



Development Bodies, Networking and Business Promotion in North Jutland

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**DEVELOPMENT BODIES, NETWORKING
AND BUSINESS PROMOTION**
The Case of North Jutland, Denmark

Charlotte Damborg & Henrik Halkier

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Preface

This paper is based on work undertaken as part of the LEONARDO-sponsored project *The Intelligent Region* which is an international collaborative venture between regional development organisations and researchers in six EU member states, aiming to explore existing experience and develop new strategies for improving the capacity of regions to learn in order to build a stronger base for economic growth and social development. Drawing both on practical experience and academic work, the project focuses in particular on ways to strengthen the institutional links and networking processes between private and public organisations that are deemed to be critical for the learning capacity, especially with regard to adjusting to the ever-changing challenges in an increasingly globalised environment.

In the context of the LEONARDO-project this paper attempts to address the issues confronting regional policy in a small country with a plethora of public agencies active in the field of regional/local development and an economy near-exclusively based on SMEs. Thanks are due to the regional and local development organisations in North Jutland participating in the study and the Department of Trade and Industry in Denmark for supplying information. The financial support of DGXVI of the European Commission and the financial and other support of the Department of Languages and International Culture Studies at Aalborg University is also gratefully acknowledged, as is the inspiration provided by the project coordinators at the Welsh Development Agency and the other project partners. Full responsibility for the text in its present form does of course remain with the authors.

1. Introduction

During the last decade local and regional bottom-up development initiatives have mushroomed in Denmark, and today there is a multitude of separate public or semi-public bodies active within the field of regional development and business support. All levels of government - national, regional and local - are involved in business promotion and the implementing agencies are typically small in size and offer different types of general or specialised advisory services.

North Jutland, the northernmost county in Denmark, is a particular case in point. Over 40 organisations are involved in economic development activities and business support in North Jutland, a region with less than half a million inhabitants and an economy dominated by SMEs. For decades the region was covered by central government regional incentives schemes and from the mid-1980s the European Structural Funds became available and led to the creation of development programmes covering parts of the county. The longstanding status of North Jutland as an assisted area has been an impetus for the setting up of local and regional business councils and especially the European Structural Funds have offered excellent opportunities with regard to the establishment of new types of business support.

'Institutional thickness' is often, and rightly, seen as a prerequisite to regional development and learning,¹ but in Denmark the explosive growth in bottom-up initiatives has frequently been seen not as strength, but as a weakness.² The co-existence of a multitude of organisations would seem to pave the way for potential problems such as overlapping functions, lack of coordination of measures, competition and conflict between the organisations - and, ultimately, confusion among private sector clients. The sheer number of actors does of course in itself make cooperation more complicated, but add to this the involvement of different levels of government with different agendas, both in terms of development strategies and institutional rivalry, and the territorial competition between local authorities - and, at least to some observers, the point where one type of thickness turns into another may be in sight.

Still, the presence of a host of specialised bodies does not necessarily mean that these organisations cannot as a whole form an integrated and coordinated approach to regional development, because the nature of the system as a whole depends on how well all these, formally separate, efforts are coordinated. In North Jutland - and in Denmark in

1 Amin & Thrift 1994.

2 Industri- og Samordningsministeriet 1994; Erhvervsministeriet 1995.

general - this is *not* achieved by means of a formal hierarchy: there is no single agency taking overall responsibility for regional development and to which all other actors are accountable. Instead coordination - and ultimately an integrated approach to regional development - could be achieved through network types of cooperation between the organisations, conducted either on a formal or informal basis.

2. Aims and Methods

The objective of this paper is twofold. Firstly, to establish a comprehensive picture of the publicly financed actors involved in business promotion within the North Jutland region with regard to organisation, objectives, resources and policies. Secondly, on the basis of this to explore the interaction between the various organisations in order to establish patterns of formal and informal coordination and discuss their potential consequence for the provision and development of business support within the region. The institutional mapping will cover providers of manufacturing and general business services, but exclude specific sectoral types of services for tourism and agriculture. Moreover, we shall focus on the types of services supplied directly to management and not indirectly through e.g. training of employees and hence e.g. educational centres have not been included in the study.

A postal enquiry was undertaken in Autumn 1997 seeking copies of the latest annual report and other relevant materials from economic development bodies in North Jutland.³ Almost two thirds of the organisations contacted responded positively to the request, including all the central players. Organisations from which materials have not been obtained directly include trade associations, the GTS institutes (technological service institutes), some of the local business councils and the North Jutland Business Council. However, in many cases information has been available elsewhere and the paper will therefore include information on these whenever possible.

In order to investigate in more detail the nature of the interaction between the organisations, interviews were carried out in 17 organisations from November 1997 till January 1998.⁴ The interviewees were practitioners and civil servants rather than politicians, and they represented organisations both at regional, sub-regional and local levels.

3 A list of the organisations included in the survey is provided in Appendix I.

4 A list of interviewees is provided in the list of sources at the end of the paper.

Table 1 Network analysis - Key variables

<i>Levels of analysis</i>	<i>Variables</i>
Organisation	* domain (territory, function) * resources * policies * positioning
Inter-organisational	* institutionalisation * resource dependencies
Multi-organisational	* integration

Based on Halkier & Damborg 1997

The analytical framework which has formed the basis for the research design is inspired mainly by network theory and has been set out in the paper 'Networks, Development Agencies and Intelligent Regions - Towards a Framework for Empirical Analysis' (Halkier & Damborg 1997). Here it is argued that networks are a particular mode of social coordination, involving formally independent agents that have formed a long-term relationship based on mutual resource dependencies. This particular combination of characteristics sets networks apart from the other generic modes of coordination, namely markets and hierarchies.

The concepts considered to be central in the analysis of interaction between development bodies are listed in Table 1. The 'regional development industry' in North Jutland is thus investigated on three inter-related levels of analysis: the individual organisation, the way in which agencies interact with one another in bilateral relations, and the way in which the whole system of business promotion is coordinated in more or less formalised and hierarchical ways.

Domain is central to most organisations because their *raison d'être* is to perform certain functions in a particular geographical setting. *Resources* are the means by which an organisation maintains itself and influences its surroundings, and therefore the question of resources and their exchange is essential, not least in the context of networks that are seen as driven by mutual dependencies with regard to four basic resources: authority, information, finance and organisation.⁵ Closely associated with this is, however, also what

5 For a discussion of resources and relations of power, see Halkier 1996 pp. 47-62.

the development bodies are trying to achieve for the regional economy - the question of *policies* - and the way agencies attempt to *position* themselves vis-à-vis other organisations in order to maintain their domain, resources etc. At the inter-organisational level of analysis, the mutual *resource dependencies* and the degree of *institutionalisation* of the relations between organisations will be examined. Finally, this should allow us to establish patterns of formal and informal coordination in the structure of the system of business promotion as a whole, i.e. assess patterns of *integration* on the multi-organisational level.

In the light of the large number of organisations involved in business promotion in North Jutland it is obviously outside the scope of this study to examine each and every bilateral relation. However, taking the above dimensions as a point of departure the research should be able to illuminate the main features in the interaction between agencies as well as their origins and possible consequences.

The paper proceeds in the following steps. The next section will briefly introduce the policy context in which actors in North Jutland operate, namely the regional policies of the national and European tiers of government. Section 4 will provide an overview of the organisations involved in business promotion in North Jutland, and Sections 5 and 6 will provide a more detailed analysis of the policies, positioning and resource dependencies of these organisations. In Section 7 the findings with regard to the patterns of cooperation between the organisations will be presented, and finally the conclusion will be accompanied by some more general reflections on the possible consequences for the capacity of the region to respond to new challenges.

3. The National and European Policy Context

The beginning of the 1990s marked a significant change in the position of central government as regards the organisation and instruments of regional policy.⁶ The Danish government had come to see policies of preferential treatment for peripheral regions as outdated, and in 1991 all central government regional incentive schemes were terminated. As regards policy instruments, direct subsidies to individual firms had traditionally been the main policy instrument in regional development, but now so-called framework measures - i.e. forms of support that are not directed exclusively towards one particular firm, i.e. advisory services, technological support facilities, training etc. - were considered

6 For a more detailed outline, see Halkier 1998.

to be preferable to financial subsidies. In the 1990s the main role of central government in regional policy has therefore been as regulator of the economic development activities of local and regional authorities on the one hand and as co-funder of European Structural Funds programmes on the other.

With regard to sub-national economic development policies, central government regulation has taken two forms. Firstly, the types of activities that can be undertaken by the two tiers of sub-central government in Denmark - the counties (regional) and the districts (local) - have been specified. Economic development is not a statutory activity for districts and counties, but new laws in 1992 set out collective business services - i.e. measures targeting all or a group of firms in a locality - as a field in which sub-national actors can engage; granting direct financial subsidies to individual firms is explicitly prohibited and the use of this policy instrument remains the preserve of central government. Secondly, over the past decade local and regional authorities have instigated many new policy initiatives and the number of development bodies has increased significantly,⁷ and this has prompted central government attempts to improve coordination and efficiency: local and regional authorities have been encouraged to produce Regional Development Plans and set up so-called Business Centres⁸ through schemes involving some financial support.

The role of central government in the administration of the European regional programmes is of course defined in the regulations governing the operation of the Structural Funds, but within this general framework the Danish approach has gradually become relatively decentralised. Central government still maintains a role with regard to process management, legality and basic policy principles, but substantive issues - i.e. programme development and evaluation of individual projects - have been left to regional partnerships. On the regional level these partnerships incorporate local authorities and other social partners, but decision-making is in effect dominated by the regional authorities.⁹

While central government has stepped down its direct involvement in regional development policies and terminated its own incentives schemes, it is still committed to a general national industrial and business policy which provides a range of schemes which can be a source of funding for development activities undertaken by local and regional

7 See Damborg & Halkier 1998.

8 These Centres are to provide a forum for discussion between development organisations active in a particular geographical area, but do not infringe the control of participating organisations over their own activities or necessarily involve the creation of a separate organisation.

9 See Halkier 1997 and Damborg 1998.

organisations. In fact it can be argued that the line between regional policy and industrial policy have become blurred as national industrial policy has acquired a regional dimension, particularly through the network of Technological Information Centres which will be described below.

4. Development Organisations in North Jutland - An Overview

This section will provide a comprehensive picture of the development organisations in North Jutland with regard to their organisation, functions and funding. First, organisations located in North Jutland which are part of national systems will be presented. We shall then move on to present regionally-based organisations. Thirdly, we shall look at the organisations operating at district level, and finally the different types of cooperation between districts that in effect constitute a new sub-regional level in economic development policy.

This section thus aims at providing an overview of the various actors involved in business promotion in North Jutland and will form the basis of the ensuing Sections 5 to 7 which will go into a more dynamic and comparative analysis of the policies, resource dependencies and patterns of cooperation of the central actors.¹⁰

Nationally-based Development Organisations

Two types of organisations involved in business promotion in North Jutland are part of national systems and receive a yearly grant from central government, namely the so-called *GTS Institutes* (approved technological institutes) and *The Technological Information Centres*.

The GTS institutes sell different types of technological service, broadly defined, to private firms and public authorities. They are self-governing non-profit institutions¹¹ and have been approved by the Minister of Trade and Industry to receive a yearly grant from the state and can therefore be said to be a part of the business and technology policies of the central government.¹² They also form part of a national system for research,

10 Unless otherwise indicated the basic information on the various organisations in the rest of Section 4 is based on a database constructed from the yearly reports and other materials of the organisations participating in the study, and personal interviews.

11 Meaning that their surpluses and assets can only be used for the purposes laid down in their regulations and that they have to offer their services to anybody who may wish to purchase it.

12 Christensen *et al.* 1996, pp. 8-9.

technology and innovation which consists of institutions which do research and contribute to technological development. The 14 GTS institutes receive a total of DKK 253m a year¹³ from central government which allows them to undertake their own research activities and develop their services. However, the majority of their income - on average c 85 per cent - is generated through the sale of their services and in this sense they are similar to, as well as competitors to, private consultancies operating on a strictly commercial basis.¹⁴ The institutes are thus unique in the sense that they are faced with the dilemma and challenge of having to manoeuvre between the market and state - on the one hand needing the public grant in order to exist in their present form, on the other operating on 'market terms' and competing with private consultants.

There are 14 different GTS institutes,¹⁵ specialising in different fields of activity and offering a wide range of services including training, advice, analyses, testing and control, R & D, documentation and information services, standardisation, certification etc.¹⁶ Geographically, they cover all of Denmark, but some of the institutes have branches in different regions in Denmark. In North Jutland three of the institutes are physically present. The head office of the Danish Institute for Fisheries Technology and Aquaculture (DIFTA) is located in North Jutland, and the following two institutes are represented by branches: the dk-TEKNIK and the FORCE Institute. Although, as mentioned above, they are not confined to operating in the region where they are located and hence have no regional development remit, their localisation in e.g. North Jutland - besides reflecting the commercial basis for the specific type of service in the region - obviously creates geographical proximity to local firms, and the institutes are considered important contributions to the net of business services by the regional authority which would like to attract more GTS branches.¹⁷

The other type of business services in North Jutland co-financed by central government are the Technological Information Centres. Although these centres can also be said to form part of national business and technology policy, they are very different in nature from the rather specialised and commercially oriented GTS institutes.

There are 15 technological information centres in Denmark, one in each county,

13 Institutrådet 1997, p.5.

14 Christensen *et al.* 1996, p.11.

15 The institute which is perhaps most well-known internationally is the Danish Technological Institute (DTI).

16 Christensen *et al.* 1996, p.36.

17 Nordjyllands Amt 1997.

but two North Jutland¹⁸ (Technological Information Centre North and Technological Information Centre South which divide the county between them). The first Technological Information Centre in North Jutland was established in 1975.¹⁹ Their organisation has changed over time, but today they are a self-governing institution ruled by a set of regulations laid down by the Minister for Business and Industry.²⁰ At the national level the centres are managed by a council and a board, and day-to-day management at national level of the network of technological information centres is undertaken by TIC Denmark, which is primarily concerned with strengthening the political relations to the departments of central government and with improving the internal administrative routines and professional development of the network of technological information centres.²¹ At the regional level each centre is led by a centre committee to ensure the regional anchoring of the centres (in North Jutland there is a joint committee for the two centres). The centres are financed primarily by central government, but in most regions they receive a grant from the county. In North Jutland each centre has a yearly budget of c DKK 3m financed by central government (c 75%), North Jutland County (c 16%), and districts (c 8%), and each centre employs 5 people.²²

The overall objective of the technological information centres is to contribute to the development of the businesses and industries of the regions through information, guidance, and advice. The activities of the centres may be undertaken collectively or with the individual firms. Their services are as a general principle free of charge, limited in time and target SMEs and entrepreneurs within urban trades.²³ As their services are limited in time - up to about four hours - their role as catalysts must naturally be emphasised. The technological information centres offer advice, but especially with a view to referring the firm to more specialised bodies. Cooperation with regional as well as national institutions and firms are thus functions which are essential.

The fact that there is a technological information centre in every county ensures that the business development initiatives of central government are present in all Danish counties, and thus they make the implementation or access to national policies less

18 North Jutland county is the largest county in Denmark, and as the first Technological Information Centre was established in the northern part of North Jutland, the distance to the southern part of the region presumably led to the establishment of a second centre.

19 Erhvervsfremme Styrelsen 1998a and 1998b.

20 Erhvervsfremme Styrelsen 1998a, p.28.

21 Erhvervsfremme Styrelsen 1998a, p.17.

22 Calculated on the basis of annual reports and other materials from the Technological Information Centres in North Jutland.

23 1995 regulations of the Technological Information Centres.

vulnerable to differences between regions as regards business support services.²⁴ Each centre has the region as its geographical area of coverage and should, to some extent, be able to adapt its services to circumstances specific to the region while at the same time being part of a larger network of centres and thereby able to benefit from the exchange of information and experience, something which is intended to help creating synergetic effects among the technological information centres.

The Political Governance of Regional Development

Apart from the two types of organisations described above there are a host of other organisations operating at the regional level which will be presented in the following. We shall start by looking at the political level - including the importance of the European Structural Funds for the North Jutland approach to regional development - and then move on to the implementing bodies.

All Danish counties are involved in regional development, but resources, policies and implementation structures vary significantly.²⁵ In North Jutland the European Structural Funds have been particularly important. 25 of 27 districts in North Jutland are covered by either Objective 2 or Objective 5b programmes and North Jutland is the main recipient of European Regional Development Fund monies in Denmark. The importance and influence of the Structural Funds on the North Jutland approach to economic development shows itself in several respects.

Firstly, the County Council has been given significant responsibilities as regard the administration of the Structural Funds, and this has offered particular opportunities for the County both in terms of building up expertise and developing its approach to regional development, but also in terms of gaining a central role within the field of business promotion vis-à-vis the other actors in the region. Therefore, in 1992 North Jutland County Council established a regional development body, the *North Jutland Development Fund*, which brings together different social partners and has a yearly budget of c DKK 30m financed by the county council. This organisation was set up to provide a political forum for regional development issues that could further partnership with other actors in the region, as opposed to the Finance Committee of the County Council which was previously the forum for regional development issues and a purely political body consisting of democratically elected representatives.²⁶ As the county started setting aside

24 Erhvervsfremme Styrelsen 1998a.

25 Damborg & Halkier 1998.

26 Henning Christensen, personal interview.

a specific budget for regional development out of its own resources, it wanted an organisation of which it would maintain a significant degree of control and therefore the existing *North Jutland Business Council*, a public-private partnership representing especially local government and business interests, was not considered to be an adequate forum from the perspective of the County Council.²⁷ Instead, the Business Council was granted status as political advisory body to the Development Fund and it has until recently appointed 2 members to the board of the Fund. Today, the board of the Fund has 15 members (3 County Council, 3 local districts, 3 sub-regional networks, 2 social partners, and 3 individuals with particular interest and knowledge of business development appointed in a personal capacity). The county has thus handed over its powers to a forum with broad representation of other partners. However, as the county chairs and finances the Fund as well as provides the secretariat in charge of the daily administration of the development programmes,²⁸ it retains a dominant influence on its activities, including not least those relating to the Structural Funds programmes.

All in all, the North Jutland Development Fund is in a central position as it recommends decisions on Structural Funds applications to central government and controls the regional development budget of the county, the two major single sources of funding for development activities on the level of the region as a whole. Out of the Fund's own budget it allocates yearly grants to various other bodies and initiates and (co)finances so-called framework programmes such as the Internationalisation Programme and the Enterprise Development Programme which apply across the whole region.

The importance of the European Structural Funds can also be examined at another level. So far, the EU-funded programmes have provided the only coherent overall strategy for the region's development initiatives. The central government regional incentives schemes previously in operation were allocated to single projects assessed by a national organisation on a project-by-project basis with no overall strategic orientation.²⁹ In contrast the European Structural Funds are programme-driven and thus force the region to assess the strength and weaknesses of the region and design programmes including objectives, strategies, measures and priorities. Through the EU-funded programmes the region has also been able to grant financial subsidies to individual firms - a type of support which central government has a policy to reduce to a minimum as mentioned in Section 3 above. As is the case in other Danish regions, the local and regional authorities in North

27 Henning Christensen, personal interview.

28 The secretariat employs 15 staff.

29 Damborg 1997, Halkier 1998.

Jutland cannot co-fund this type of activity themselves, but European monies as well as central government co-funding have made financial subsidies a significant policy instrument in North Jutland, although the percentage of money allocated to this type of activity has been reduced in the new 1997-99 Objective 2 programme to bring the programme closer in line with central government policy.³⁰ In this sense the EU-funded programmes have generally provided the region with a strong instrument for the implementation of regional policy - an instrument which used to be the prerogative of central government to use and one which not all Danish regions have at their disposal.³¹

Thirdly, the importance of the Structural Funds can obviously be assessed by looking at the amount of money which has been available for development initiatives in North Jutland which sets North Jutland apart from most other regions in Denmark.³² In the context of this paper what is of particular interest is that European monies have contributed to the establishment of new types of business support as well as provided funding opportunities for projects and programmes of economic development bodies. And hence we leave the regional level of political governance and move on to consider implementing bodies.

Regionally-based Development Bodies

Some of the new types of regional business support set up during the last decade now operate on a commercial basis while others remain publicly funded on an ongoing basis. We shall proceed in a fairly chronological manner and start by describing the organisations which were set up with public funds but now operate on a commercial basis, and then move on to present those which continue to receive public funding on an ongoing basis.

Teknord and *North Jutland Information Technology and Enterprise Development* were set up with public money in 1987 and 1986 as self-governing bodies, but no longer receive yearly grants. Their existence today thus depends on their ability to sell their services. Both organisations are comparatively small with 4-6 employees. *Teknord* sells management advice to SMEs on a manager-for-rent basis within the fields of technology and markets. *North Jutland Information Technology and Enterprise Development* offers advice and undertakes development projects within the field of information technology.

30 The reduction was, however, less than 10% in real terms, and investment subsidies still constitute nearly 20% of the spending planned for the current programming period.

31 Damborg & Halkier 1998.

32 In the 1994-96 programming period The North Jutland Objective 2 programme was nearly 5 times the size of its counterpart on Lolland, the other Objective 2 area in Denmark.

The North Jutland Science Park (NOVI) is probably the most prominent example of a development body established with support from the European Structural Funds, but operating on a commercial basis. NOVI was established in 1989 and has a set-up which is unique in Denmark in that it combines its function as science park with venture capital. NOVI has a share capital of DKK 60m and employs on average 11 people. The company has three main fields of activity: 1) science park, 2) link between business and research, and 3) development company (invests risk capital: initial investments in NOVI and other science parks in Denmark as well as growth investments in existing companies in the counties of North Jutland and Funen). In its function as link between research institutions and business the company receives a yearly DKK 1.6m (1996) from the Ministry of Science and as investor NOVI has been approved as development company by central government, which offers 50 per cent coverage of investment losses. While NOVI is run as a private company aiming at paying dividends to its shareholders,³³ it therefore at the same time has to pursue non-profit objectives and is faced with the challenge of manoeuvring between state and market. In the same way the company - although operating in several regions in Denmark - has to pay attention to its regional anchoring to ensure the continued support of the university, the county and the districts.³⁴

We now turn to the organisations which are financed primarily by public grants on an ongoing basis.³⁵ *The North Jutland Business Service* was established in 1994 with the explicit purpose of creating a 'non-political', business-oriented organisation which could offer advisory services on a highly professional level to firms in North Jutland.³⁶ The organisation employs 13 staff and has its own board of directors, predominantly consisting of people from the business community of the region. It is primarily sponsored by the North Jutland Development Fund and the turnover in 1996 was DKK 6.7m. Its activities can be divided into core activities, i.e. different types of advisory services (financing,

33 The main shareholders are the County, savings banks and various foundations.

34 Svend Valentin, personal interview.

35 *The Libraries' Business Service* is such a provider of business service. The service is part of the central library in Aalborg, employs 1½ people and offers information retrieval in a wide range of areas relevant to business (exhibitions, regulations, markets, export/import etc). However, in contrast to the North Jutland Business Service and the Technological Information Centres, the service does not supply advice as the information retrieved is not processed. The initiative covers all of North Jutland, but is funded by the local authorities in Aalborg. Moderate fees are charged for longer assignments.

36 The organisation was established following a report by the Department of Trade and Industry which proposed the establishment of a professional organisation to ensure that the resources spent on business promotion actually benefited firms (Industriministeriet 1994). This reorganisation also resulted in the closure of the small secretariat of the North Jutland Business Council; the Council is now supported administratively by the new North Jutland Business Service.

export and business development) and the management of framework programmes for NUF, e.g. The Internationalisation Programme, The Enterprise Development Programme and The Tourism Programme. Furthermore North Jutland Business Service acts as secretariat for the North Jutland Business Council.

The most recent business service initiative in North Jutland is the *Business and Innovation Centre North*, a European concept for business service and the first organisation of its kind to be set up in Denmark. The Business and Information Centre North was established towards the end of 1997 at the initiative of the North Jutland Development Fund, Viborg county, NOVI and the sub-regional networks (to be explained below). These actors also finance the initiative together with the EU providing 40 per cent of the budget of the centre the first two years. The centre covers both North Jutland and Viborg counties, employs 7 people and has a yearly budget of c DKK 5m. As the centre is intended also to generate its own income, the extent of public financing in the long term has yet to be seen.

The Business and Innovation Centre North is a strategic partner for entrepreneurs and SMEs which wish to initiate or are already working on industrial development projects. The centre evaluates potential or on-going projects and proposes itself as a long-term partner in the implementation of those projects which are considered profitable/viable, in which case a formal partnership agreement is drawn up involving some sort of financial arrangement (e.g. no-cure-no-pay, or license/royalty). The special competence of the centre is its ability to take a professional and overall look at the technological, financial, organisational and market aspects of a project and provide advisory services and support throughout the project.³⁷ If the centre becomes a partner in a project, it will charge for its services.

Locally-based Development Bodies

In Denmark there is a long tradition for forming civic associations and this has also been the case when it comes to promoting economic development at the local level. Especially after the first national Regional Policy Act came into effect in 1958, local business councils started to mushroom.³⁸ The councils were coalitions of local business interests and came into being to promote economic development and to help attract national regional incentives.

These private initiatives have been the basis for the establishment of local business

37 Freddy Ranø, personal interview.

38 Bogason 1982, Nielsen & Pedersen 1994.

development offices in several districts. Today, the offices are primarily sponsored by the local authorities which in recent years have become increasingly involved in the promotion of economic development in order to tackle the problem of unemployment.³⁹ Many local authorities have formulated business and tourism development policies and in some districts the local business development office has even become part of local government.⁴⁰ However, as this study has focused on the local business development offices, i.e. the administrative level, the policies of local government will only be considered to the extent they are reflected in the operations of the local business development offices.

In North Jutland nearly all districts have a local business development office,⁴¹ but the structure, tasks and resources of the offices vary considerably, reflecting the size of the district and its economic structure. The budgets of the offices on which data were available range from DKK 0.4m to 1.5m (except for Aalborg Commercial Council which will be described below as a special case). Typically the offices employ a business development officer and a secretary, and the budgets primarily cover wages and office expenses. In districts where the budget of the local business development office is small, there is little or no room for manoeuvre in terms of financing own development activities whereas especially larger districts are able to finance small projects and activities out of their own budgets.

There are two general models according to which the local business development offices are organised. In the vast majority of cases the office is run by a local business council consisting of representatives of local business, social partners and the local authority, but in some cases the local authorities have taken over or set up the local business development office, which then forms part of the local administration. Opinions on which model is preferable as well as the practical relevance of the difference in structure vary. As one of the functions of the business development officer is to be the link between the local authorities and business, offices which are part of the local administration obviously benefit from their closeness to the authorities, while local business development officers outside local administration claim to be in a better position to represent and pursue the interests of the business community. In either case the local authorities remain the dominant sponsor of the local business development offices, financing between 70 and 100 per cent of their budgets. The rest of the budgets come from

39 Halkier 1998.

40 Examples of this in North Jutland are the districts of Aabybro and Skagen.

41 According to our data local business development offices exist in 25 of the 27 districts in North Jutland (of these 3 districts have a joint office). 16 districts have participated in the study.

member subscriptions from firms and, in some cases, fees charged for particular services.

It is difficult to provide a typology of the tasks performed by the local business development office as these vary considerably from district to district. Generally, their function is to promote growth in the district by encouraging the establishment of new firms in the district and by providing service for existing firms. This includes promoting the district in order to attract new firms, initiating and/or participating in the preparation of large development projects in the district, assisting entrepreneurs and SMEs by providing different types of advice and practical help, helping them to locate, being the link to the local administration, and arranging meetings, courses and the participation in international activities for firms.⁴² The balance of these activities vary according to the economic structure, the size of the district and the qualifications of the business development officer - and reflects the type of activities which the local community wishes the business development office to undertake. Accordingly, while some officers spend most of their time on development projects and collective arrangements for firms, others prioritise contact with and advice for individual firms.

A major exception to these general characteristics of the local business development offices is Aalborg Commercial Council which covers the district of Aalborg, the only major town in North Jutland and location of over a third of the total number of jobs in the county. This office has a yearly budget of c DKK 7.5m and employs 7 people. On a general level the office offers the same types of services as the other local business development offices described above, but being a larger organisation with more resources, it is able to supply more specialised types of advice, undertake larger development projects as well as put more resources into marketing Aalborg. In addition to this office which was set up as a self-governing body (by the local authority and local social partners), the local administration in Aalborg has its own international office and offices in Brussels and in Riga in Latvia, which also provide business support.

Another distinctive organisation of local business support can be found in the districts of Farsø, Nørager and Aars which in 1993 decided to set up a joint business development office to replace their separate offices. The office now employs two consultants and has a budget of c DKK 1m. The local business councils of each district are represented in a joint development council under which the business development office is organised. In terms of tasks and resources the office does not distinguish itself from the variety of other local business development offices, but the particular organisation is worth noticing as it obviously serves as example of an initiative which

42 Some offices are also tourism offices.

attempts to transgress district borders and traditional rivalry between districts. The same applies to the types of cooperation between districts which will be described below, albeit at another geographical level and without involving the closure of local offices.

Sub-regional Cooperation in Economic Development

In the above the policies of central government, the county and the districts have been described, each representing a different level of government and acting at different geographical levels. However a new type of actor has presented itself in the field of economic development during the 1990s. The last few years have seen the formation of several networks⁴³ between districts as an attempt to join forces and coordinate activities. These sub-regional networks are, however, very different in nature and have yet to find their final form (map enclosed in Appendix II).

Traditionally, an important task of the local business council was to create growth in the district by promoting the area in order to attract new businesses or institutions, i.e. to import growth from outside the region. This of course meant that to the district and the local business development officer neighbouring districts were to some extent competitors. According to our interviews with local business development officers districts have, however, increasingly come to recognise that they depend on each other and may profit from cooperating for several reasons: 1) people commute between districts for work and what benefits one district is likely to spread to its neighbours, 2) the districts are able to undertake larger projects (projects which reflect the particular economic structure of the area) when they pool resources, including projects for which they would not be able to gather sufficient interest in the individual district, and 3) when they join forces they are able to get more influence at the regional level and thus influence policies and the distribution of resources. These advantages have to be balanced against the concessions that the individual participant has to make, such as: 1) to transfer influence and some of their limited resources to the network, 2) to accept that some projects may in particular favour other participants, 3) to refrain from taking individual credit for the achievements of the network, 4) to accept that a firm may decide to locate in another district in the network than the one which had the initial contact. All concessions which may not be easy to make in a situation where the local community looks for visible results of the monies spent on development activities in their particular district.

The districts estimate the balance of gains and losses differently. Several networks have been formed, but present very different levels of ambition and activity as well as

43 The term 'network' is used for want of a better term. The networks are based on agreements of cooperation between the participating districts.

different degrees of institutionalisation. Two networks in particular would seem fairly close-knit. In the Aalborg area the formation of what in terms of size is by far the largest network, namely *The Aalborg Region*, has been facilitated by the fact that Aalborg Commercial Council has acted as prime mover and been able and willing to invest a lot of resources in the network. The Aalborg Region covers 13 districts (representing c 60% of the total population in North Jutland) and has a yearly budget of DKK 1.3m (1998), which is provided by the participating districts which pay a fixed contribution as well as an amount according to population. The network is managed via a formal decision-making structure, and is administered via the secretariat of the Aalborg Commercial Council. The activities of the network are mainly centred around various events, projects and programmes, e.g. exhibitions, preparation of joint marketing materials, the Industrial Design Forum, and the Medico Programme. The activities are linked to some general priorities, but no joint development programme has yet been drawn up. So far, the Aalborg Commercial Council has put some of its own projects into the network in order to create some visible results, but the Aalborg Region is now also applying for external funding for more specialised activities, notably for the Industrial Design Forum and the Medico Programme. Moreover, the network intends to benefit from the different specific fields of competence of the local business development officers so that any officer/district may draw on the knowledge and services of colleagues in other member districts. This also means that districts outside Aalborg can draw on the services of the international offices of the local administration in Aalborg.⁴⁴

The other strong network is the *Vendsyssel Development Council*, which consists of five north-western districts representing c 18 per cent of the total population of North Jutland. Contrary to the Aalborg Region, this network has its own secretariat with 1½ employees. The network consists of districts of a rural or small-town nature and does not have a dominant partner to act as prime mover as does the Aalborg Region. It has benefited from the fact that the participating districts had previously cooperated in other fields and from the fact that it now has its own secretariat to stimulate the dynamics of the network.⁴⁵ The yearly budget supplied by the member districts totals c DKK 1.3m, equalling the size of that of the Aalborg Region, which means that the members of the Vendsyssel Development Council make a proportionally larger contribution to the network than is the case in the Aalborg Region. The activities of the network are centred around various projects which relates to a development programme for the network area,

44 Ole Christensen, personal interview.

45 Ole Albæk, personal interview.

the priorities of which are the agriculture and fishing industry, tourism, transport and communication, and SMEs. The project budget amounts to DKK 1.2m of which DKK 750.000 are supplied by external sources of funding (1996).

The four districts in the north-east of North Jutland have also formed a loose network, but cooperate on an ad hoc basis. Although there is some reluctance with regard to the idea of merging with Vendsyssel Development Council and attempts to merge the two networks have failed so far, expectations are that they will eventually merge in order to form an adequate counterpart to the Aalborg Region.⁴⁶

This leaves six districts in the southern part of North Jutland county which have not yet engaged in binding forms of cooperation. As is the case in the north-east of Jutland, there is no great amount of enthusiasm towards forming a sub-regional network. The benefits and possible value-added of a network are questioned and - as in the north east of the region - many sees the efforts to establish more formal types of cooperation would seem to be prompted primarily by the fact that the Region Aalborg has formed a large network which may become powerful, as well as the fact that the North Jutland Development Fund now operates with three sub-regional units in that it has changed the composition of its board to include representation from three sub-regional networks. Of course it should be added that this network is only in its initial phase; the two networks characterised as comparatively strong in the above did not come about overnight or without conflicts, but have developed over time to reach their present form and are still evolving.

Main Actors in Economic Development

Above a range of political and implementing organisations within the field of economic development and business support in North Jutland have been presented, grouping the organisations according their geographical area of coverage and the level of government they were most closely associated with. This procedure may, however, have been more successful in giving an idea of the complexity of the system than in creating an overview of the actors, and in the following we shall therefore attempt to briefly summarise some characteristics of the system as well as identify the organisations which will be analysed in greater detail in the following sections.

Table 2 lists the main actors described in the previous section according to their main status as political or implementing body as well as their spatial domain. As regards political decision-making three spatial tiers have been identified: 1) North Jutland

46. Claus A. Nielsen and Helge Wittrup, personal interviews.

Table 2 Overview of main actors

<i>Spatial tier</i>	<i>Political bodies</i>	<i>Implementing bodies</i>
Regional	North Jutland Development Fund	North Jutland Business Service Business and Innovation Centre North Technological Information Centres NOVI Teknord North Jutland Information Technology and Enterprise Development
Sub-regional	Councils for sub-regional networks	Secretariat for sub-regional network Local business development offices
Local	Local Business Development Councils Local Authorities	Local Business Development Offices

Development Fund which on the regional level has overall responsibility for economic development in North Jutland (funded by the County Council), 2) the inter-district networks operating at a sub-regional level, and 3) the local business councils and local authorities in the districts. The implementing organisations have also been systematised according to spatial tier, but cannot in all cases be seen as linked to one particular political body. Besides being systematised according to geographical area of coverage, the implementing organisations can be divided into two groups according to the type of services they provide, i.e. the nature of the policies through which they try to promote economic development. On the one hand a number of organisations undertake very specialised types of services primarily on a commercial basis, involving financial contributions from the firms and potentially a long-term interactive relationship between client and development body. On the other hand a number of organisations provide what could be called 'general business services', mainly supplying free advice for a limited period of time and often functioning as a catalysts (including e.g. uncovering a firm's development needs and identifying relevant programmes and/or more specialised professional advisors).

As regards the supply of *specialised business services*, Teknord and the North Jutland Information Technology and Enterprise Development are now strictly commercial bodies, while the GTS institutes and the NOVI science park are characterised by being placed between state and market. However, their commercial outlook must obviously be emphasised, as must the generally specialised nature of the services they provide and they

are thus placed much closer to the market than to the state. While this position may expose them to criticism as they are direct competitors to private consultants etc., these are not the organisations/firms we shall focus on in the following sections, because the issue of cooperation and coordination when dealing with survival would to a large extent seem to be determined by the willingness of firms to pay for their particular services.

What forms a more interesting field of interaction in terms of policies and positioning from our point of view is the provision of *general business services* because in this particular domain a large number of organisations intend to provide services of a broadly similar nature on broadly similar terms. A shared central objective of publicly funded business services is to give SMEs access to some form of free advice - which includes finding out what the firm's development needs are and refer it to more specialised public or private bodies - instead of leaving them with only the option to turn directly to specialised and professional bodies, a step which not all SMEs are likely to take. These publicly funded organisations thus have to place themselves in a position where they are not so general as to become uninteresting or seem unprofessional and thereby risk not being used by firms. On the other hand with limited resources at their disposal they also need to have a clear idea of the limits of their own capacity for providing advice, both to maintain the trust of their clients and to avoid trespassing into areas dominated by suppliers of business service that are exclusively or primarily commercial. Getting this balance right is a challenge in its own right, but in North Jutland is complicated by the fact that 1) there are several independent suppliers of general business support in the same geographical area which all try to fill in the gap between SMEs and the highly specialised professional advisers, and 2) that these development bodies are primarily funded by public money and hence their operation and indeed existence do not depend exclusively on the demand for their services, but also on other considerations on part of their political sponsors.

The question of how these suppliers of business service position themselves vis-à-vis each other and whether activities are being sufficiently coordinated has become a political issue the last few years: seen from a public sector perspective duplication may mean waste of scarce resources, and from the perspective of private firms a large number of advisory services may cause confusion, distrust, and, ultimately, under-utilisation. In the following sections we will therefore primarily focus on the organisations which supply general types of advice: how they position themselves, what resources they depend on, and the extent to which the existing patterns of cooperation would seem to further functional integration of the system on a regional level. Closely linked to this question is of course the input provided by the various political sponsors, and the extent to which they influence

the operation of the system will therefore also be considered.

5. Domains, Policies and Positioning

Having mapped out the basic features of the 'development industry' in the region of North Jutland, we can now proceed to the analysis of the organisational characteristics and inter-organisational relations involved. This section concentrates on three of the key features - domain, policies, and positioning - while the fourth organisational feature, resources, will be discussed in the following section in connection with the question of inter-organisational resource dependencies.

Although the local business development offices do not form a homogeneous group, they have one thing in common, namely the fact that they are rooted in and working for the local community, aiming to promote its economic development. This group of development organisations is in other words characterised by operating in the same functional domain but inhabiting separate, yet neighbouring, territories and hence mainly being in direct competition with one another in connection with new incoming clients.

The concrete policies through which this shared goal is pursued vary between the localities. To some business development officers it is essential to provide advice to local firms and participate very actively in the development of individual firms, while others may concentrate on collective arrangements for business and/or large development projects in cooperation with the local authorities - or a mixture of all of these elements. As most business development officers thus have to cover a wide range of areas, the individual officer is typically a generalist⁴⁷ - although some may have particular fields of competence, depending on e.g. education, experience and/or specialisation due to the economic structure in the district. The Aalborg Commercial Council is the exception to this rule because being a larger organisation allows it to supply more specialised services and in that sense it comes closer to the regionally-based regional development organisations.

The role of the local business development officer is, however, in general primarily that of a generalist and catalyst who provides practical help and develop ideas; in most cases he is not able to offer more specialised types of advice. Despite having a limited range of policies at their disposal, most officers insist that it is essential that he be the first

47 A profile stressed by most of the local business development officers interviewed.

point of contact and form the link between local firms and other business services,⁴⁸ because in this way he is able to maintain his contact with the local firms and maintain and add to his knowledge of the locality. Although the extent to which this is a concern varies among the interviewees, local business development officers are generally on guard when it comes to the possibility of being circumvented by other publicly financed organisations, fearing to lose touch with local firms through competition from similar services offered at the regional level. This cautious positioning is reinforced by the different conditions under which the local business development offices operate: in some very small offices in small districts the local business officer may be in contact with nearly all of the handful of producing firms in the district (or where the business officer has to share his time between tourism and industry, focusing e.g. on one in the summer and the other in the winter), in some large districts a few industries dominate while others are much more heterogeneous. The specific make-up of the economic structure of the district in other words offers fundamentally different conditions for the local business development officer in terms of the frequency with which he receives specific types of enquiries, and hence different opportunities as regards the degree of contact with the firms and possible accumulation of knowledge in different areas. Despite these differences it was clear that in almost all of the districts where interviews were conducted it was considered crucial not to lose touch with what was happening in the local community and that the offices would like to play the role as a first stop for local firms.

The sub-regional networks also differ in nature, as we have seen. Whereas some districts are sceptical as to whether inter-district cooperation will actually contribute to creating more development in their own district and are reluctant to spend their time working for the benefit of several districts, others have looked to the increase in influence at regional and national level that cooperation may give them as well as the ability to undertake larger projects. According to the members of the various networks interviewed, the purpose of these types of cooperation are *not* to set up new organisations which provide business service, *nor* to merge the offices of the members. One of the ideas behind the forming of networks is that member districts have common areas of interest as regards the economic structure of the region and that they depend on each other. By pooling resources they should be able to undertake projects which reflect shared ambitions, although at this early stage the extent to which this will be realised remains to

48 Virtually all local business development officers stressed this role, although some recognised that it may make sense that e.g. the Technological Information Centres contact firms directly, independently of the local business office. However, in this case they emphasise the need to be kept informed that such a contact has taken place as well as the nature of the contact.

be seen. By now both the Region Aalborg and the Vendsyssel Development Council can point to a reasonable number of projects which have been carried out or are under preparation. Some of these are linked to concerns specific to the particular areas, while others would seem relevant to North Jutland as a whole - something which can also be seen by the fact that districts outside the networks have chosen to participate in particular projects (e.g. the Medico programme which the Aalborg Region has initiated) - and would seem to reflect a positioning strategy that could ultimately see the network take over activities that are currently undertaken by actors situated on the regional level. Of course one could argue that it is not crucial that individual projects reflect activities which are specific to one particular area because it may make sense to implement what is basically similar projects in different areas in order to ensure the participation of the local firms. In this way the districts, by working together, can undertake projects and arrangements for which there would not be a sufficient basis of interest in the individual district, and at the same time can ensure that the activities are undertaken within reasonable geographical proximity of the local firms. Besides the common projects there have also been preliminary attempts, especially in the Region Aalborg, to benefit from the special competences of the local business development officers.⁴⁹ Their particular fields of expertise have been mapped out so that colleagues and firms in other districts may benefit from them. If the districts succeed in benefiting from this type of specialisation it will obviously affect their demand for the services of other service providers, especially those operating on the regional level, an issue we shall return to in Section 7 below.

Turning to the role of the organisations operating at regional level, the Technological Information Centres are well-established in the region in terms of having a distinct profile among the firms as well as other business services. The reasons for this are firstly that they are part of a national system for business service and have existed for over 20 years in North Jutland and they have therefore had time to define their role in relation to the other actors and become known among clients. Secondly, they have a particular focus on technologically related issues and are only able to provide around four hours of service to the individual firm. Although 'technologically related issues' are defined rather broadly, it still provides them with an identifiable functional domain does not compete with, but rather supplements those of the local business development offices. However, in addition to this broad technological focus they are also involved in national programmes, especially within the broad field of enterprise development, and as this

49 The Aalborg Region also operates on a more practical business service level in that a joint telephone number for the local business offices of the member districts has been established as part of the objective to benefit from the competences of the various members.

functional domain is also targeted by other organisations, these new departures may place the Technological Information Centres in a situation where, at least in some respects, they are competing with other providers of business services.

In comparison the North Jutland Business Service is a much younger organisation set up to assist firms within the fields of sources of finance, internationalisation and enterprise development. The organisation was intended to operate in a very professional, business-oriented way as an implementing body to its political sponsor, the North Jutland Development Fund, for which it has run various framework programmes (e.g. the Enterprise Development Programme and the Internationalisation Programme as mentioned earlier). In this way the North Jutland Business Service is characterised by having both core activities (the basic and permanent services offered, such as advise on finance and export) and a significant amount of programme activities (special efforts financed by Objective 2 and/or North Jutland Development Fund and running for a period of three or four years). When the organisation was set up, it was agreed that it should also be the place where central government business development schemes were promoted - a function traditionally carried out by the Technological Information Centres. All in all the North Jutland Business Service would seem to incorporate both general and more specialised services and as such find at least some of its activities situated in the same domain as those of local and subregional actors.

The new Business and Innovation Centre North has been set up to fill in what was considered a gap between on the one hand the NOVI, the interest of which is focused around high-tech development projects linked to the university, and on the other hand the services provided by the Technological Information Centres and the local business development officers.⁵⁰ The Business and Innovation Centre is designed to look at projects which are innovative, but may not have a high-tech content so as to make them interesting to the NOVI, *and* at the same time be able to offer a long-term partnership in the implementation of particular projects that may involve financial participation - something which the other providers of business service cannot. The success of this new organisation remains to be seen, including the extent to which it will be able to generate its own income. As there are obvious common fields of interest between the Business and Innovation Centre and the Technological Information Centres, the Business and Innovation Centre has placed an employee in these centres in order to benefit from synergetic effects, i.e. an example of concrete cooperation between organisations with partly overlapping functional domains.

50 Claus Midtgaard, personal interview.

If we take an overall look at the various actors described above, they are characterised by being comparatively small and independent organisations operating advisory services alongside other suppliers in the broad domain of business services, ranging from general support to more specialised forms of advice on technology and internationalisation. This has two main consequences. On the one hand, they have an obvious need to promote themselves: vis-à-vis the firms in order to be noticed and distinguished from other services and vis-à-vis their political sponsors in order to justify their existence.⁵¹ On the other hand each of them are unlikely to be able to provide the range of advice and services which firms may request, and it would therefore seem natural than an exchange of information and clients takes place between the organisations. This takes us directly to the question of resource dependencies in relation to the positioning of the organisations and how it may contribute to illuminating broader patterns of cooperation.

6. Resource Dependencies

The resources on which the organisations depend have been grouped according to four general types, namely authority, finance, information and organisation. In the following we will for each organisation attempt to identify the most important resource dependencies that appear to be crucial in terms of guiding their interaction with other actors in economic development. As in the previous section we shall start by looking at organisations on the local level and then move on to the sub-regional and regional level.

As noted in Section 4, funding for the local business development offices is supplied primarily by the local authorities, but if we look at the two major tasks typically undertaken by local business offices, namely development projects and business service, other resource dependencies are in evidence. As the budget of the offices are usually small, it does not allow them to finance larger initiatives and development projects themselves, and instead they have to develop these either in cooperation with their sponsoring local authorities and/or by seeking assistance outside the district. Moreover, as providers of business service to individual firms the local business development offices

51 The sub-regional networks would not seem to need to market themselves towards firms to the same extent, as they are supposed to operate on a more strategic level, but they still need to produce concrete projects and results of their cooperation in order to demonstrate their existence *internally* to their member districts and *externally* to the bodies they wish to influence, including potential sources of additional finance.

also need to be able to draw on the organisational and informational resources of other organisations.⁵² Being small in terms of budgets and personnel and facing an excessive amount of information about financing opportunities, markets, human resource development, technology, etc., they need to draw upon the resources of other organisations at the local, regional or national level. To the extent they want to operate as a first stop for business, local business development offices have to be well-informed at a general level - i.e. help businesses access the full range of business support services - and have an overview of the options available, so that the relevant information can be unearthed and/or the firm referred on to more specialised providers of advice.

The forming of sub-regional networks can be seen as a result of the resource dependencies described above, although the extent to which dependency translates itself into cooperation obviously varies between districts. If the networks are to be successful, they need to provide concrete benefits for their members. This could be achieved by pooling resources from the participating organisations - manpower, finance or projects - or by using the combined strength of the network to attract external resources from regional, national or European programmes.

At the regional level the Technological Information Centres are in a position where they are financed by all levels of government, although primarily by central government. The fact that the centres receive a yearly grant from the North Jutland Development Fund of course indicates that their presence and services are appreciated in the region,⁵³ but contrary to e.g. Viborg County the Technological Information Centres are *not* used as implementing organisations for the business development policies of the county. Instead, a separate implementation body has been set up, namely the North Jutland Business Service, primarily funded through the North Jutland Development Fund which has left the implementation of the majority of its framework programmes to this organisation. As demonstrated in Section 4, the North Jutland Development Fund controls the two major single sources of funding in the county, i.e. the County's regional development budget and the Structural Funds programmes, and this seems to have benefited the North Jutland Business Service which in terms of personnel has become the largest provider of business service in the region.

Although the long-term financing of the Business and Innovation Centre North remains to be seen, it is interesting to note that this organisation perhaps more than any

52 The Aalborg Commercial Council is, once again, an exception as it able to offer a broader and more specialised range of services itself as it is a larger organisation.

53 This is not the case in all counties in Denmark where a few have chosen not to contribute to the budget of the Technological Information Centres.

other body operating at the regional level depends on the cooperation of the various suppliers of business service, because it needs a high input of ideas for projects in order to be able to identify a sufficient number of viable industrial development projects.⁵⁴ As the Centre has not yet gained a foothold among the SMEs, it is not likely to be able to trace down enough development projects on its own and thus needs the cooperation of other organisations. This is especially important as the centre is intended to charge for its services and its success in doing so is likely to form the basis for its continued existence.

Summing up the patterns of resource dependencies, three things are conspicuous with regard to relations of authority. Firstly, that the activities of sub-national actors are subject to national and European regulation and thus have to operate within certain more or less clearly defined limits. Secondly, and not very surprising, that the implementation bodies draw their authority from their political sponsors. And thirdly, that no single actor within the region has the authority to direct the actions of all other actors, not even if we discount the organisations that are part of nation-wide networks. In terms of authority, the picture of the economic development bodies in North Jutland is in other words one of fragmentation.

Turning to the question of financial resources, a complex pattern emerges. First and foremost it should be noted that the development organisations operating within the region depend on different sources of finance for their *basic* budgets, generally reflecting the fragmented pattern of political sponsorship and authority discussed above: The local business development offices and the sub-regional networks are financed primarily by the local authorities, the North Jutland Business Service almost exclusively by the County via the North Jutland Development Fund, and the Technological Information Centres mainly by central government. As regards the sub-regional networks they are generally characterised by seeking external sources of finance to supplement those provided by the member districts and they therefore turn to regional, national and/or European sources of funding. It is, however, also important to stress that the regional level via its influence on the largest single source of external funding available for economic development purposes in North Jutland, the European Structural Funds programmes, would seem to have considerable influence on *additional* activities on the sub-regional and local level.

With regard to the last two types of resources on which the organisations rely in order to undertake their activities, information and organisation, a much more complex pattern of resource exchange and dependency is in evidence. The resources on which the local business development offices draw depend on the type of activities they prioritise,

54 Claus Midtgaard, Svend Valentin, personal interviews.

and as there will often be a range of options at their disposal, they need not necessarily rely on one particular source of e.g. information or refer their clients on to one particular advisory body. The regional organisations to some extent depend on the cooperation of other suppliers of business service - locally, regionally and nationally - but there is no clear-cut pattern of dependency: individual organisations will often have different partners to choose between when accessing additional information or pointing clients on to other service providers, but at the same time they also to a certain extent depend on having SME clients referred to them from especially local development bodies.

All in all the pattern of resource dependencies can be summarised as follows: while the political authority is fragmented, the implementing organisations operate under a combination of fragmented financial sponsorship and the lure of additional funding from the European Structural Funds administered by the county. In terms of information and organisation a quasi-market situation exists where the presence of a number of competing providers operating in broadly the same domain offering overlapping business services would appear to give individual organisations, especially those on the local level, a considerable degree of freedom with regard to what partners they choose as suppliers of additional organisational or informational resources. In these circumstances the scope of individual organisations for pursuing different strategies of collaboration would seem to be considerable, and hence it will be important to investigate concrete patterns of cooperation between development bodies in North Jutland.

7. Patterns of Cooperation

The two previous sections examined providers of business services with regard to domains, policies, positioning and resource dependencies, and in this section we move on to consider the actual patterns of cooperation. This will be done by looking first at horizontal cooperation, i.e. cooperation between organisations operating at the same spatial level, and then vertical cooperation, i.e. cooperation between organisations operating on different spatial levels. On the basis of this we shall finally consider some key challenges with regard to cooperation and coordination in North Jutland.

Horizontal Cooperation

The cooperation between districts has already been described at some length when discussing sub-regional networks. Still, some additional comments to the question of sub-regional cooperation can be made, also with regard to bilateral forms of cooperation.

Interestingly, it would seem that the districts which are faced with similar problems due to similarities in economic structure - and would thus appear to be the districts which could benefit the most from cooperation - are also often the districts which fail to cooperate because they see each other primarily as competitors, especially when economic development has a high priority in both districts.⁵⁵ Apparently, it is difficult for districts to overcome traditional rivalry and these types of concerns are thus also at stake and guide local policies. Constellations which would seem to be less controversial are districts which are not for example both competing to be the centre of the area or have competing industries. They may even work particularly well if one district is more ambitious in terms of economic development than the other because the less ambitious district may be able to draw on the experience of the other district whereas the more ambitious district may assume a role as locomotive and centre of the area.⁵⁶ In this context it will therefore be interesting to observe how the sub-regional networks develop and the extent to which they are able to maintain and expand their level and fields of cooperation in the long term. Joint marketing of the area and business service are fields in which common ground can usually be found, whereas specific development projects, infrastructure and attraction of investments from outside the region - activities that typically entail a physical location and a very visible choice between job creation in different districts - may be more problematic. This is because they collide with the fundamental objective of the participating local offices to create growth in *their* local community and offer less opportunity for the office and its sponsors to promote themselves.

As regards two of the business services operating at the regional level, it is worth noting that at the time of its establishment the North Jutland Business Service was given a very basic and important function previously performed by the Technological Information Centres.⁵⁷ Add to this the fact that the general division of labour between them is not clear-cut in each and every respect and may be challenged in e.g. the broad area of enterprise development, and at least some degree of rivalry between the two organisations would seem to be inevitable. It should, however, be remembered that in most areas their services are not overlapping, and as the Technological Information Centres depend on financing from all levels of government, including the County which is also the ultimate sponsor of North Jutland Business Service, it could be expected to

55 E.g. the districts of Skagen and Hirtshals which have traditionally had competing fishing industries.

56 E.g. the status of Hadsund in relation to some surrounding districts.

57 This meant that the Technological Information Centres had to pay for staff placed at the North Jutland Business Service - an agreement of which the Technological Information Centre has recently given notice of termination (Preben Moustén, personal interview).

maintain reasonable working relations.⁵⁸ Finally, it should be stressed that the Technological Information Centres operate mainly within the field of technology and will often refer firms to more specialised, innovative services such as the GTS Institutes and private consultants, something which links them to specific partners of cooperation which may be less relevant for other providers of general business services.

Despite scepticism among a good handful of the interviewees on the relevance and/or organisation of the new Business and Innovation Centres, this centre generally seems satisfied with the level of cooperation with which it has been met the first few months and has placed staff at the Technological Information Centres to increase synergetic effects.⁵⁹

Vertical Cooperation

The pattern of cooperation between the local business development offices and the Technological Information Centres seems to be reasonably smooth,⁶⁰ but in many cases also without actually involving much interaction. The Technological Information Centres see the local knowledge of the business development offices as a resource which they may benefit from, but which they need not make use of every time they are in contact with a firm.⁶¹ This role seems to be accepted by the local business development offices because of the particular functional domain of the Technological Information Centres. In this context it is interesting to note that while the Technological Information Centres are very oriented towards the policies of the Department of Trade and Industry, the local business development offices have become an outlet for the services of the Ministry of Foreign Affairs, i.e. they receive a lot of the information material on export and markets produced by the Ministry of Foreign Affairs, the services of which they may then promote vis-à-vis the firms.⁶²

Cooperation is, however, not what has characterised the relationship between the majority of the local business development offices and the North Jutland Business Service. Despite the fact that almost all local business development officers stress the importance of the availability of more specialised sources of advice at the regional level, especially with regard to finance and export, many of them have refrained from using these advisory

58 Preben Moustén, personal interview.

59 Freddy Ranø, personal interview.

60 According to almost all local business officers interviewed.

61 Preben Moustén, personal interview.

62 Kurt Jepsen and Per Husted Nielsen, personal interviews.

services until recently.⁶³ According to most of them, the North Jutland Business Service promoted itself very aggressively at the expense of the local business development offices. The local business development officers felt that they were circumvented and kept outside the information flows, they were afraid of losing touch with the local firms and did not want to be reduced to a local vehicle for promotion of regional services. Moreover, in their opinion the North Jutland Business Service began to trespass on the functional domain of the local offices by offering services which were already provided in some districts. Apart from being a concrete competitive threat to some local offices, this could also be construed as the thin end of the wedge, part of a long-term plan of regionally-based actors to bring local development bodies under closer control. On the other hand North Jutland Business Service has an obligation to offer services throughout the region, and while this may collide with the interests of some local providers, it does so in the interest of localities in which these particular services are currently not available.

The result of this was that on the one hand most local business development offices, except the few who had chosen a policy of cooperation, simply did not make use of the services of the North Jutland Business Service by e.g. referring firms to the organisation. The North Jutland Business Service, on the other hand, could not rely on the cooperation of the local offices when it came to generating interest for particular projects or initiatives, and consequently the North Jutland Business Service had to cancel some of their planned activities - to the frustration of the few cooperating districts which had promoted the initiative to local firms. In this way the new regional body may have underestimated the extent to which it depends on the assistance of the local business development offices. There is, however, one area where most offices did not abstain from using the North Jutland Business Service, namely with regard to the regional framework programmes which for example co-funds the use of consultancy services in firms. This would seem to suggest that where additional money was involved the local offices did not want their firms to miss out, but as regards other types of services such as advice, the local business development officers simply used other sources of information, relying e.g. on their personal network of other local and regional development officers, expertise in local firms, private consultants, and national bodies. It is therefore also likely that the poor relationship between the North Jutland Business Service and the local business development offices has contributed to creating incentives for the latter to cooperate amongst themselves, for instance through sub-regional networks.⁶⁴

63 Only in two of the districts in which interviews were carried out, had an explicit policy of cooperation towards the North Jutland Business Service been chosen and adhered to.

64 Andy Jensen, Jørgen M. Jørgensen, Preben Moustén, and Claus A. Nielsen, personal interviews.

The perhaps most conspicuous conflict has, however, been between the North Jutland Business Service and Aalborg Commercial Council. The basic conflict is that between on the one side the powerful town of Aalborg which is able to supply a wide range of services for business and on the other side North Jutland County Council which has set up the North Jutland Business Service to cover parts of the same functional domain for the whole county. This conflict has been reinforced by the formation of sub-regional networks which allow the Aalborg Region to become an even more important actor within the field and in terms of number of firms and population capable of matching regionally-based players in many respects. In this context, however, access to EU-funded programmes and the right to administer these become a crucial issue, and so far the North Jutland Business Service has benefited from its close links to the county.

If we look at the role of the sub-regional networks in more general terms, the fact that districts form networks of course on the one hand facilitates coordination in some respects, but on the other hand may also entail new problems, as strong sub-regional networks are able to and may wish to undertake services, projects and programmes previously supplied by regional organisations. While ensuring more coordination horizontally they may in other words challenge the system vertically. As mentioned earlier, the sub-regional networks are looking for additional sources of finance for their activities and have therefore expressed a wish to become involved in the type of framework programmes which the North Jutland Business Service is currently implementing, something which the county has been more than reluctant to endorse. Basically, this could therefore be considered to be a conflict about the ownership of business services between the regional and sub-regional levels of government.

Region-wide Coordination: Problems and Prospects

In this section we will sum up the findings in order to establish their significance for the coordination of the North Jutland system of business support as a whole. Moreover, we will look at recent attempts to improve horizontal and vertical coordination, and at factors restricting coordination.

In the previous sections several key features of the system of business service in North Jutland have been established. Firstly, it was underlined that the system consists of a large number of relatively small providers of business service. The size of its constituent parts would appear to create an interesting paradox in that the need for some form of cooperation would seem to increase but at the same time lack of resources also in itself

constitutes a barrier to collaboration.⁶⁵ Moreover, the widespread reliance on additional external funding for projects running for a limited period increases turnover of staff and complicates long-term collaborative relations, especially in a complex system where personal relations and trust play a significant role.

Looking at the way in which the organisations relate to one another, it was clear that the domains of many of the development bodies were overlapping, both in terms of territories and functions: actors associated with different tiers of government are providing overlapping types of advisory services to business. At the same time it was also evident that while most development bodies depended on other actors as sources of information or as organisations they could refer their clients to, these dependencies do not necessarily warrant the cooperation with one particular organisation as there may be other providers available. This situation could, in theory, stimulate flexible patterns of network cooperation, but the freedom to choose can of course also produce other results, depending on the positioning strategies of the actors involved. In North Jutland both regional and local tiers of government have ambitions of being active in economic development, and therefore the problems of cooperation would seem to reflect territorial politics as much as considerations of policy effectiveness and efficiency.

These characteristics would seem to conflict with the general requirements one would expect a system consisting of many small actors to comply with in order to provide the best service possible and the most efficient use of public funds: namely cooperation and coordination facilitated by thorough knowledge of the competence of other organisations in order to be able to direct firms to the organisation most capable of solving the tasks. Instead, overlaps and competition between some of the organisations in North Jutland have paved the way for an insufficient level of cooperation in some cases as well as some degree of distrust or even secrecy.

The question of coordination has therefore also been put on the agenda within the region over the past years and several steps have been taken to coordinate the activities of the organisations, the instruments ranging from allocation of financial resources to organisational changes and development of common strategy. As the regional level represented by the County and the North Jutland Development Fund is arguably best placed to ensure the overall coordination of activities, their efforts would seem to be a natural starting point. The North Jutland Development Fund has no direct authority over the other actors, but one instrument which can be used to influence the implementation of policies in other organisations is the allocation of yearly grants and the decision as to

65 An argument put forward by the majority of the local business development officers interviewed.

which organisations should implement framework programmes on the regional level. Influencing the activities of the sub-regional networks and the local business development offices has, however, proved to be much more difficult.⁶⁶ The North Jutland Development Fund allocates no yearly grant to the subregional and local levels which can be used as a means of control, and even though the Fund brings together partners in the region in order to create 'joint ownership' of the problems of the region at the political level, this has not prevented conflicts between the two tiers of government.

Another step which can generally be taken at the regional level in order to further coordination is to formulate a regional development strategy, and the North Jutland Objective 2 programme is what comes closest to such a strategy. The formulation of this programme was based on an extensive process of consultation among partners at all levels in the region, something which has undoubtedly contributed to a feeling of joint ownership of the programme. The programme is, however, very broad in its strategic focus and does not attempt to define which tasks are to be undertaken at what level. Recent reports prepared for the North Jutland Development Fund have attempted to fill in the gap and clarify the division of labour between the organisations, and this may herald new and better times in terms of cooperation,⁶⁷ although especially the way in which the sub-regional networks will fit into the system in practice still remains to be seen. If individual sub-regional networks intends to initiate and implement programmes for the whole region or if specialisation of the local business offices affects the demand for services at the regional level, then this could well undermine the regional supply of business service. So far the County has blocked the formal recognition of the sub-regional networks as central government supported Business Centres, and it is therefore likely that new moves to bolster the position of the sub-regional networks may also be resisted from the regional level. All in all, it would thus seem that although attempts have been made to coordinate activities, these have so far been insufficient and it remains to be seen how the sub-regional networks will fit in between the regional and local level in the long term.

There would thus seem to be a range of challenges to the North Jutland system for business promotion. It should of course be noted that the system is constantly evolving and

66 Henning Christensen, personal interview.

67 Previous attempts have not been particularly successful: nothing tangible came out of establishing a discussion forum with representatives of the most important suppliers of business service in the region in the mid-1990s, and a recent, and more radical, recommendation of a working group under the North Jutland Development Fund to create a joint board for the three main implementing organisations at regional level (the North Jutland Business Service, the Business and Innovation Centre and the Technological Information Centres) may be difficult to implement as the latter belong to a national system of innovation and receive most of their funding from central government.

that the introduction of many new actors within the field over the past decade is perhaps something that cannot be expected to happen without some degree of conflict. Nevertheless, a key challenge for the future is whether the organisations and actors will be able to align themselves with each other through cooperation and networking or whether some sort of hierarchical relations will eventually be introduced to enforce coordination in order to improve the functional efficiency of the overall system.

8. Conclusions and Perspectives

The North Jutland system for business service has been found to have the following general characteristics. All levels of government have chosen to be active within the field of business promotion in North Jutland, not only as sponsors but by setting up their own implementing bodies, and there is thus a range of business services available to North Jutland firms. The organisations are generally characterised by being small and operating in the same domain, especially with regard to provision of general forms of business support, and even though various types of formal and informal cooperation exist, business promotion has gradually become a somewhat crowded and competitive field in the 1990s. While one might be able to see some benefits in such a state of affairs, e.g. private firms being able to choose between different public providers of advice, it certainly also has a series of drawbacks which are recognised by the development bodies themselves. Firstly, it does not allow the most effective use of the total resources allocated because competition as well as cooperation with other organisations take up a significant part of the resources available. And secondly, the constant search for additional external funding would appear to tempt small organisations to develop functions of a similar nature and thereby add to problems of coordination. Moreover, from the perspective of long-term regional learning, the high frequency of short-term project and programmes increases the risk that specialist knowledge and competences will disappear if organisations are shut down or the personnel cut down or replaced.

No formal power structure exists which can remedy these problems, i.e. neither the County nor the North Jutland Development Fund can order the organisations to cooperate by exercising authority over them. One may of course expect the regional level to have some degree of leverage through the resources allocated via the North Jutland Development Fund and the Structural Funds programmes, but this influence manifests itself primarily at the regional level, whereas the sub-regional and local level find their main sources of finance elsewhere. Similarly, the presence of a number of regional and

national providers of more specialised types of advisory services ensures that sub-regional actors do not depend on one particular provider and thus regional actors cannot use informational or organisational resources to compel local and sub-regional actors to cooperate, simply because these resources are not absolutely irreplaceable. Essentially, the system therefore consists of formally independent actors with different political sponsors and the degree of coordination and cooperation therefore to a large extent depend on the willingness of the actors to cooperate, something which may reflect not only functional but also e.g. territorial interests.

A similar picture may be found in other regions in Europe where several tiers of sub-national government vie for position in the domain of economic development, but in North Jutland the interaction of the internal territorial politics of the region with European and national policies would seem to have combined to produce an even more intricate situation. Large sums have been available from the European Structural Funds and has, among other things, been used to set up a range of separate institutions. This line of action would partly seem to have been prompted by the general preference of Danish governments for framework measures - European funding should be used for institution building rather than direct subsidies to individual firms - but the extensive institutional engineering would also appear to be propelled by territorial politics with the County setting up its own organisation in order to control policy implementation and thereby colliding with the ambitions of other organisations and levels of government intent on operating in the same policy domain.

Underlying these ongoing attempts to reshape the division of labour within the 'development industry' in North Jutland we find the uneven economic structure of the county where the dominant city of Aalborg has built up its own fields of competence vis-à-vis its firms and enhanced it by instigating a sub-regional network comprising many of the relatively prosperous districts within the region. It is interesting to note that the formation of other sub-regional networks seems to have been triggered, or at least sped up, by the fact that the Aalborg Region was established. Although some of the peripheral areas seems to have been more reluctant and some have explicitly underlined the importance of the regional level in ensuring that certain services are offered in the whole region, the risk that the largest and best organised network, i.e. the Aalborg Region, will reinforce the flow of resources to districts which are already strong, may force more peripheral areas to increase their collaboration. This links up with another central question, namely the nature of the overall development strategies that are pursued in North Jutland. Should resources be directed towards growth industries which may ensure the most efficient use of funds, and/or to what extent should they benefit peripheral regions

which depend on declining industries and where it may be more difficult to create value-added. In this context sub-regional networks could have a function in drawing attention to the peripheral areas *if*, in terms of resources and size, they are able to form an adequate counterweight to networks in more prosperous areas. Currently such questions of the targeting of resources have not been resolved altogether by the Objective 2 programme which is fairly broad in scope.

This paper has mainly been concerned with describing the system 'from within', i.e. seen from the perspective of the providers of business service. The question of how the system could be designed so as to fit the needs of enterprises, taking *them* as the point of departure, has not been addressed. Nor has the present study attempted to address the question of the extent to which the various types of services and programmes are used by enterprises. Rather the study aimed at taking a closer look at the institutional set-up *per se* and has especially dealt with questions concerning coordination and cooperation between institutions. However, from the perspective of the enterprises ensuring that the activities of the various organisations are coordinated is perhaps not the most important issue. Although it would undoubtedly ensure more efficient use of public resources, the splitting up of activities into too many different organisations may not be appropriate from the perspective of an enterprise which may have to involve different organisations in problems which, to the enterprise, form an integrated complex of problems. In the same way the extent to which the local business development offices can be used as the first port of call for all requests can also be questioned because not all firms can be expected to want to make a stop at the local business development office before moving on to more specialised bodies.

Compared to other European regions which have sometimes been labelled 'intelligent', a very real problem for North Jutland is perhaps what the region is *not*. It is neither a relatively homogenous industrial district like e.g. Emilia-Romagna in Italy, nor a nation like Wales or Catalonia, and hence it lacks the trust or sense of national purpose that may generate a social environment conducive to constructive interaction between public and private partners in regional development. Instead what we have is something that is perhaps more common from a European perspective, namely a comparatively new and essentially artificial administrative region with a heterogenous economic structure in which the system of business promotion has been established even more recently and thereafter constantly transformed and adapted. This learning process may at some point in the future mean that the label 'intelligent region' will also be bestowed upon North Jutland by analysts outwith Aalborg University, but at the time of writing there are certainly also signs that this process creates its own set of problems. These have especially

been linked to the establishing of a series of new independent institutions operating in the same policy domain and co-existing with a host of other actors in a region where territorial politics appears to be going through an unstable phase of competition between different tiers of government.

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Interviews

All interviews undertaken in the period 12 November 1997 - 27 January 1998 by Charlotte Damborg. Taped and summarised, not 1:1 audiotyped.

- Ole Albæk*, Programme Coordinator for the Vendsyssel Development Council, Hjørring.
- Poul Erik Andersen*, Local Business Development Officer, Hobro.
- Henning Christensen*, Head of the Industrial Policy Division, North Jutland County.
- Ole Christensen*, Consultant, the Aalborg Commercial Council, Aalborg.
- Andy Jensen*, Local Business Development Officer, Aabybro.
- Lene Jensen and Anette Petersen*, Business librarians, The Library's Business Service, Aalborg.
- Kurt Jepsen*, Local Business Development Officer, Dronninglund.
- Jørgen M. Jørgensen*, Consultant, the Himmerland Development Council, Aars.
- Claus Midtgaard*, Consultant, the North Jutland Business Service, Aalborg.
- Preben Moustén*, Manager of the Technological Information Centre South, Aars.
- Claus A. Nielsen*, Local Business Development Officer, Skagen.
- Per Husted Nielsen*, Local Business Development Officer, Hadsund.
- Jørn Munk Nielsen*, Local Business Development Officer, Hirtshals.
- Freddy Ranø*, Chief Consultant, the Business and Innovation Centre North, Aalborg.
- Svend Valentin*, Managing Director of NOVI A/S, Aalborg.

Helge Wittrup, Local Business Development Officer, Sæby.

Hans Peter Wolsing, Local Business Development Officer, Løkken-Vrå.

Appendix I

ORGANISATIONS INCLUDED IN THE SURVEY

Regional

Erhvervssekretariat, Nordjyllands Amt (The Industrial Policy Division, North Jutland County Council)

Arbejdsmarkedsrådet Nordjylland (The North Jutland Labour Market Council)

Bibliotekernes Erhvervsservice (The Libraries' Business Service)

BIC Nord (The Business and Innovation Centre North)

dk-TEKNIK

Lindholm 21

Netværkscenteret, Aalborg Universitet (The Network Centre, Aalborg University)

Nordjyllands Erhvervsservice (The North Jutland Business Service)

Nordjyllands Udviklingsfond (The North Jutland Development Fund)

Nordjysk Eksportklub (The North Jutland Export Club)

Nordjysk Informatik og Virksomhedsudvikling (The North Jutland Information Technology and Enterprise Development)

NOVI A/S (The North Jutland Science Park)

TIC Nordjylland Nord (The Technological Information Centre North)

TIC Nordjylland Syd (The Technological Information Centre South)

Videnskabsbutikken, Aalborg Universitet (The Science Shop, Aalborg University)

Sub-regional

Region Aalborg (The Aalborg Region)

Vendsyssel Udviklingsråd (The Vendsyssel Development Council)

Local business development offices

Brovst Turist- og Erhvervsråd

Dronninglund Erhvervskontor

Frederikshavn Erhvervsråd

Hadsund Erhvervsråd

Himmerlands Udviklingsråd (covering Farsø, Nørager, Aars)

Hirtshals Kommunes Erhvervsråd

Hjørring Erhvervsråd
Hobro Erhvervsråd
Løkken-Vrå Erhvervsråd
Sejlfjord Erhvervs- og Udviklingsråd
Skagen Kommunes Erhvervssekretariat
Sæby Erhvervs kontor
Aabybro Kommune, Erhvervs kontoret
Aalborg Erhvervsråd

NORTH JUTLAND

Map of districts and sub-regional networks

