate. The answer from the opposition in the national assembly and from the trade and industry organizations was one: Do something about it then!

Then the minister has to deliver action, not mere talk. She accepted a sketch from the trade and industry organization HSH for a national program that supported the introduction of e-business in Norwegian SMEs and she granted money to SND for a Norwegian national program named VeRDI. SND was a stately regional development agency foundation that supports the development of trade and industry in Norway through different programs. SND is an abbreviation of Statens Nærings- og Distrikstutbyggingsfond – The Stately Trade and Industry Development Fund. The purpose of the VeRDI-program was to strengthen the competing power and profit of Norwegian SMEs through stimulating to, and promoting the use of e-commerce in Norwegian SMEs [24]. "Verdi" is the Norwegian word for value, and the small "e" in VeRDI should indicate its connection to e-business. The pilot program was administrated by more than 20 local SND offices and ran by accredited consultant firms. The timeline for the program was short from granting the money until startup. The consultant firm had one major task prior to the kick-off: Get participants! There was a huge kick off for the VeRDI program presented in the news both on national TV and in ordinary prime

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newspapers and in newspapers for ICT and business. The startup of the VeRDI program was introduced in press conferences both national and local at the same time. Both the minister of Trade and Industry, the president of HSH and the president of SND was present and the TV studio was linked to local TV-studios were local participants in the pilot program were present.

The local consultant in this case, Mr. Consultant had one week for to find suitable participants in his region. Mr. Consultant contacted Mr. Tire from a tire wholesaler and Mr. Concrete from a concrete producer. Mr. Tire from the tire-wholesaler and Mr. Concrete from the concrete producer had previously participated in another SND program also ran by Mr. Consultant. Mr. Consultant chose to address these two individuals because he believed that they and the organization they represented were willing and able to participate in the VeRDI program. Mr. Tire and Mr. Consultant were indeed willing to participate. Mr. Tire asked his boss, Mr. TireBoss if it was okay to participate, his boss agreed. Mr. Tire was the sales manager of the tire-wholesaler. After some meetings in the program, Mr. Concrete told his boss, Mr. ConcreteBoss that he was participating in the program. Mr. Concrete was a business manager and was also responsible for running and developing the ICT of the firm.

There was a manager for hire in a brewery nearby, Mr. BreweryBoss. He came from the same consultant firm as Mr. Consultant. It was specified in the manager-for-hire contract that he among other things had to develop the brewery's e-strategy. Mr. BreweryBoss tough it could be a good idea to let the brewery join the VeRDI program. Mr. BreweryBoss asked Mr. Consultant if they could join the program. There was just a minor problem. The brewery was too big for to be classified as a SME. Mr. Consultant informed Ms. Executive at SND about the situation at the brewery, and SND adjusted the rules for who could join the VeRDI program. The brewery could now join. Mr. BreweryBoss asked his subordinate Mr. BreweryICT if he was willing to "contribute to develop the firms next generation of e-commerce tools". He got a positive response. Mr. BreweryICT's responsibilities are among others to extract data from internal databases for statistical purposes reporting to the management level. After participating on one meeting, Mr. BreweryICT and Mr. BreweryBoss decided that the controller, Mr. BreweryController ought to participate in the daily operations of the program instead of Mr. BreweryBoss. Mr. BreweryController was happy to do so. Mr. BreweryBoss then left the program, and monitored the progress of Mr. BreweryICT and Mr. BreweryController by arranging following up meetings after every meeting in the program. Mr.BreweryLogistics was in charge of another e-initiative at the brewery and insisted on coordinating this initiative with the VeRDI program. He was allowed to participate on the last session in the VeRDI program before it terminated.

SND paid all the expenses regarding the VeRDI program, including the air tickets, the hotel bill, and the consultant time. The only expense for the joining organization was their time spent on the program. The program was administrated as a series of two days meeting sessions every month for about a half year. The participators should gather and evaluate information between these meetings, and this new information was then processed and analyzed during the meeting. The program used a Porter [25: p.6 and p. 46] inspired electronic form in an Excel-sheet to discover business areas or internal routines to improve by the mean of e-commerce. The participators should answer questions like "What are the activities that create value for your organization and the customers of your organization, and what are the strengths and weaknesses with these activities". From this the participants should find areas for improving these activities by means of electronic commerce in some sense. It was the participating employees own responsibility to disclose the areas suitable and profitable for e-commerce, if any were present. At the end of the program, the joining organizations could apply for a contribution from SND for the cost of the implementation of the ICT tool that was suggested by the outcome of the program.

The researcher took part in the described local pilot program as an observer and participated in all the meetings and took notes on the participators actions and statements there. The researcher also took part in the discussions during the brakes in the meetings for to get a deeper understanding of the participant's goals and actions. The bosses of the employees participating in the program along with the consultant and the participating employees were interviewed in their offices in the middle of the pilot program and again one year after the termination of the program. The local SND executive officer managing the regional development program was interviewed just after the termination of the program. All interviews lasted between 25 and 60 minutes, and were tape recorded and transcribed. The data was interpreted inspired by ethnometodology [26] in order to find meaning behind the actions of the actors. This implies that the researcher seeks to involve the actors in reaching an understanding of the actors in a research study, by discussions and verifications.

IV. THE CASE RESULTS

There were different views on the success of the program. This was evidenced by the fact that the VeRDI program ended very sharply. It suddenly died, just as it was gaining momentum and started delivering outcomes for the participators. The party of the minister lost the election, and the new government cut substantially in the grants to the SND, and so the VeRDI program was terminated. It ended just after the completion of the pilot program, and just before anadjusted full version of it was to be launched in a bigger scale. The program was ranked by the ECU as one of the best program for promoting e-business in Europe [27]. Luckily for the local doers, the local pilot program they participated in was completed and they had an end result to show to their bosses as a result of the program.

The local program was evaluated four months after its completion according to the rules of SND. The reported end result for the tire wholesaler was a description of a system that let their customers order by Internet. The concrete producer

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realized that what were possible for them to install and use, was merely small routine adjustments. They ended up adjusting the routines for how the bills for concrete were handled. Instead of having a manual routine for the independent drivers of concrete mixer trucks, Mr. Concrete made an ICT routine that did the work. The brewery ended up with several small manual work saving ICT routines. Still, as SND got less grants, SND was not able to fund the implementation of the end result of the VeRDI program for the tire wholesaler, the concrete producer or the brewery. They had to manage without this fund.

One year after the termination of the VeRDI program, some remaining of it still existed. Mr. Concrete at the concrete producer had installed a new accounting system, the accounting system had integrated some of the previous standalone production systems and he planned to make some accounting information accessible via web. The tire wholesaler had structured his web-order problem down to a choice between two web solutions from two vendors. He still hesitated to go all in for a web-order-solution; as such a web solution would cost more than their entire present accounting system. He did still not find it legitimate that some would-be-nice ICT system should cost more than the organizations core ICT system. The brewery did not take more action regarding the result of the VeRDI program. The consultant Mr. Consultant ran a program similar to the VeRDI program with seven paying clients. The goals and achievement of the stakeholders in the local regional development program could be summarized as in Table I.

TABLE I
THE INDIVIDUALS AND THE ORGANIZATIONS INVOLVED IN THE VeRDI PROGRAM AND SOME OF THEIR REASONS FOR TO INVOLVE THEMSELVES INTO THE PROJECT

Type	Stake-holder	Goal for participation	The result
I	ICT-Norway	Someone to pay for their members ICT investments	Some consultant work for some of their members
I	HSH	Someone to pay for their access to their costumers	Some help in preparing for more e-business for some of their members
I	Minister of Trade & Industry	Re-election and a more efficient trade industry	Could show that she did something to get a more efficient trade industry, but lost election
I	SND, Ms Executive	Legitimating SNDs existence	Got credit for the best e-trade promotion program in Europe and addressed an important area, but lost funding
D	Mr Consultant	Paid work and more efficient business for his clients	Got work in this project and both local SND and project participators where satisfied. He got a new line of business-aid courses to sell.
D	Mr BreweryBoss	Evaluated if there were something to gain in using e-commerce for the brewery.	1. Got made a batch program that enters e-mailed data from a vendor into the order system. 2. The brewery outsourced some of its billing.
D	Employee Mr BreweryICT	A learning experience	A learning experience and credit for doing a good job
D	Employee Mr BreweryController	Fun and a learning experience	Fun and a learning experience and credit for doing a good job
D	Employee Mr BreweyLogistics	Integrate the different internal effort to doing e-business at the brewery	No integration of the different internal effort to doing e-business at the brewery
D	Mr ConcreteBoss	Prepare the organization for e-business	The firm knows more about what it takes to do e-business
D	Employee Mr Concrete	To find a better and more system integrating accounting system.	1.Altered the routines for how the independent driver of concrete mixer trucks handles the bills to the customers 2.Installed a new accounting system
D	Mr TireBoss	Better ways of serving their customers	The firm knows more about what it takes to let their customers order by web
D	Employee Mr Tire	Implement a web-software that allows customers to order.	Prepared a hardware and software requirement for a system that lets their customers order by web. Found potential vendors.

Type: I = initiator, D = doer.

V. CONCLUSION

The lessons learned from this study will advise the designers of development programs involving several independent actors.

Stakeholder theory postulates that independent actors provide resources to an organization or effort if the actor is receiving a suitable compensation back from the organization or effort. Stakeholder theory roots in organizational theory; hence it is not fully addressing all the challenges associated with one-time relationships. Collaboration also assumes that the interaction is repeated, as the term describes a situation where independent actors work together for to achieve diverging goals. As this study applies stakeholder theory and collaboration in a one-time relationship event, a regional development program, the study expands our understanding of how actors relate and how they interact with each other.

The main conclusion of the study is that a regional development program only runs as long as it delivers or promises to deliver benefits to the stakeholders that need to contribute to its continued existence. The study shows that joint projects have to be designed such that the present value of the future benefits always exceeds the present value of the future effort for all stakeholders vital for to ensure the survival of the project. When the program does not longer provide benefits greater than the effort, a stakeholder will potentially withdraw from the project. If the input from this stakeholder is vital for the project, the project will then be terminated. A joint regional development program then has to be designed in

such a way that it constantly delivers present or future benefits to all central stakeholders bigger than the effort the same stakeholder still has to bring into the project. This insight could be stated as in proposition 1.

Proposition 1: Joint projects like regional development programs have to be designed such that the present value of the future benefits always exceeds the present value of the future effort for all stakeholders vital for the survival of the project.

Orchestrating, unlike stakeholder theory, allows for power unbalance among the actors, as orchestrating describes a situation where a central actor deliberately and purposefully arranges a network for to reap benefits from the effort. In this case we see that the main actors shape the structure that allocates benefits and burdens as well as at what point in time these benefits and burdens are to be delivered and gained. This process is not among the five enablers Haga [21] suggests as bringing orchestrated networks into action. In this case we see that the main actors mold the regional development program deliberately, ICT-Norway and HSH both ask for specific actions that will fill their needs. The Minister of Trade and Commerce seeks backing for to deliver something slightly different than these organizations asks for, by arranging hearings and meetings and order for a white paper describing the situation. Based upon the input she got, she secured her political gain early in the process by arranging the press conferences at the launch of the program. She also specified the gain and the effort for the other actors as she expressed the purpose of the program as well as how it should be paid for. The other actors had more or less to accept the offered regional development program as a take-it-or-leave-it package.

The study also indicates that the different actors have different possibilities to shape the distribution of effort and gain; the doers were less able to influence this distribution than were the initiators. The different initiators had different roles in the creation of the program; hence they will have different potential for moulding the distribution of such an initiative. This then compiles to the proposition that relational power play a role in who is getting their goals attained in a regional development program.

Proposition 2: Relational power is a factor that decides which actor who gets their goals attained in a joint effort involving several stakeholders whit unbalanced power relations.

The overarching goal of the regional development program was to strengthen the competitive positions of Norwegian SMEs. We see that the different actors related to this overarching goal in different ways. The study also evidences that a development program not always have one grand common goal. ICT-Norway and HSH wanted someone to pay for their members ICT investments and access to their customers, while the Minister wanted to be re-elected by showing herself as a competent politician. The regional development agency wanted to legitimate its existence by serving the need of the politicians as well as the industry. The bosses of the businesses involved in the regional development programs as doers wanted to investigate the possibility that this effort actually would strengthen their competitive position. The footmen, the employees actually performing the program, had their own personal goals for participating.

This program could then be characterized as an uneven coalition of independent parties searching for only loosely related goals. In a regional development program like this, there are several stakeholders who all may work toward different goals, and they seek to realize their goals by playing a part in the realization of a program like this. Even if some parties evaluate the results of a development program as a failure, other may have attained their goals. This insight could be stated as in proposition 3.

Proposition 3: The order of who is putting in effort and attaining goals might affect the survival and deliveries of a project.

The initiators should shape the program in such a way that it promises the doers that the program will last until all actors have received their gain, while balancing the efforts and the gain in such a way that all actors will benefit from their involvement. The doers should investigate the outline of an offered development program for to be ensured that their efforts will eventually pay off.

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