LEADERSHIP AND INSTITUTIONAL FACTORS IN ENDOGENOUS REGIONAL ECONOMIC DEVELOPMENT

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ABSTRACT

This paper proposes that a virtuous circle for the sustainable development of a city or region is achieved through a process whereby proactive and strong leadership and effective institutions enhance the capacity and capability of a place to better use its resource endowments and gain an improved market fit in becoming competitive and being entrepreneurial. It is proposed that the performance of a city or region at a point in time and the path of its economic development over time may be represented by its position in a Regional Competitiveness Performance Cube. The paper proposes a new model framework whereby a city or region's economic development and performance is an outcome dependent on how its resource endowments and market fit as quasi-independent variables are mediated by the interaction between leadership, institutions, and entrepreneurship as intervening variables. The experiences of a number of case study cities from a variety of settings in the US, Europe, Asia and Australia are explored within that framework.

INTRODUCTION

A long term objective of regional economic development (RED) is to internalize a process that ensures a *competitive* and *entrepreneuria*l city or region and one that achieves *sustainable development*. Such a process is likely enhanced through a regional economic development strategy that enables a *proactive* approach to development, as against a reactive approach, to plan for and manage development and to managing risk in adjusting to changing circumstances. In this paper we propose that *leadership* (L) and *institutions* (I), and how they interact to facilitate *entrepreneurship* (E), are crucial in achieving sustainable development. Of course a city or region's *resource endowments* and its "fit" *vis-a-vis market conditions* (REM) are also important factors affecting regional economic development, growth and performance, but leadership and institutional factors may serve to enhance or detract from the effectiveness and efficiency with which those resources are used and markets are captured.

In a previous paper at the July 2003 PRSCO Conference (Stimson, Robson, Stough and Salazar, 2003), we proposed that one may conceptualise a *virtuous circle* for the sustainable development of a region which requires proactive strategy and seeks to shift a city or region's performance *vis a vis* those dimensions so as to optimize its position in a conceptual space which is termed the *regional competitiveness performance cube* (RCPC).

This paper is the second of several we are developing and presenting at Regional Science Association conferences over the next year or so. It is the continuation of a collaborative project led by Stimson at the University of Queensland and Stough at George Mason University. The ultimate objective is to write a book on *Leadership and Institutions as Endogenous Factors in Regional Economic Development and Performance*. This paper elaborates on the above propositions and postulates a further conceptual model suggesting that the outcome over time in a city or region's development and its performance at any point in time is dependent on the interactions between REM as quasi-independent variables and L, I and E as intervening variables. The paper also reviews a number of case studies of cities to explore the way the interaction among those variables has occurred and evolved in the their development and facilitated transformation in responding to changing circumstances.

The next steps involve continuing elaboration of the theoretical underpinnings of our conceptual approach, a focus on how to measure regional development vis-a-vis the dimensions in the RCPC, the use of case studies to provide empirical examples of the role of L, I and E factors in regional development strategy formulation and implementation and their impacts on regional performance, and the development of a typology of leadership and institutions in regional economic development

THE CONCEPT

The idea of sustainable development - paying explicit attention in regional development to what is being called the "triple bottom line" - may be conceptualized as a *virtuous circle*.

In a previous paper (Stimson et al, 2003), we suggested that that circle is maintained by *effective leadership* as it is used to *change and adjust institutions* in order to adapt the *structure, processes* and *infrastructure* of a regional economy to meet and anticipate changing circumstances and to facilitate the optimal use of its resource endowments. and to assist industries to tap their full market potential (Figure. 1). In that paper we provided an overview of endogenous growth theory as providing the context for the propositions underpinning our proposal.

Our view is that *strong leadership* means a region will be *proactive* in *initiating regional economic development strategy* to *monitor* regional performance, set a *vision* for the future development of the region, and *implement plans* and *processes* which *facilitate institutional change* and *encourage and facilitate entrepreneurship.* This, in turn, will enhance the *capacity* and *capability* of the region to *positively adjust* to changing circumstances, to attain a good and/or improved fit with market conditions, and to harness its *resource endowments* in order to maintain and improve its performance and to achieve *sustainable development* as a *learning region* and to be one that is *competitive* and *entrepreneurial.*

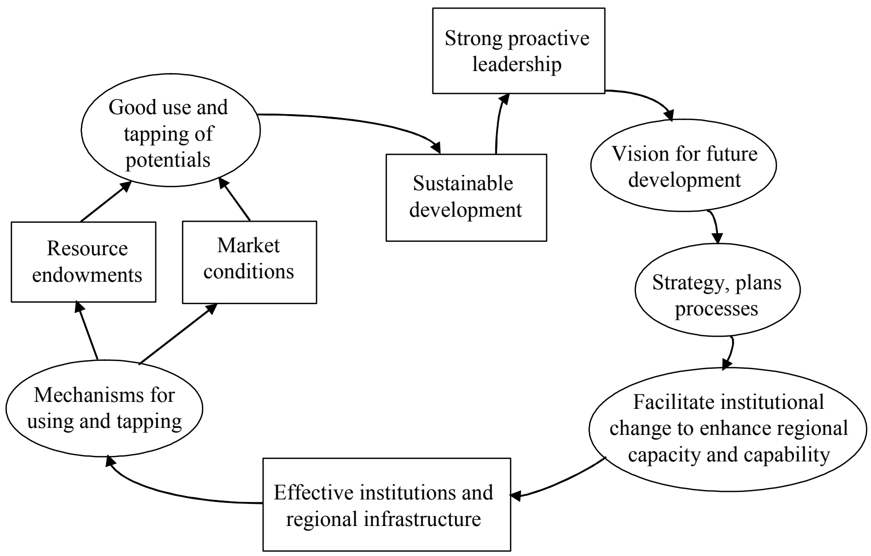


Fig. 1: The Virtuous Circle for Sustainable Regional Development.

We are both advocating for this process and arguing that this process, while often used, all too often it is used in a less than thoughtful, coherent and pre-planned way. Our argument is derived from the notion that the *presence of leadership* in regions that are performing well, or have been re-engineered and turned around from performing poorly to perform better, has been crucial in providing the appropriate policies and creating and facilitating the right environment. In the case of a region like Silicon Valley, for example, that has channeled resource endowments into efficient allocations (Leipzieger, 1997). In such places, leaders have initiated crucial institutional reforms, policies, projects and facilitated the creation of an environment that benefited business and citizens in general (Rowen, 1998).

A *three-dimensional conceptual model* has been proposed to illustrate how a city or region's economy might move from a *sub-optimal* to an *optimal* position within what we have called the *regional competitiveness performance cube* (RCPC) (Figure 2). The dimensions of the cube are:

- strong vs. weak *leadership* (L)
- effective vs. ineffective *institutions* (I)
- good vs. poor *resource endowments* and *market fit* (REM)[1]

[1] The REM dimension may be split into (a) resource endowments and (b) market fit to produce a four-dimensional RCPC hyper cube. However, in this paper we stick with the three-dimensional representation as our explicit focus is on the L and I dimensions and the three dimensional model is easier to envision.

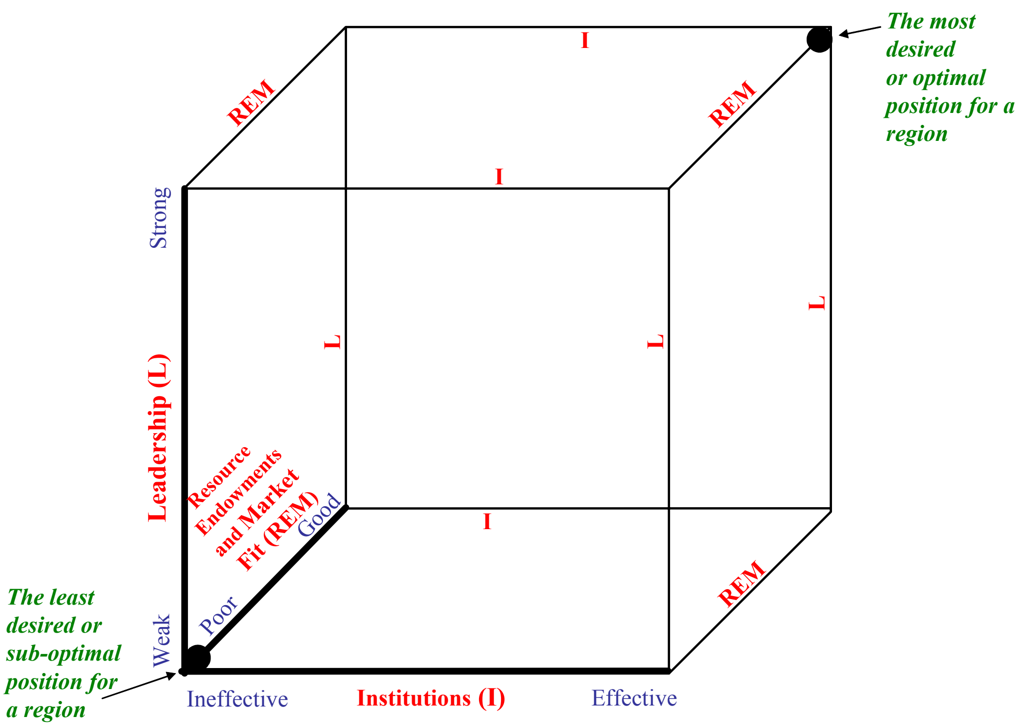


Fig. 2: The Regional Competitiveness Performance Cube (RCPC)

At any given time a city or region's economy will fall somewhere within the sphere of the RCPC. Places will vary greatly in the REM dimension, particularly concerning the magnitude, quality and mix of a location's resource endowments, and as well with respect to the prevailing market circumstances and to competitiveness of their industries, and effectiveness of their institutions in seeking to achieve a "fit" with prevailing market conditions, and, therefore, to their capacity to tap into market opportunities and facilitate entrepreneurship. Few, if any, cities or regions will have a perfect fit because markets and market demand are dynamic due to changing circumstances, both *endogenous* and *exogenous,* to the city or region. Our proposition is that a city or regional economy needs to be trying at all times to adjust its institutions and productive organizations so as to maintain and enhance market fit by efficiently and effectively harnessing its resource endowments to be competitive, and thus to sustain itself. Some regions do this better than others; and how well a regional does it can change dramatically over time, for better or for worse. Thus, the trajectory of a city or region over time through the performance space represented by the RCPC will be dependent on the evolving interactions between the efficiency and effectiveness with which L and I provide catalytic processes and situations to harness its REM.

In Stimson et al (2003) we developed a rationale that argued that strong leadership and good performance on the L dimension and the way it impacts institutional performance - i.e. the I dimension - represent major *endogenous* factors that distinguishes a good performing from a poor performing region. Our proposition was that how a region performs on these three dimensions - L, I, and REM - will condition its position within the RCPC. We argued that regional economic development strategy needs to be formulated, and that appropriate plans and mechanisms need to be implemented, that are geared towards shifting the position of a region within the RCPC towards the top-right hand corner of the cube in order to achieve a position that reflects *performance optimality* for a *sustainable development* outcome. In this paper we supplement and enhance those propositions through the explicit consideration of *entrepreneurship* (E).

A NEW MODEL FRAMEWORK

Blakely (1994:53) proposed that the local/ regional economic development (RED) process is a function of a wide range of factors including natural resources; labour; capital; investment; entrepreneurship; transport; communication; industrial composition; technology; size; export market; international economic situation; local institutional capacity; national, local and state government spending; development schemes.

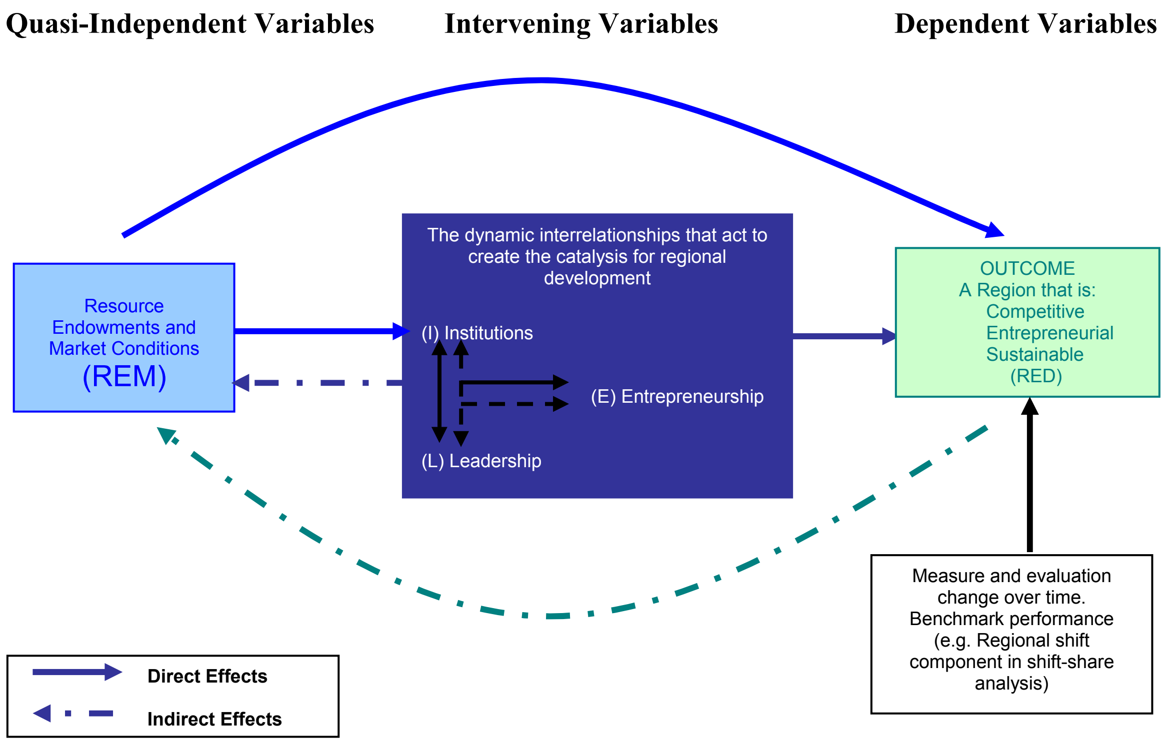
Such an array of factors encompasses both exogenous and endogenous variables.

Using the three dimensions defining the axes of the RCPC in Figure 2, and in addition giving explicit consideration to the importance of *entrepreneurship* (E), we propose a new model framework depicted in Figure 3. This can be represented as:

RED = f [REM mediated by (L, I, E)]

In this model the outcome of the regional economic development process (RED) is the degree to which a city or region has achieved competitive performance, displays entrepreneurship, and has achieved sustainable development. Those *outcome states* are defined as the *dependent variables* in the model. That outcome state is conceptualized as dependent on a set of *quasi- independent variables* relating to a city or region's resource endowments and its "fit" with market conditions (the REM axis in Figure 2), that being mediated through the interaction between sets of *intervening variables* that encompass factors defined as leadership and institutions (the L and I axes in Figure 2) which may interact to facilitate, encourage or suppress entrepreneurship (E). Importantly, the model framework represented in Figure 3 incorporates both *direct* and *indirect* effects in the interactions between REM (the quasi-independent variable) and L, I and E (the intervening variables).Also, the interactions between the intervening variables L, I and E may be both direct and indirect.

Fig. 3: A New Model Framework for Regional Economic Development.



It is suggested in Figure 3 that these dynamic interrelationships and how they evolve and operate over time shape the nature of the development and performance of a city or region, which may be measured and evaluated and benchmarked using well-developed and tried tools of regional economic analysis, including, for example, shift-share analysis and in particular through a focus on the regional shift component.

The crucial dynamic depicted in Figure 3 is how the intervening variables (L, I and E) interact to create catalysts for more effective and efficient utilization of a city or region's resource endowments and how effectively it captures market opportunities. In other words, the interaction of L, I and E become the crucial catalytic factors in shaping not only the performance of a city or region - especially in influencing how effectively the REM factors are utilized and tapped - but also in enhancing the capacity and capability of a city or region to efficiently, effectively and successfully address the challenges and contingencies it faces over time in dealing with uncertainty and risk and in coping with change.

THE COMPONENTS OF THE MODEL FRAMEWORK

This part of the paper we provide a brief discussion of the nature of the components of the model framework set out in Figure 3.

Resource endowments (economic and social resources) and market conditions (REM)

It is widely recognized that economic growth and performance is related or tied to resources. "The more endowed a region is in terms of resources the better it should perform *ceteris paribus*" (Stough et al, 2001). Thus, the capacity of local leaders to act will be considerably dependent on the resources available to them. Such resource endowments are diverse and differ from place to place and include capital, natural resources such as materials and regional locational and environmental assets, historical economic base, competitive position, human capital, technological infrastructure, etc.(Fainstein, 1983: 32; Judd and Parkinson, 1990a and 1990b).

Traditionally resource endowments of a city or region were seen to bestow either a comparative advantage or disadvantage on a place. However, a well endowed city or region might succeed even if it has few or relatively poor resource endowments or if there are few opportunities for economic expansion (Jessop, 1998:96), and this may be achieved through strong leadership and effective institutions acting as the catalysts and facilitating entrepreneurial activity to stretch and leverage those resource endowments that exist and to enhance market capture. Conversely, poor leadership and inadequate or inappropriate or ineffective institutions often means those resource endowments are not being used effectively and that market opportunities are not effectively pursued and tapped. In that way a city or region might experience a competitive advantage or disadvantage.

Of course scale factors relating to the size and diversity of a place and the market opportunities they represent as well as the external markets (and their size and scope) that a place potentially and feasibly might tap will be of considerable importance for the nature and rate of economic development and growth in a city or region. Thus, we are not underestimating the effects of scale and agglomeration in our model. Indeed, as seen in much of the recent work in theories of endogenous growth, local externalities (Scott, 1988; Feser, 2001) are key factors in the regional economic development process.

Special importance is now being placed in those resources that the public and private sectors and NGOs can direct towards community economic development or community problem-solving (Stough et al, 2001). The degree to which such actors and decision-makers commit resources into the community and as well as the availability of resources for economic development will determine the scope and scale of local action, thus potentially enhancing the resource endowments of a city or region.

Global and national processes of economic and political restructuring increasingly are imposing new challenges and opportunities to cities and regions. For example, deep-seated sectoral shifts have redefined the economic base of advanced capitalist economies. In places such as North America, Western Europe and Australia, these shifts have manifest themselves in the stagnation and decline of many mass production labor-intensive activities such as textiles and heavy manufactures. As a result, many cities and regions have experienced unfamiliar uncertainty as they could no longer rely on past practices but had to search for new economic activities and development strategies. For example, Pittsburgh's steel jobs practically disappeared as firms closed and residents left before its reemergence as a center for information technology based activities and producer services (Sheppard and Leitner, 1998: 286-287). The revolution in information and communication technologies (ICTs) and the accelerating pace of technological change, along with the mobility of capital, exacerbate that uncertainty and the rate and scope of the transformation that may occur in a city or region (Sheppard and Leitner, 1998:287).

These new challenges mean that cities and regions - or even locations within them - need to offer a favorable set of conditions among the intervening variables in our model. Those regions that do offer a favorable set of conditions that result in strong leadership and effective institutions and which encourage and facilitate entrepreneurship are more likely to become places with a competitive advantage (McGuirk, et al, 1998: 110).

Leadership (L)

Leadership is not a straight forward concept, particularly in the context of regional economic development. It may be seen as "the capacity to create stable and durable mechanisms and alliances that promote economic regeneration and identifies a range of micro-level skills and macro-level resources that can generate that capacity" (Parkinson, 1990:241). While it is common for leadership to be viewed in terms of a "great person", it might be more appropriately seen as an expression or result of collective action. Thus, in regional economic development, leadership is usually seen not as a "starring role" but as a "collaborative" action (Fairholm, 1994; Heenan and Bennis, 1999). Leadership may thus be defined as "the tendency of the community to collaborate across sectors to enhance the economic performance or economic environment of its region" (De Santis and Stough, 1999).

Heenan and Bennis (1999) points out that, in the new economy of increasing interdependence and technological change, collaboration is not just desirable; it is crucial. Previously, influence, power and decision-making often depended on single individuals, and leadership was based on a traditional hierarchical authority relationship between leader and follower. But today, power, influence and decision-making are more dispersed among power stakeholders working together towards a common goal (De Santis and Stough, 1999; Heenan and Bennis, 1999; Judd and Parkinson, 1990a and 1990b). It is through collaboration and collective processes that cities and regions will have the sufficient flexibility and knowledge to adjust to shocks and continuous changing conditions (Saxenian, 1994; Stough et al, 2001). In this sense, "leadership for regional economic development will not be based on traditional hierarchy relationships; rather, it will be a collaborative relationship between institutional actors encompassing the public, private and community sectors - and it will be based on mutual trust and cooperation" (Stimson, et al, 2002:279). It will be about shared power, flexibility and entrepreneurialism to "energise" a city or region to meet its competitive challenges and adapt its environment to the needed challenges (Porter, 1990). All of this involves the capacity to engage in risky behaviour (Doig and Hargrove, 1987; Hofstede, 1997).

Because leadership plays such a prominent role in our formulation it is important to specifically note the attributes of good leadership for regional economic development in our view. These attributes are:

- recognizes and anticipates problems, especially large scale "equilibrium" threatening ones;
- induces collaboration and consensus building patterns among diverse stakeholders;
- guides strategy development;
- elicits participation in strategy implementation;
- elicits commitment of slack institutional resources to strategy goals; and
- requires monitoring of implementation to assess progress.

Institutions (I)

Institutions are crucial in providing the "rule structures" and the "organisations" within which a society operates. "Government" is the system by which a nation state or city or region is governed, while "governance" is the act or manner or process of governing and the office or function of governing.

North (1990) argues that the institutional framework determines the incentive structure of a society. "Institutions, together with the constraints of economic theory, determine the opportunities of a society" (North, 1990: 4). The economic performance of a city or region over time is fundamentally influenced by the way institutions evolve, how they decrease uncertainty, how they allow individuals to have access to information, and how they decrease market imperfections that increase transaction costs. "They can provide the stability in collective choices that otherwise would be chaotic" (Clingermayer and Feiock, 2001: 3).

The choices that political and economic actors make are shaped by the rules, conventions such as values and beliefs embodied in things such as constitutions, property rights and informal constraints that, in turn, shape economic performance. The nature of those institutional factors and the degree to which they impose constraints or help facilitate action in the pursuit of opportunities are seen as conditioning the capital accumulation process and as a result the economic development of cities and regions (Vazques-Barquero, 2002; 12). That is because their behaviour can:

- reduce transformational and production costs
- increase trust among economic and social actors
- improve entrepreneurial capacity
- increase learning and relational mechanisms
- reinforce networks and cooperation among actors.

In regional economic development, Blakely (1994) refers to the necessity of having appropriate institutional arrangements to manage and fund the regional or local development strategy process and to ensure the implementation of plans and actions. Thus, the capacity and the capability of local institutions to initiate, undertake and carry through plans and decisions is fundamental to that process. Institutional capacity-building is now seen as a fundamental factor in regional economic development. That is now being discussed as well in the context of the creation of "learning infrastructure" and the "learning region" (Simmie, 1997; Jin and Stough, 1998; and OECD, 2000).

One issue with our formulation and the role of leadership as a mediating variable is that a number of institutional scholars such as Durlauf and Peyton (1945), Granovetter (1985), North (1990), Storper and Scott (1992), Streeck (1992) and social capital scholars such as Putnam et al, (1993) and Fafchamps (2004) do not make a distinction between leadership and institutions. Rather, leadership is viewed as a basic characteristic provided by institutions and not as a separate variable or category. In short, the performance of a region (good or poor) would provide the conditions, incentives and leadership for the development of economic activity. While this may be true when viewing performance over the long run it may not be so over the short run where equilibrium like conditions are punctuated such as has occurred over the past 30 years or so with the rise of the information or knowledge age, the growth of a generic technology like ICT and/or the period of de-industrialization that accompanied it. In such situations responsiveness to changed conditions must be driven by some agent. Herein, we argue that the agent is leadership and affiliated entrepreneurship because they are inherently faster changing variables than most of the others that we define as institutions. At the same time it is important to note that places that have strong institutions and social capital, *ceteris paribus,* may be more likely to create the leadership and entrepreneurship needed to address the changed conditions. However, at the same time it may be argued that high quality institutional and social capital places may have made the best adjustment to equilibrium like (or slow changing) conditions thus creating a powerful ability to operate in that situation but perhaps being less fit to respond to rapidly unfolding or punctuated context changes such as de-industrialization, technological change (e.g., ITC), and wars and pestilence. In these situations we argue that leadership and entrepreneurship are the agents from which direction and guidance for the ways in which other institutions such as values, cultural traits, constitutions, laws, regulations and informal practices change or are changed to adapt. In short, we may think of leadership and entrepreneurship as those parts of the stock of institutions that are fast changing and thus provide the dynamics for adjustment in the face of changed conditions.

Some key aspects of institutions relate to the following:

(a) City or local governance

Along with economic resources, important factors that create competitive advantage are the existence of local mechanisms and alliances, or what is generally call "local governance."

Local governance "incorporates the range of interests, both private and sector and community based, that are involved in managing, servicing and regulating the local urban region" (McGuirk et al, 1998: 111). For example, the strength, structure and stability of the private and public sectors in a city or region, and the character of the political relations between them, the degree of social division, and the existence or not of favorable legislation, will all affect the capacity of a place to respond to external threats or opportunities. Political antagonisms within a city, for example, might be so great that no coherent response, negotiation or agreement among a broad range of political and social groups is possible (Parkinson, 1990:21-22). Jewson and MacGregor (1997: 14) suggest that, in the local context, "politics matter." That is, changing forms of governance present opportunities for resistance, innovation and participation, along with attempts at more effective social discipline.

The effectiveness of local governance is also intricately linked to attributes of leadership, and in particular to the uncertainty that may derive from leadership turnover, weak or ineffectual leadership, incoherence or inconsistencies in the inter-relationships between the elected politicians and officials and the bureaucracy. Furthermore, Uncertainty can also be created by the lack of clear political goals and unclear divisions of tasks between actors and stakeholders, which is often the case where the public policy process is characterized as reactive versus proactive action and initiatives. These triggers of uncertainty, and the typically short-term perspectives that accompany them, may result in increased transaction costs reducing the competitive standing of a city or region.

Thus, city or regional governance becomes part of the competitive advantage. Some examples of such governance include (McGuirk et al, 1998: 111):

- central government initiatives, often with statutory authority, instituted in a local context, e.g. Newcastle's Honeysuckle Development Corporation (HDC)

- local public or quasi-public development agencies, often with statutory powers, carrying out local economic development activity, e.g. the Hunter Economic Development Council (HEDC)

- newly formed organizations or alliances of local business elites that may or may not co-ordinate their activities with the local authority, e.g. Newcastle's City Centre Committee.

"The combined task of these institutions of local governance is to create investment-ready production sites equipped with all the requisite social and physical infrastructure, and favorable business climate" (McGuirk et al, 1998: 111).

(b) Social capital

Bolton (1992) discusses the concept "sense of place" in referring to "the complex of intangible characteristics of place that make it attractive to actual and potential residents and influence their behaviour in observable ways" (p. 193). He suggests that sense of place is a form of social capital, a location-specific asset that has some of the characteristics of "capital." De Santis and Stough (1999) link leadership and social capital to resource endowments, proposing the notion "organizational slack" that exists at varying levels at different times as voluntary contributions to "civic activities" and which may help create what Bolton (1992) describes as "place surplus."

A city or region needs to have the institutional fabric - that is, a culture or tradition of political coalitions and collaboration among stakeholders - to work and create a broad constituency for change that has the breadth and the integrity to push beyond the parochial interest of certain groups, whether it be private or public (Fairholm, 1994). Social capital is said to enhance that. It can reduce friction in market transactions. Malecki (1998: 11) notes this is done in three ways by:

- creating a system of generalized reciprocity

- establishing information channels and providing sorted and evaluated information and knowledge

- instituting norms and sanctions by which exchange occurs bypassing costly and legalistic institutional arrangements associated with market transactions.

Since in our concept of leadership it is based on collaborative relationships, it is dependent on mutual trust. Community leadership takes place in situations (cultures) where leaders and followers trust each other enough to risk participation in collective action. If trust is lacking, leaders may find it difficult to have their views or ideas accepted (Storper and Scott, 1992). Differing levels of trust in a region explain the degree of cooperation and the establishment of alliances and "partnerships" among actors (Chrislip and Larson, 1994:60; Moore, 1997:173).

(c) Strategic alliances/community collaboration

Inside this concept is the notion that the private sector is composed not only of business but also of non-profit organizations and other social and or political organizations that have a stake in the community. In the contemporary world of ever-increasing complexity, uncertainty and change, those who occupy the upper levels of organizations or government often become increasingly unable to understand what is really happening within the organizations or within the community. Command and control models of decision-making will lead to the solving of wrong problems and might bring conflict and confrontation within the community (Jewson and MacGregor, 1997:8-9). Partnerships or collaboration among stakeholders allow governments to decrease their financial constraints and to diffuse responsibility for success or failure (Stimson et al, 2002:279). Therefore, the focus needs to be on the tendency among local stakeholders (public, private, immediate and individuals) to participate in local problem-solving of the city or region (McGuirk et al, 1998: 109).

(d) Central-local relations

These relations have important implications for the responsibilities of sub-national governments of how regional development is managed (Bentley, 2002:33). Rigid controls hinder the flexibility necessary for innovation and creative thinking (Derr et. al., 2002). Decentralization of power can enable community leaders to make their own decisions according to the specific needs of a city or region. That is, they have wide-ranging authority or are part of the key decision-making group (Fainstein, 1990:44).

It can be said that the extent of local action and their access to funds will "depend in the amount of institutional decentralization existing within a nation's urban system" (Jessop, 1998:2292). Thus the focus needs to be on the degree to which the city or region has a wide-ranging authority to make decisions.

Entrepreneurship (E)

Community leadership needs to show entrepreneurial characteristics. Derived from Schumpeter's (1934) idea of entrepreneurialism, a city or region might be thought as being entrepreneurial if community leadership shows the following characteristics:

- believing in change and initiative to "energize" it to meet competitive challenges and to keep progressing.

- possessing insights to enable it to identify opportunities and pursue innovative ideas to improve or adapt the region's environment to meet the needed challenges facing it through "new combinations" or innovation in institutional arrangements (Jessop, 1998:84-5; Jessop and Sum, 2000:2290; McGuirk et al,1998).

These entrepreneurial characteristics can be seen if attention is focused on the following (Jessop, 1998:85):

- using new methods to create location-specific advantages for producing goods/services or other urban activities to shift in the economic base of the city. Examples include technopoles, agglomeration economies, etc

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- introducing of new types of urban place or space for producing, servicing, working, consuming, living, etc. Examples can include gateways, intelligent cities, multicultural cities, creative cities, etc.

- refiguring or redefining the urban hierarchy and/or altering the position of a given city within it. Examples include the development of a regional gateway, hubs, etc,

-finding new sources of supply to enhance competitive advantage. Examples include attracting inward investment or reskilling the work force. Therefore, the focus on this factor will be on the tendency shown by the community to undertake entrepreneurial local initiatives .

- opening new markets, whether by place marketing specific cities in new areas and /or modifying the spatial division of consumption through enhancing the quality of life for residents, commutes or visitors.

- finding new sources of supply to enhance competitive advantages. Examples include changing the cultural mix of the cities, finding new sources of funding, or reskilling the workforce.

In each regard, entrepreneurialism in the context of the city or region contains the element of uncertainty that many see as the very essence of entrepreneurial activity. In this sense, "it is speculative in design and therefore dogged by all the difficulties and dangers which attach to speculative as opposed to rationally planned and coordinated development" (Jessop, 1998:84-5; Jessop and Sum, 2000:2290; McGuirk et al, 1998).

Outcomes (RED)

Taking into account the proposition that cities and regions inevitably are influenced by their political institutions, leadership, social composition, economic structure, and the degree of entrepreneurial activity, all of which interact and evolve in a unique manner over time and display a unique set of circumstances and a particular outcome state at any point in time, the conceptual model framework depicted in Figure 3 stresses the dynamic uncertainty of reality that confronts cities and regions in the contemporary world. Regional economic development (REM) over time and the outcome state of those factors and processes that affect REM may be measured and evaluated through performance indicators relating to:

- the competitive performance of a city or region *vis-à-vis* other places
- the degree of entrepreneurial activity occurring
- the degree to which it has attained sustainable development vis-à-vis "triple-bottom-line" economic growth and performance, social equity and environmental quality indicators.

A way to conceptualise that outcome for a city or region at any point in time and its progress in economic development and its performance through time is to envisage its path through the regional competitiveness cube (RCPC) as proposed by Stimson et al (2003) and as presented earlier as presented in Figure 2.

CASE STUDIES

The frameworks discussed above and what they represent in the context of city and regional economic development and strategy planning have been used to review set of city region case studies drawn from the existing literature.

In what follows, a total of seven case studies are discussed:

- two are from the US: Pittsburgh, Pennsylvania; Houston , Texas
- two are cities in the UK: Birmingham and Liverpool; and
- one is in Europe, Rennes France; and,
- two are ‘city-states’ in Asia: Hong Kong and Singapore

The case study cities regions selected represent a range of urban scale, contextual settings in time and space, geography and approaches to regional development strategy and planning. Each has different initial conditions, historical background, set of actors involved, and economic sectors in which investment is concentrated. While each case is distinct, and there is no ‘magic bullet’ or ‘one-size-fits-all’ formula for successful regional development, each city case study demonstrates how the ‘intervening variables’ represented in the model in Figure 3 were present - leadership, institutions, entrepreneurship - to enhance the economic performance of the case study cities and regions and how those communities were able to respond to economic change in a proactive manner. In every case where the intervening variables were present we argue that the city became better-off than if no such effort was made. The contrary is observed in those cities where such variables have not flourished (Sbragia, 1990: 53). The case studies thus highlight how leadership and institutional factors may have interplayed to assist or detract from entrepreneurship and to influence the way resource endowments have been utilized, especially in a context of changing economic circumstances.

Pittsburgh, Pennsylvania, USA

The collapse of the steel industry in the early 1980s hit Pittsburgh so hard that, in the period from 1979 to 1988, the region suffered a decline of 44 percent in manufacturing jobs (Clark, 1989: 41; Sbragia, 1990: 53-4). Such a decline caused the region to lead the nation in population loss during those years. However, by the late 1980s, Pittsburgh was rising from the debris of a collapsed steel industry, towards a city of standing cultural offerings, with one of the best public education systems in the country, and very livable neighborhoods. Such an urban renaissance was not only due to the fact that Pittsburgh possessed potential sources of new employment and therefore was able to develop ‘new exports’, but also because it was the result of private and public leaders concerned with the region’s economic development (Sbragia, 1990: 53- 54).

In Pittsburgh, there has been a long history of cooperation. The culture of cooperation between the public and private sectors has been so sustained that it has given Pittsburgh policy-making a distinctive character. The recent incorporation of the nonprofit sector in the city’s economic development strategy has also been noteworthy. The ‘politics of consensus’ describes Pittsburgh politics more accurately than it does that of many other eastern and mid-western cities in the US (Sbragia, 1990: 58-59). In the background has been strong leadership on the part of the many Fortune 1000 companies in Pittsburg through the Allegheny Conference organization. This organization played an important role in Pittsburg regeneration and in building the culture of cooperation that has resulted in Pittsburgh's economic regeneration.

The process of regeneration in Pittsburgh may be divided into phases. The first two phases, Renaissance I and Renaissance II, describe the strategies introduced by private and public leaders who were concerned about the region's future. In both phases, public and private leaders implemented projects that were directed towards the regeneration and the renewal of the city.

(a) *Renaissance I* was led by a relationship between a strong Mayor, David Lawrence, and a strong businessman, Richard King Melon. This partnership, mainly led by private sector and with the public sector playing a facilitating role, was based on a series of environmental, physical and institutional changes (Sbragia, 1990: 60).

(b) *Renaissance II* coincided with the collapse of the steel industry in the region and was designed to redevelop real estate and help the city cope with the economic problems of the 1980s. During this period, first Mayor Peter Flaherty and then Mayor Caliguiri made neighborhood revitalization a priority. The public sector took the leading role in the partnership. In that context, those mayors and neighborhood groups became important elements of the city's political and policy equation:

> "… their incorporation into the city's policy making laid the basis for the strikingly consensual nature of redevelopment in Pittsburgh in the 1980s" (Sbragia, 1990: 59-60).

Sbragia (1990) and Judd and Parkinson (1990) point out that both of these periods of high development generated important lessons: the importance of commitment from the top in the face of changing political leadership; subordination of personal or business interests; a bond of trust was present between the private and public executives and organizations; and, both the public and private sectors were active in initiating and implementing development strategies.

(c) *Renaissance III* sought to address the problems of the city's economic base. With the realization that the steel industry would not be able to generate enough jobs, both the University of Pittsburgh and Carnegie Mellon University adopted a strategy that sought to change Pittsburgh's economic base. Developing advanced technology firms was seen as the appropriate strategy to follow (Clark, 1989; Sbragia, 1990). Named *Strategy 21*, it was characterized by the consensual-style policy- making rooted in Renaissance I and II. However, Renaissance III differed from the past in that it was characterized by the inter-dependence between the public and the non-profit sectors (universities and science centers). According to Sbragia (1990: 62), this strategy involved bargaining that forced actors to listen and cooperate with each other.

Despite the fact that traditional industries were unable to remain competitive, Renaissance I, II and III all helped the city address unemployment by diversifying its economy. Pittsburgh's subsequent economic growth derived mainly from the educational and advanced technology industry sectors. While it is true that the economy did not recuperate entirely from the 1980s crisis - particularly when compared with neighboring counties - it is clear that local leadership was the crucial variable in determining how the city responded and readapted to economic changes (Sbragia, 1990: 53; Judd and Parkinson, 1990: 298). The involvement of the private, public and non-profit sectors in Pittsburgh's economic development made the city better off than if no such effort was made. The absence of such partnerships would have exaggerated and exacerbated the economic decline.

Houston, Texas, US

Between the late 1930s and early 1980s, the city of Houston was known for its remarkable record of economic progress. 'Urban Reaganomics' and 'urban entrepreneurialism' were concepts pioneered in Houston long before they were given those names (Parker and Feagin, 1990: 216). Houston was characterized as having a modern weak-government and being an unplanned and free enterprise city (Parker and Feagin, 1990:217-8). Houston's economic success was rooted in its oil industry, the value of trade through its port, its federally subsidized space-defense complex, and the fact that it became a national medical center. The combination of such diverse economic resources allowed Houston to become known as

> "… the city that never knew the Great Depression" (Parker and Feagin, 1990: 221).

Nevertheless, by the mid-1980s, the oil recession, along with the many bank failures and out-migration, generated more hardship in the city than was the case in the nation at large. In the face of growing economic downturns and despite the obvious need for action:

> "Houston's elites were slow to respond to economic decline and they were slower to recognize the full range of its causes" (Parker and Feagin, 1990:221).

In 1982, Houston was spending 11 cents per capita on economic development while states such as Louisiana or Arizona were spending 94 and 68 cents respectively (Parker and Feagin, 1990:221). Parker and Feagin argue that the reason for such a relaxed approach was that prior to the 1980s Houston's economic development seemed to take care of itself, and thus business elites concentrated on creating and perpetuating a

> "… good business climate" (Parker and Feagin, 1990: 221).

As was the case with many cities in the 'sunbelt' areas of the US, Houston has been characterized by its aggressive entrepreneurial elites. Houston's business elites have been particularly successful in creating private-public partnerships in which the governments are little more than sycophants and servants of business interests. Since Houston's founding, the power structure of the city has been dominated by a succession of leaders from the business community and more specifically high-level corporate executives. Entrepreneurial groups - such as the Suite 8F Crowd or The Greater Houston Chamber of Commerce - were greatly involved in Houston's development. Virtually without interruption, the local business elites have been able to exercise dominance over governmental decisions, use public expenditure to support business goals, and limit the scope of government regulation (Parker and Feagin, 1990: 227-9). This is partly due to a weak civic tradition and involvement of other non-business voluntary organizations such as unions, voluntary groups, etc.

Thus in Houston, effectively

> "… business leadership towers over almost everyone else" (Savitch and Kantor 2002: 77)

In 1984, the leaders of the Houston Chamber of Commerce established the Houston Economic Development Corporation (HEDC) in an attempt to help Houston's economy diversify. However, few of the nine pivotal areas regarding diversification and economic development had firm roots in the Houston economy. Besides such diversification attempts, the HEDC tried to maintain Houston's reputation as a city with a favorable business climate in order to bring money into the city. Ironically, some argue that such an advantage is at the root of Houston's downturn since the tax giveaways led to a lack of local and state services, and thus the impoverishment of many (Parker and Feagin, 1990:229). In fact, according to (Savitch and Kantor, 2002: 86) the civic gospel in Houston the city government should be managed like a business corporation and thus, limit public expenditures and maximize personal revenues.

Parker and Feagin (1990) argue that Houston's incapacity to exercise alternative options for economic development is rooted the fact that there is no active arena for political debate through an organized opposition to contest and challenge the status quo (Parker and Feagin, 1990: 229). Therefore,

> "… Houston's leaders operate in a reactive mood, trying to hold off the worst effects of economic downturns. Much of the HEDC focus has been on narrowly drawn business concerns" (Parker and Feagin, 1990: 229).

According to Savitch and Kantor (2002: 77), politics in Houston are nonpartisan. Rather than parties, private interest groups (chamber of commerce, realtors, etc.) select political candidates diminishing competitive politics and emphasizing personality over programs.

The Houston economy became shaped by the entrepreneurial efforts of business elites; however, the policy responses of a 'favorable business climate' have not resulted in collective benefits. The main cause of this seems to be the lack of community leadership that promotes the economic development of the region as a whole rather than for the benefit of a single group. This is despite the presence of an entrepreneurial and strong business community group that has dominated the politics of the city, but this has not attempted to create a more inclusive style of politics. Their focus on making Houston a city with a 'good business climate' has created economic benefits only for some (Parker and Feagin, 1990; Parkinson, 1990: 305).

Rennes, France

According to Le Gales (1990: 85), the French city of Rennes may be characterized as a dynamic city, which was able to pool its social and economic resources and become a symbol of urban regeneration in the 1980s in France.

The transformation of Rennes started between 1945 and 1975 with the election of a Christian Democrat, Y. Freville, as mayor. His vision marked a turning point in the history of Rennes as he implemented innovative strategies to turn the city into an international intellectual and cultural center (Le Gales, 1990: 71). His program had four main elements aimed at:

- controlling the expansion of the city
- developing higher education
- improving the city's infrastructure
- attracting high-tech industries and developing research institutes and Universities (Le Gales, 1990: 71).

His time in office is recognized as one of the most innovative eras as he was able to bring together virtually all local actors (the university, the Chamber of Commerce, trade unions, young entrepreneurs, etc.) to be involved in the development of the city (Le Gales, 1990:72). Furthermore, Freville was able to secure a close network of high-powered civil servants who supported development projects. The Freville regime also built strength in links with various local agencies (public financial institutions, developing agencies, etc.) that contributed with the resources necessary to facilitate the projects (Le Gales, 1990: 79).

Yet, by the end of the 1970s, an economic crisis hit Rennes. The negative growth rates experienced in the traditional sectors of the economy and the closure of a series of plants brought significant job losses to the city (Le Gales, 1990: 79). In 1981, the increased pressure from the population to revitalize the economy brought to power for the first time in 23 years a leftist government. This new government brought to Rennes considerable change that resembled the years during Freville's regime. Such changes turned the city again into one of the most dynamic French cities (Le Gales, 1990: 79).

The new government strategy was characterized by the creation of a plan for development where the consultation process was very broad. Eight working groups headed by union leaders, business organizations, academics, public and voluntary sectors were established to decide policies for each of the main important economic areas of the city. The major theme of the policy was based on the assumption that job creation in Rennes could be achieved by the mobilization and development of scientific research capabilities (Le Gales 1990: 78-79). Important institutional arrangements were in place to make it possible for the government to implement such strategies. For example, the political consensus and the broad participation of actors that was achieved allowed the new Mayor to mobilize national financial support and the interest of the locals for economic development (Le Gales, 1990: 83-84). Important development and planning agencies were developed in Rennes (for example, CODESPAR) which allowed representatives of the business sector, the unions, and local authorities to work together and create partnerships (Le Gales, 1990).

Rennes is thus a city characterized by having had emerge local social capital conditions - mayoral leadership, broad consensus, social and economic resources – which allowed it to develop and implement successful strategies. Rennes emerged as a place characterized by high-order services, new technology firms, a good quality of life, high levels of research, and a good employment structure which allows it to be a symbol of urban regeneration (Judd and Parkinson, 1990: 28).

Birmingham, UK

Birmingham is Britain's second largest city:

> "Its history is dominated by two themes –its emergence as a great industrial city and a tradition of civic achievement unequalled by any other British city. These themes continue to dominate the city today" (Loftman and Nevin, 1998: 130).

Indeed,

> "… Birmingham is regularly described as the most dynamic city in the world" (p.131).

Birmingham is commonly known as a city which, over the years, has been able to provide strong and active municipal leadership, entrepreneurship and political pragmatism. That is, the city has a long-standing tradition of elected leaders, chief officers and political parties working together in the interest of Birmingham:

> "… The persistence of this climate of co-operation sets Birmingham apart from other English major cities"(Loftman and Nevin, 1998: 131).

This tradition of enterprise and civic leadership can be traced back to the 1870s when Joseph Chamberlain was the mayor. During that time,

> "… Birmingham gained an international reputation as being the best governed city in the world" (Loftman and Nevin, 1998: 132-3).

In more recent years, Birmingham's civic leaders have continued not only with the legacy of Chamberlain, but also with the history of municipal activism and political pragmatism (Loftman and Nevin, 1998:132-3).

Throughout most of the nineteenth and twentieth century, the economy of the city was heavily based on manufacturing. However, that overdependence made the city vulnerable to the structural changes in the national and global economy, particularly during the recession of the 1980s. Within a decade, the West Midland region was transformed from

> "… being one of the nation's most economically prosperous regions to a low-wage low-productivity economy suffering chronic levels of unemployment" (Loftman and Nevin 1998: 133).

The manufacturing base was particularly devastated, with the city losing 46 percent of total manufacturing employment between 1971 and 1987 (Loftman and Nevin, 1998: 134).

Reflecting the City Council's tradition of pragmatic politics and cross-party co-operation, a broad consensus emerged between the city's major players in the 1980s to respond to the collapse of the city's manufacturing industry. The Council sought to broaden the city's economic base through the promotion of the service sector and the creation of a new image for the city (Loftman and Nevin, 1998: 135). This consensus emerged despite frequent changes in the political control of the Council over that period. Birmingham's political and business leaders were able to adopt a non-ideological and pragmatic approach by working in close collaboration with local political opponents and the private sector (Loftman and Nevin,1998:134).

In the transformation of Birmingham, it is important to mention the success of the city in attracting both private sector and European Community funds, which were to be a key element in carrying out the pro-growth strategy. For example, the Council established the Economic Development Committee in the 1980s to focus on tackling the city's economic problems. Under the charismatic leadership of Sir Richard Knowles and the efforts of Councilor Albert Bore, the power of this committee grew considerably, allowing Birmingham to

> "… succeed in its application to central government Assisted Area status, gaining access to essential European Community funds to support its economic development activities" (Loftman and Nevin, 1998: 139).

Another example was the Council's use of two quasi-public sector companies - Hyatt Regency Birmingham Ltd and NEC Ltd - to finance and raise money to secure funds for the projects (Loftman and Nevi, 1998:139).

In addition to securing funds for carrying out the projects,

> "… the city council also sought to engage the private sector in the formulation of policies aimed at re-imaging and promoting Birmingham's city centre" (Loftman and Nevin, 1998:139).

In 1988, a City Centre Challenge Symposium was held to debate the future development of the city. The 1988 symposium resulted in the formulation of the strategies for revitalizing the city (Beazley et al, 1997: 188). Some of the projects in this strategy were:

- the £180 million International Convention Centre (ICC)
- the £60 million National Indoor Arena
- the £31 million Hyatt Hotel built as part of the ICC development (Beazley, et al., 1997:189; Loftman and Nevin, 1998: 143, 147).
-

It has been argued in research on regional development, the media, and by professional bodies that Birmingham City Council's £300 million investment in its projects and strategies had generated considerable regional benefits by

> "diversifying the city's local economy, attracting private investment and placing the city in the international map" (Loftman and Nevin, 1998: 147).

However, it is also noteworthy that many of the successes have resulted in the diversion of scarce Council resources away form 'basic' services, such as public housing, education services (Beazley et al., 1997:189). Furthermore, it is argued that many of the jobs created by the redevelopment programs are of low quality. For example, in 1991, 42 percent of the 275 permanent jobs at the ICC were jobs within cleaning, catering and security occupations (Beazley et al., 1997: 190). An analysis by Beazley et al. (1997) found that these huge socio-economic impacts are the results of limited general public involvement or debate concerning the development of the city.

Since 1993, increasing community resistance to regeneration proposals saw the election of a new leadership in the Council which has implemented a 'back to basics' philosophy whereby local services, such as education and social services, are receiving priority in council resources over prestige development and civic booster activities (Beazley et al., 1997:191). Therefore, it seems that the sustainability of the city's development will depend on the ability of this new Council to make development proposals more sensitive to community needs (Loftman and Nevin, 1998: 147). However, those shifts in strategies have not changed the way policy-making is done in Birmingham. The new administration has continued to show political pragmatism, municipal activism and political consensus around the city's strategies. But this time it is being done with the participation of the general public (Beazley et al., 1997:190).

Liverpool, UK

Liverpool provides a marked contrast to the Birmingham case study discussed above. Parkinson (1990) describes Liverpool in these terms:

> "Liverpool provides a classic location to examine the role of leadership in urban decline and regeneration. During the past two decades it has experienced a profound transformation under the impact of international economic restructuring, which has set before it major social and political challenges. However, a crucial feature of the city during this period is the way in which leaders reacted to the challenges it faced. In many respects, the city economic failure has been matched by a political failure that has exacerbated the costs of change. Ironically, the importance of leadership in urban transformation is illustrated by its absence - or incoherence - in Liverpool" (p. 241).

Leadership is seen by Parkinson (1990: 241) as the capacity to create stable and durable mechanisms and alliances that help to promote economic regeneration and allows the identification of a range of micro-level skills and macro-level resources that can generate that capacity. Liverpool's leaders, however, seem to have had a deficit in both these respects. Over the years, the city's leaders have failed to demonstrate the necessary political skills to form coalitions that are stable enough to promote economic regeneration. Moreover, Liverpool's leaders have also shown to lack many of the resources that underpin leadership capacity (Parkinson, 1990: 241). For example, the relationship between the public and private sectors in the city is seen to be weak, and the controversial relationship of the City Council with the central government has created little national support towards the city (Parkinson, 1990: 241, 244).

Adding to this lack of leadership, Liverpool has encountered problems in its quest for economic growth as the city is highly depends upon a single industry, namely the port and warehousing (Savitch and Kantor, 2002: 56-57). Liverpool lost much of its competitive advantage when trade shifted away from Western Europe toward North America and when automation took place. In 1950, the port generated 27 percent of Liverpool's employment however; by the 1990s that had declined to under 4 percent. Today, the port barely employs 500 people, and Liverpool continues to lose jobs as new industries have been establishing in other cities such as Manchester, which is only fifty miles away (Savitch and Kantor, 2002: 57). Also, the city's social structure is characterized by a large working class, a relatively small middle class, and the absence of a versatile capitalist class (Parkinson, 1990: 244; Savitch and Kantor, 2002: 57).

These negative characteristics have created more than two decades of regime instability in Liverpool. The city's highly volatile and partisan party politics, a limited governmental capacity, a lack of powerful business leadership, and the inability to construct coalitions between the public and private sectors has not allowed the city to respond proactively to economic decline and build the elements of a regeneration strategy (Parkinson, 1990: 242).

The period from 1973 to 1983 saw a dramatic escalation in the city's economic problems, combined with a period of political paralysis because none of the city's three political parties could achieve the necessary electoral support to get a majority on the council and develop a coherent response to economic decline (Parkinson, 1990: 245-6).While Liverpool's economic decline is intimately connected to the city's port., that decline began in the 1920s with the evolution of new technologies in transportation and communication which sent the port into a long-term decline, causing profound impact on the economy, and in particular fostering long-term structural unemployment (Parkinson, 1990; 242, 245-7).

Despite the need for urgent intervention, it was not until 1987 that a stream of policy documents came from the City Council advocating the need to diversify the economic base of the city and, in particular, the need to regenerate the city center as the center of a regional market. Moreover,

> "… the city commissioned a variety of consultancy studies to examine the tourist potential of the city, the problem of the city's image and city marketing, the economic potential of the design industry, and most significantly, the merits of creating a partnership between the public and private sectors to guide economic development" (Parkinson, 1990: 253).

Since the turn of the 21st Century, things have started to change and Liverpool is now showing some signs of regeneration. The economic collapse of the early 1980s has been arrested. Its docklands are going through some degree of renaissance, and new housing and tourist attractions are being built. Furthermore, there has been some growth taking place in modern sectors of the economy that show potential. The political complexion of the city has changed, and many of the internal divisions of the recent past seemed reduced. However, many old perceptions linger, and the city still bears the reputation of 'riot city', with high levels of public employment, an under-qualified and unskilled workforce, and a high rate of unemployment. As a result, the city is still at a loss for investment, with much its land being vacant or derelict (Parkinson, 1990: 305; Savitch and Kantor, 2002: 57, 85).

Hong Kong

Despite the fact that Hong Kong is a city-state with very few natural resources, it has emerged as one of the richest economies in Asia (Chuen-Chau, 1997: 41). Hong Kong's phenomenal growth can be related to its unique characteristics that have been man-made. Such characteristics derived from a sound macroeconomic environment, a good policy mix, and the presence of local institutions, all of which was conducive to a commerce-based development (Rowan, 1998). For example, Hong Kong is considered as a place where one can find

> "… political stability, no exchange controls, a stable currency fully backed by international reserve assets, a well-defined and well administered system, a non-interventionist government with low taxation, and a geographic location between New York and London" (Chuen-Chau 1997:57).

Those unique characteristics have attracted outside capital to the region, which was a key factor for the city's economic development.

According to Jessop and Sum (2000), Hong Kong is also a city that embraces the practice of entrepreneurial strategies and political alliances - based on public-private partnerships - that have allowed it to successfully adapt itself to changing circumstances, such as the incorporation into China. More specifically, Hong Kong's success can be attributed in great part to two important factors:

(a) *Entrepreneurship*: Chuen-Chau (1997) notes how entrepreneurialism has characterized Hong Kong since its founding. Hong Kong has maintained an entrepreneurial mentality, where the exploration of new markets and the searching out of new products or sources of supplies has been the norm:

> "Producers in Hong Kong are known for their flexibility, resilience, adaptiveness and focus on short-run profits" (p. 69).

(b) *The role of government and institutions*: According to Chuen-Chau (1997; 69),

> "… enterprise does not function in a vacuum. It depends on the existence of accommodating institutions, supporting infrastructures, a healthy and educated labor force, and certain rules, many of which only the government can provide"

Hong Kong's government provided such necessary institutional frameworks.

From the 1970s, the presence of these two factors could be seen from the 1970s as crucial institutional catalysts for growth. Chuen-Chau (1997: 70) argues that the government of Hong Kong provided an environment conducive to private enterprise –including: respect for property rights, low taxes, free an equal access to all markets, accessible information, credit availability, good infrastructure, etc., which were central for the development and attraction of business. The government in Hong Kong is also characterized by bringing predictability and continuity in the economic environment and by providing institutional support (Jessop and Sum, 2000: 2297).

However, the open door policy of China, and the later transfer in 1997 of Hong Kong from British rule to absorption in China, opened many questions and worries about the economic and institutional future of Hong Kong. This is especially true since China had the advantage over Hong Kong in low labor and land costs, putting the Hong Kong manufacturing base at danger. In response to this challenge the government as well, as private economic actors proposed that the best strategy for Hong Kong would be to shift manufacturing northwards (Chuen-Chau, 1997: 59). Therefore, by the mid 1990s, almost 25,000 factories - mostly labor-intensive industries - were being reallocated to the rapidly growing nearby regions of Guandong and Fujian in China. This resulted in the so-called 'hollowing out' of Hong Kong as a manufacturing center, and the beginning of its specialization in 'front office operations' – marketing, finance, design, packaging, and quality control (Chuen-Chau, 1997: 59). Jessop and Sum (2000) point out that the shifting of manufacturing northwards was also the result of the coalescence of the strategies pursued by various actors - private and public, economic and political - in the Hong Kong region.

With the changing global economy and its affect on Hong Kong, two consultancy reports were sponsored by different factions of capital and public organizations (for example, the Trade Development Council) and the government departments (for example, the Trade and Industry Department) to outline strategies to restructure the city. Such reports represented public debates of what constituted the most advantageous mode of inserting Hong Kong into the changing global economy. For example, the first report called *The Hong Kong Advantage*, sought to portray the city as a new type of urban economic space that will establish a 'beyond the gateway' image, or more specifically, to offer 'new combinations' of functions for a knowledge and information based economy with access to mainland China (Jessop and Sum, 2000):

> "These new horizons of action show certain features of Hong Kong's entrepreneurial and/or governance capacities that are socially embedded on the interpersonal, institutional and societal levels"(p. 2302).

According to Jessop and Sum (2000), one way to understand the successful implementation of entrepreneurial strategies in Hong Kong is to look beyond city dignitaries. Despite the fact that strong leadership roles are seen in many dignitaries (for example, the Chief Executive of Hong Kong, Tung Chee-Hwa), it is argued that besides city dignitaries there was a wide range of factors and institutional actors that helped to consolidate the pursued strategies (Jessop and Sum, 2000:2291). For example, the strategic alliances among actors in the region were consolidated not only by their linguistic affinities and kinship ties, but also through the socio-cultural practices of *guanxi* (relationship) (Jessop and Sum, 2000:2308). In the strategy to base Hong Kong as a 'gateway-city', the *guanxi* helped to build the mutual relationships needed to establish subcontracting partnerships and joint ventures. That is,

> "… the ability to consolidate in collective action allowed economic actors to share risks and cope with uncertainty through dense social and institutional networks" (Jessop and Sum, 2000: 2308).

Ultimately, one can see in Honk Kong strategies that

> "… envisage complex array of private-public partnerships and networks co-operating under Hong-Kong's leadership to promote the overall competitiveness of an emerging multi-centered city-region, not only in economic terms but also in cultural and community matters" (Jessop and Sum, 2000: 2308).

Singapore

In November 1990, Lee Kuan Yew handed over the prime ministership of Singapore to Goh Chok Tong. In the three decades following self-rule in 1959, the first-generation leaders - as epitomized by Lee Kuan Yew, Goh Keng Swee, and S. Rajaratnam - had transformed the island-state from a 'basket economy' into one of Asia's four newly industrializing 'minidragon' economies. As outlined by Soon and Tan (1997:213), between 1959 and 1990, the second prime minister set out an agenda that placed human resource development at the center of the development effort. Also, he outlined a science, technology and R&D-based strategy to transform Singapore into a developed nation. These two ingredients have been crucial to Singapore's economic performance (Soon and Tan, 1997: 218-9).

In the 1960s, Singapore was characterized by the absence of an agricultural sector, natural resources, and industrial tradition and entrepreneurship. Normally those factors would have been considered a great handicap. But Singapore's policymakers turned them into an advantage by transforming Singapore into a competitive base for multinationals (Soon and Tan, 1997: 218-9). At the same time, the government also recognized the need for a competent bureaucracy to help implement its policies. It also understood the vital importance of industrial peace, which helped the government to have the support of workers when the government shifted to export-oriented industrialization (Soon and Tan, 1997: 218-9).

Although government intervention does not always lead to the desired results, in the case of Singapore they were designed so effectively that they created the preconditions for success (Soon and Tan, 1997: 221). Among some of the reasons for this successful intervention were the following:

(a) *The government always took a flexible approach to planning*; one that did not depend on a rigid time frame (Soon and Tan, 1997: 226, 229). Policy initiatives were always under continued change and revision according to the necessities of the country (Soon and Tan, 1997: 223).

(b) It was recognized by the government of Singapore that *policies are unlikely to be effective without good governance and appropriate institutional frameworks*. Therefore, strong institutions were established at an early stage, including the two statutory boards, the Economic Development Board (EDB) and the Housing and Development Board (HDB). Such boards had ample funds and strong powers to promote industrial activities and grant loans and incentives (Soon and Tan, 1997: 221, 233). Institutions in Singapore have been recognized for being efficient and dedicated. As Rodrik (1998) points out,

> "the quality of governmental institutions matters for growth" (p.79) …. "Taiwan, Japan and Singapore have the best institutions and the highest growth rates" (p. 97

(c) *A key element in Singapore's public policies is that they were built around consensus*. The government usually ensured that any major modifications to its development strategy were thoroughly explained, well examined and coordinated among government, industry, businessmen, and labor stakeholders (Soon and Tan 1997: 246).

(d) *The influence of Singapore's leaders*:

> "Throughout three decades of rapid economic growth, one fundamental factor has been political continuity. This continuity has been reinforced by the personal characteristics of Singapore leaders. They were intellectually curious, pragmatic, hard-working, with an understanding of global trends, and with personal and professional integrity."

Thus,

> "the policies adopted in Singapore cannot be analyzed and understood apart form the people who were driving them" (Soon and Tan, 1997: 233).

These key elements are clearly seen in Singapore's *Strategic Economic Plan* (1991). That plan was drawn up based on work by eight subcommittees comprising representatives from both government and the business sector. Also, the plan signaled strategies to place Singapore as a global city and emphasized on attracting high-tech, knowledge-intensive industries (Soon and Tan, 1997: 265):

> "Singapore's success shows that even the most unpromising starting point need not stop a country for development. What matters is a growth-oriented leadership with a realistic strategy and intelligent policies."

Specifically, Singapore's successful experience shows four basic elements: a government with a vision of long-term development; a stable environment conductive to economic growth; a public policy that emphasizes investment; and the capacity for sustained accumulation of human and physical capital (Soon and Tan 1997).

CONCLUSION

In this paper we have further developed our proposition that regional economic development (RED) is highly dependent on endogenous factors. That is not to say that exogenous factors can and do exert influence on the process of development and growth. We have proposed a new model framework as set out in Figure 3 in which RED outcomes are dependent on quasi-independent on a city or region's resource endowments and market fit (REM), mediated by the interaction of leadership (L), institutions (I) and entrepreneurial activity (E) A number of city case studies have been reviewed within that framework to see how they have progressed over time, highlighting the roles of leadership and institutional factors and entrepreneurship in that transition and in influencing outcomes.

There remain a number of significant challenges for us to address in operationalising the model framework proposed in Figure 3 and in being able to measure the performance of a city or region at a given point in time and to plot its transition over time through the space of the RCPC represented in Figure 2. That will involve the development of both quantitative and qualitative indicators and performance measures for the REM, L, I and E variables in the model in Figure 3 and to derive scale measures for the REM, L and I axes in the RCPC in Figure 2.

There is a need to undertake a review of more city and regional case studies in a wide array of national and cultural settings, at range of spatial scales, and involving a wide representation of regional economic structural types in order to be able to derive potentially a typology of leadership and institutions and how these have and in the future may affect entrepreneurship and the way a city or region's resource endowments are used and how effectively markets are tapped in affecting the performance of a place and its development, competitiveness, entrepreneurial activity and sustainability over time.

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