

Roger Normann

# Democracy in Development

– A Critical View on Regional Governance

Thesis for the degree of philosophiae doctor

Trondheim, April 2007

Norwegian University of  
Science and Technology  
Faculty for Social Sciences and Technology Management  
Department of Industrial Economy and Technology Management

NTNU  
Norwegian University of Science and Technology

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*Roger Henning Normann*

Kristiansand / Myrlandshaugen, December 2006



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## *Chapter 1 – Introduction*

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### 1.1 – Problem Statement

In this study, I argue the restraints induced through neoliberal ideology and the potential of democracy in regional development. Neoliberal ideology holds a dominating role in premising the inputs and determining the outcomes of development processes, in the sense that it overpowers facts, unbiased information, and individual intent. Democracy is challenged when neoliberal ideology retains a hegemonic position, but democracy can also be efficient in challenging the hegemonies.

The focal point of the study is to inquire into some of the processes associated with the transformation and changes towards a regional system of governance, and ask: *Why is democracy disappearing from regional development?* This means that this study is oriented towards how some recent regional change processes have affected democratic values on a system/regional level. Explicitly this thesis examines how meta steering of regional governance networks can influence and change both democratic and development practises in regions.

### 1.2 – Relevance

When I first started working on the Value Creation 2010 project one of the things in the project that appealed to me was the concept of broad participation, the principle of democratic involvement of all concerned in development (Gustavsen, Finne, & Oscarsson 2001; Levin 2002; Fricke & Totterdill 2004: 457). The Value Creation 2010 project also had other aims and characteristics, for instance the promise development, innovation, and economical growth in enterprises, and it had regional and network development ambitions. However, it was the idea of broad participation, and especially the ambition of testing to what extent industrial democracy could be brought into a regional context in a meaningful and effective way that directly appealed to me about the Value Creation 2010 project. Fricke and Totterdill thus write:

The crucial point of this new action research approach [referring to Value Creation 2010] is to integrate the ideas and interests of as many regional stakeholders as possible, thereby

introducing an element of industrial democracy and participation into regional development (Fricke & Totterdill 2004: 5). <

My background before starting to work on the Value Creation 2010 project was a study of the reorganisation of the Norwegian university college sector in 1994 (Normann 2002). This reorganisation process was a state steered and controlled process without much involvement or participation from those directly involved in and affected by the process. It lacked in a sense the idea and practice of democratic participation.

The main research question of this thesis was developed as a result of my experiences from working with the Value Creation 2010 project in the Agder region. A project where we started out our work based on the idea of actively using democratic participation in regional development work, as a value in itself and as a tool for realising development aims. We experienced that it was difficult to realise our ideas about democracy in development, and we experienced that it was difficult to realise the development aims of the project. This thesis work should therefore be seen as an investigation into the relationship between democratic ideas and ideals and development work and aims. In this lies the conviction that regions that are able to systematically address both “soft” and “hard” values, which can realise their development aims based on and through democratic processes, will serve as tomorrow’s success stories, and be the regions that others later will try to copy.

The focus on different aspects of democracy has been a red thread in all of the activities that I have been involved in and observed through the course of the Value Creation 2010 project at Agder. The concept of broad participation articulated through research and development programmes such as Enterprise Development 2000 and Value Creation 2010 has therefore been the direct link into my thinking on the topic of this thesis which is: *the discrepancies between practices and normative ideals of democracy in regional development and change processes*.

Thus, I have had to face the realities of the field and the apparent lack of attention to democratic issues in regional development discourses, i.e. how democratic processes and system features directly and indirectly are influenced, changed, manipulated, and dominated by new development rationales. Where focus is on the new regional development discourse, which is how regional development increasingly is interpreted through the lenses of the regional development concepts. This narrative tells us that a



basic change has occurred in society, that globalisation and technological change deeply have altered the dynamics of change and development, that fundamentally new development processes are required to achieve economical growth, innovation, and the articulation of the idea that *regions*, places where people live and work, somehow are in competition with one another.

The perspective in this thesis is that this new regional narrative, foremost is meaningful to understand as the articulation of the increased influence of neoliberal ideology in society and thus a constructed reality, and that this is something we, citizens of regions, should question and be critical of. I held the position that this is equally important of your interests being regional development per se, the practice of democracy, or as I am here in both.

I have also had to face the lack of attention to system's efficiency rationales, development rationales, and new organising principle in large portions of the public discourse on local democracy in Norway (Innst.S.nr.268 2001-2002; St.meld.nr.19 2001-2002; Østerud, Selle, & Engelstad 2003; St.meld.nr.25 2004-2005; NOU 2005:6; 2006:7). The discourses on local democracy in Norway are regrettably still too much focused on "classical topics", for instance the problem of decrease in turnout at the polls (NOU 2006:7), and the conflict between centre and periphery in Norwegian politics<sup>1</sup> (A.-L. Fimreite & Selle 2006). My point is not that these are not important topics, but that those concerned with democracy in a regional context now should start to lay more emphasis on other, and what I conceive as more pressing issues, something that also Fimreite and Selle point to:

[...] The discussion of a new administrative level has not come very far in Norway. We find an embrace of positive connotations to "networks" and "innovation", the embrace of governance. But this discussion is held on a very general level and is not much contextualised, the understanding of democracy is vague, and possible consequences is far from thought-through (A.-L. Fimreite & Selle 2006: 22)<sup>2</sup>.

There are many exceptions to such a broad picture, but if I should put forward a general and schematic critique of much of the research on democracy in Norway I would say: a) that it is primarily oriented towards deficits in representative democracy<sup>3</sup>, b) that it lacks interdisciplinary perspectives<sup>4</sup>, and c) to a very little extent relates to contemporary economically oriented development trends and the implication these present for current practices of democracy<sup>5</sup>.

Similar critiques can be forwarded against the regional development theories and concepts<sup>6</sup>, which mainly are concerned with how to stimulate innovative processes, gain economical growth, and competitiveness, but seldom relate to how their strategic recommendations interferes with and influences democratic systems and practices in the contexts where they unfold<sup>7</sup>. Johan P. Olsen has an interpretation of the situation that I believe is precisely on the mark, and that I am in full concord with:

My [Olsen's] interpretation is that the increased emphasis on the commercialisation aspects on the innovation concept is an expression of a shift in the power relations between professions, organisations, institutions, social groups, more than an expression of an actual societal need for more innovation and more knowledge and analysis of variations in the ability innovate and readjust. A consequence of this is that the innovation debate is being decoupled from a normative analysis of the relative significance of commercial and economical aims in relation to other criteria, such as democracy, the distribution of power, legal protection, community, health, national security, and an ecological sustainable society. It is frequently referred to a strong economy as a prerequisite for welfare and other social goods. But often is it forgot that economical efficiency and growth can have problematic social and political consequences, and that a competitive economy is a necessary but not a sufficient condition for the good society and good steering practices. This is true also in for the case of Norway (Olsen 2004)<sup>8</sup>.

For the discourse on participatory democracy in a regional sense, the idea of bringing industrial democracy out into the regions (Fricke & Totterdill 2004), the main problems are: That its main practical function seems to be of a rhetorical and legitimising kind (Bevir 2004), and not is sufficiently manifested in local thinking and practices, discussed in this thesis. I believe it is an understatement to say that the works of Einar Thorsrud, Fred Emery, and associates (Thorsrud, Emery, & Trist 1964; Thorsrud & Emery 1970; Emery & Thorsrud 1976) do not hold a particularly dominant position in current Norwegian discourse and practice on participatory/industrial democracy<sup>9</sup>.

This study aims at seeing these ideas about development and democracy as one discourse, integrated and complementary for understanding and changing current practices in regional governance systems.

### 1.3 – Positions in the Literature

The basic idea of this study is essentially to show how some of the new ways in which regions are being managed and steered, how governance networks themselves are

managed and steered and used as tools at specific ends, and how the practices of development and democracy co-exist and co-develop in such contexts.

A debate on regional leadership is developing in the Agder region. This debate has partly emerged because of the introduction of a new formal regional level that will replace the county level, 1 January 2010. I use discourses regimes, governance, and democracy in order to give inputs to and widen current debates about regional leadership and changes in democratic practices.

The paramount challenge facing almost every governance network aimed at development work is to identify the “right” balance between conflict and collaboration. Collaboration is good from a certain perspective, because it promote interests aggregations, something that is a premise for successful steering, while conflicts also can be constructive because they can stimulate new thoughts, creativity, development paths, and innovative processes. Successful regime or meta steering of governance networks therefore means finding the “right” balance between collaboration and conflict (Jessop 1998: 41; Sørensen & Torfing 2005: 51). It is also central to democracy, to mediate conflict, to sort between interests, and support the process of making informed decisions. The meta governance steering paradox is that if the development discourse is too hegemonic there is a risk of blocking new thoughts and lose development opportunities, and on the other hand, if is it too much conflict there is a risk of undermining network negotiations.

This thesis discusses how what is being labelled *second-generation governance research* (Pierre 2000; Sørensen & Torfing 2005) can illuminate experiences with governance networks, and especially the meta governance steering paradox is addressed in the Agder region. My main argument is that successful and efficient social change an development can be achieved through democratic processes, but that this is not something that is automatically safeguarded by current societal change processes, and therefore should not be taken for granted by anyone.

Governance and regime theory is therefore in this thesis used to give perspective to and analyzes of Value Creation 2010 in Agder and the politico economical system in the region. The findings from these analyses are in the end interpreted in light of three distinct theories of democracy.

## 1.4 – Method

The research question is developed and approached through an in-depth Action Research study of the development of a regional development coalition called the Value Creation Alliance which was initiated in a collaborative effort between researchers and stakeholders in the Agder region. The Agder region, where the regional development coalition operated and practiced, is analyzed in a study of the politico economical system of some relevant aspects of the Agder region. Very simplified the main difference between an Action Research study and a more “traditional” case study, is of an epistemological nature. When a social scientist conducts a case study, s/he can be involved as an observer but is not necessarily a participant in the local knowledge generating process itself. In an Action Research study is this explicit, researcher participation and involvement is a deliberate and integrated part of the research and knowledge generating strategy<sup>10</sup>.

## 1.5 – Outline

This thesis is structured in the following way. In the next *chapter 2*, I give a brief description of the context of the regional development and change processes discussed in this thesis. I here seek to emphasize those regional characteristics I believe are most relevant for understanding the concepts and perspectives discussed in this thesis. In *chapter 3*, I outline the theoretical analytical tools used to interpret the data available to this work. Here I focus primarily on the new regional narratives; the regional development concepts that are meant to construct regional advantages, and that have proved so influential on current thinking and practices in regional development. This discussion is followed by an theoretical outline of governance-network theories that during the late 80s and 90s have become the organising metaphor for the study of interactive forms of political decision making (Sørensen & Torfing 2005). This discussion leads us to the study of regional leadership, meta governance, and regime theory. Three alternative interpretations of governance systems and regime theory are then presented and discussed. These perspectives represent three different perspectives on society, the rationality of man, power, and democracy. This discussion is followed by an discussion of three different perspectives on democracy, that later are used to

analyse some governance practices in the Agder region in light of democratic theory. This represents the main components of the analytical framework of this thesis. In *chapter 4*, I account for the methods I have used and what type of data that have been available and give an account of my position on theory of science. In *chapter 5*, I present data from the case, the regional development coalition that I have been involved with for a period of five years –the Value Creation Alliance. The case presentation is in the next *chapter 6* followed by description of key elements in the development of and practices associated with the regional system of governance in Agder which the Value Creation 2010 case developed. In *chapter 7*, the data from chapter 5 and 6 is analysed through the analytical framework developed in chapter 3, and the three subordinate research questions of this thesis are discussed and analysed in this chapter. In *chapter 8*, I address the main research question and this discussion concludes the thesis.

## Notes

<sup>1</sup> The political scientist Stein Rokkan phrased this as one of the central dividing lines in Norwegian politics, in the 1960s.

<sup>2</sup> My translation.

<sup>3</sup> See for instance the conclusions of the latest Norwegian power and democracy study (Østerud *et al.* 2003: 298).

<sup>4</sup> See Meyer (2003) for a critique.

<sup>5</sup> See Olsen (2004) for an introduction.

<sup>6</sup> See for instance Piore and Sabel (1984), Amin and Thrift (1994), Castells and Hall (1994), Lundvall and Johnson (1994), Florida (1995; 2002; 2005), Ohmae (1995a; 1995b), Etzkowitz and Leydesdorff (1997b), Porter (1998a; 1998b), Castells (2000), Cooke (2002), and others.

<sup>7</sup> There are of course many exceptions to this general critique, an example of one study where the case for economical development *is* paired with a democratic argument is *Making democracy work: civic traditions in modern Italy* (Putnam, Leonardi, & Nanetti 1993).

<sup>8</sup> My translation.

<sup>9</sup> See Tor Claussen's "*Arbeidslivets klassikere og dagens arbeidsliv*" for a discussion in Norwegian (Claussen 2001).

<sup>10</sup> Discussed in chapter 4.

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## Chapter 2 – The Agder Region

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*There is little doubt that something is going on in Norwegian society and that this something has to do with a transition from the organisational patterns of the nation state and towards what can loosely be called regional or local patterns.*

*–Bjørn Gustavsen, Participation and Local Organisation (2004b: 37).*

### 2.1 – Region

In the following, I will give a brief background to and situate the discussions in this thesis. I start with a brief outline of the new regional policies “*the new-regionalism paradigm*” and I continue with a brief introduction of the regional development concepts, which also are some of the background for governance networks now being an important feature of most regions in Norway. I then go on to give some context to the Agder region, its political administrative structures, its industrial structure, and some remarks on social and cultural issues. I also give a brief overview of what I in the following will conceptualize as the governance networks in the Agder region.

#### ***Introducing Regional Development Concepts***

In the Agder region the use of regional development concepts has taken on a central role in order to structure and give direction to the regional governance system. In the political industrial development debate concepts of clusters and networks have become increasingly important in the task of addressing what is increasingly defined as regional development challenges. The concepts in use and the tools applied in addressing these challenges are both inspired by and more or less directly applied international and often managerial inspired development concepts. Concepts that in nature are not much different from those found in the world of business and organisational development<sup>1</sup>. In the following, I briefly outline some of the most influential regional development concepts that are in use in the Agder region. A more thorough presentation is given in chapter 3.

One of the most prominent of the regional development concepts are firstly *triple-helix* (Etzkowitz & Leydesdorff 1997a), which describes the institutionalised collaboration between academia, industry, and public government. The idea of triple-helix is that collaboration or increased collaboration between the triple-helix actors stimulates innovation and economical growth. The concept of triple-helix has been very influential for both legitimising the existence of governance networks, and as a recipe for institutional design and focus of development processes in the Agder region from the turn of the millennium and onward. Regional stakeholder interviews in this thesis reveal triple-helix as the concepts most often referred to when network administrators and leaders are asked to explain why they work in and through network structures to realise regional policy agendas.

A second influential regional development concept is that of *learning regions* (Florida 1995). The learning regions concept describes and argues in favour of the significance of vertical and horizontal connectors for knowledge transfer and information exchange. The learning region focuses on the importance of the “knowledge worker”, and is often contrasted with regions based on mass production (the old economy). The learning regions concept are locally often interpreted as an argument in favour of developing even more learning arenas, such as networks, different types of regional conferences, partnerships etc. The concept and ideas inherent in the learning regions concept were instrumental in the development of a regional strategy in the Value Creation 2010 project in the Agder region.

A third influential regional/industrial development concept is Michael Porter’s *regional cluster theory* (Porter 1998b). The regional cluster concept describes the importance of what in reality is a relatively unspecified assembly of enterprises which buys and sells exchange workforce, sets demands, and stimulates competition between each other. The concept states that these processes stimulate focus on increased quality and capacity. In Agder, as in many other regions, Porter’s concepts of cluster are used in an instrumental way in order to stimulate economical growth. The extent of which it is possible to use temporary organisations to externally stimulate such processes is however lesser understood.

A fourth influential regional development concept is the idea of the *regional innovation system* (RIS). A regional innovation system involves co-operation in



innovation activity between firms and knowledge creating and diffusing organisations, such as universities, colleges, training organisations, R&D-institutes, technology transfer agencies, business associations, and finance institutions (Asheim & Herstad 2003: 245). Asheim and Herstads state that their conceptualisation of a RIS system corresponds with a definition given by Phillip Cooke and associates, who says that a functional RIS system consists of two sub-systems: (i) the knowledge application and exploitation sub-system, principally occupied by firms with vertical supply-chain networks; and (ii) the knowledge generation and diffusion sub-system, consisting mainly of public organisations (Asheim & Herstad 2003: 245).

Other regional development concepts in use in the Agder region are the concept of *creative class* (Florida 2002), an important part of the legitimacy of the Cultiva foundation in the municipality of Kristiansand in the Agder region. The concepts of the *knowledge or learning economy* (Lundvall & Johnson 1994; Cooke 2002) are also important for legitimizing the development of the competence foundations in the Agder region. Other relevant development concepts and theories are *industrial districts* (Piore & Sabel 1984), *interactive learning* (Lundvall & Johnson 1994), and *the network society* (Castells 2000).

These concepts are different but the differences should as Asheim and Mariussen (2003: 15) say not be overestimated, at least if we choose to focus on the practical and local interpretations of these concepts. They often seem to mean the same, a continued focus on and development of temporary organisations, networks, partnerships, development organisations, paired with a belief in that this somehow must result in learning, knowledge development, more innovative industries, economical growth and regional competitiveness and prosperity. We can choose to agree or disagree with the beliefs inherent in these concepts and their relevance for relatively small regions such as Agder. What we no longer can choose to ignore is the effect these concepts has on the ongoing development of governance systems, and the effect they indirectly and directly has on democratic processes in the region, representative democracy, the political system, and the direction of societal development.

We have now reached a stage where it actually is impossible to do or to participate in regional development work without applying one or more of the regional development concepts. They dominate the discourse and they influence our thinking in

deeper and more profound ways than most of us realise. They are also excluding in the sense that if you do not speak or understand the “concept langue” you no longer have a role to play on the regional development arena. Thus, the Value Creation 2010 project both in Agder and on the national level has had to adapt to this reality and contributed to strengthen the influence inherent in these concepts even more.

### ***New Regionalism***

Over the last decade what should be understood as regionalisation processes have picked up much momentum in Agder just as it has in the rest of Norway. Such processes are theoretically often conceptualised as a shift from “old” regionalism to “new” regionalism (Veggeland 2003; Wallis 2003; Note 2005). The Agder region draws attention as one of the regions where such regionalisation processes are most successful in Norway (Ullern 2005: 16), and as a manifestation of a successful regionalisation process that also other Norwegian regions should use as a role model (Selstad 2005).

Proponents of the recent ‘new regionalism’ movement have suggested that voluntary local measures and interlocal cooperation can be effective substitutes for centralized control (Note 2005: 2292). Veggeland suggests that new regionalism is based on a historical empirical claim that the “region” has become the “melting pot” which national states political, economical, and cultural development rests on, and more that the normative bias that the “region” should be put in the centre of a sustainable and democratic policy (Veggeland 2003: 134).

New regionalism asserts that regional governance is superior to regional government. According to ‘new regionalist’ writers, the economic fate of cities and suburbs is so interdependent that suburbs will voluntarily aid ailing central cities. Other commentators, however, are unconvinced, and no ‘new regionalist’ has been able to point to a region in which voluntary cooperation has occurred in any significant way (Note 2005: 2292-3).

Simplified “new” regionalism contrasted to “old” regionalism builds essentially on the following sets of assumptions and normative ideals:

- 1) A shift in focus from *government*; old regionalism is essentially about government, to *governance*; establishing vision and goals, and setting policy to achieve them through cross-sectoral governing coalitions.

- 2) A shift in focus from *structure*; structural alternatives such as city/county consolidations, creation of urban counties, the formation of special purpose and multi-purpose authorities, to *process*; such as visioning, strategic planning, resolving conflict and building consensus.
- 3) A shift in focus from the *closed*; to clearly demarcate the region in terms of boundaries and jurisdictions for growth, service delivery, job markets, to the *open*; open, fuzzy or elastic boundaries.
- 4) A shift in focus from *coordination*; through e.g. a regional authority with powers to determine the allocation of resources to units of government within its boundaries, to *collaboration*; voluntary agreement among equals.
- 5) A shift in focus from *accountability*; legitimacy of coordination secured through procedures of accountability, to *trust*; trust as a binding element in relations among regional interests<sup>2</sup>.
- 6) A shift in focus from *power*; power as a zero-sum game, so the power to govern must come from units of government above and below, to *empowerment*; engaging nonprofits and for-profits in governance decisions that were once treated as the domain of the public sector alone. Rather than assuming a zero-sum game, employing empowerment is based on the assumption that new interests bring new energy, authority, and credibility; in short, it grows power or capacity in order to move a regional agenda (Wallis 2003).

These “new” regionalist constructions about the new and the old are together with the regional development concepts central for understanding why and how we now increasingly are discussing regional policy development and execution in terms of networks and governance instead of hierarchy and representative democracy. In this thesis, the rhetorical and practical combination of the new-regionalist movement and the influence of the regional development concepts are referred to as the *new regional narrative*. In practice however, these two ideal types of regional steering, the hierarchical model, and the network model are coexisting, interacting, and thus constituting what has become a very complex and diffuse regional landscape and steering system. This thesis can therefore be read as an early assessment of some of the consequences of this complexity and vagueness has and has had for the Agder region.

### ***The Agder Region***

The region does not conceptualise more than just a geographical area. There is not any unifying definition of what a region is or what it is that constitutes a region, that is to say that the region does not exist as a physical or ontological reality. A region is and can be many things.

Oddbjørn Bukve writes that regions are socially constructed entities that embed different meanings for different people at different times (Bukve 2005: 198). Noralv Veggeland writes that a region should be understood as a geographical space not larger than that people do not experience alienation and loss of identity when they act and participate in the public arena (Veggeland 1996). Hans-Kjetil Lysgård writes that: “The question is not whether a territory can be entitled to be called a region or not, but in what sense it can be called a region, something that really is a question about the intentions behind the idea of a region” (Lysgård 2001: 50)<sup>3</sup>. Bjørn Gustavsen (2004a) uses the concept of “regions of meaning” to emphasise the situation where the concept of a region becomes an arena for the development of actionable knowledge, when theory and practice interact in new ways in areas of mutual inter-comprehensibility, which need not correspond to administrative units (Ennals 2006).

Thus, when we talk of regions we talk of a complex structure that embeds layers of meanings and connotations. The Agder region is in this text foremost a context and reference to such processes and understandings that unfolds within what up-until 2010 is the two counties Vest- and Aust-Agder<sup>4</sup>.

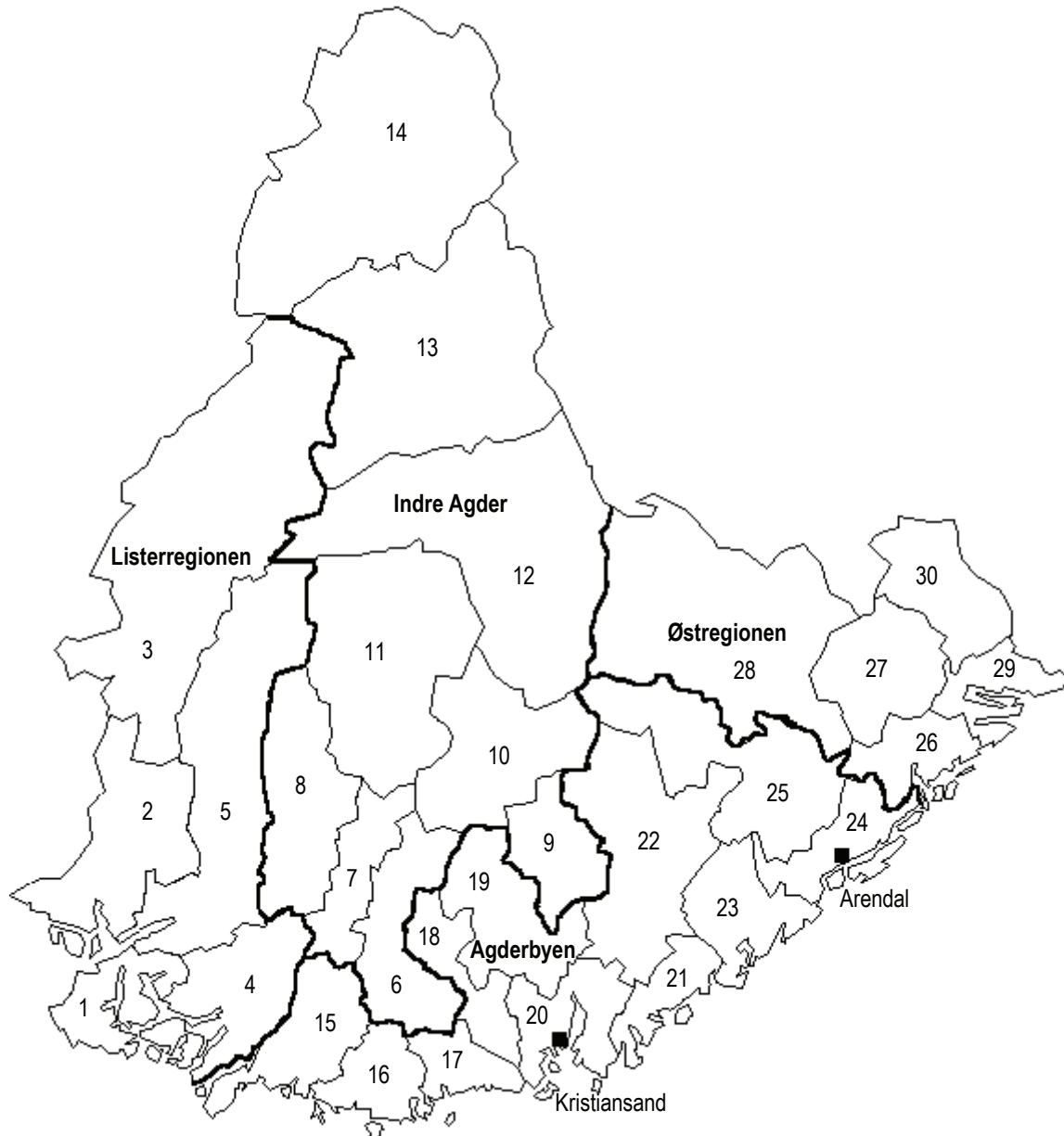
The Agder region is located in the southernmost part of Norway, its coastline faces the North Sea and Denmark, and it has about 260 000 inhabitants, and is divided into 30 municipalities. Most of the population (ca. 75%) live and work on the coastal line between the cities of Mandal and Arendal, which is often conceptualized as Agdercity (Agderbyen) (J. P. Knudsen 1990; 2002b).

The largest city in the Agder region is Kristiansand (ca. 77 000 inhabitants), which is located in Vest-Agder County, the second largest city is Arendal (ca. 44 000 inhabitants) which is located in Aust-Agder County. There is a significant portion of rivalry between the two cities and counties. Rivalry that clearly is manifested in the political processes when government resources, workplaces, and institutions shall be located or re-located. The extent that ordinary citizens adapt to this rivalry varies, but this rivalry is one important rationale behind why regional governance institutions such as Agderrådet (see below) were set up in the first place.

### Industry

In the Value Creation 2010 application that was written to the Norwegian Research Council in 2001 (H. C. G. Johnsen & Normann 2001c) we saw it most meaningful to divide the Agder region in terms of industrial structure into four sub-regions.

Fig. 2-1: Map of Industrial Sub-Regions in Agder, adapted from Johnsen and Normann (2001c)



Starting in the West the first region we identified was the “*Listerregionen*”, that consisted of the following municipalities, (numbers in brackets refers to the figure above), (1) Farsund, (2) Flekkefjord, (3) Sirdal, (4) Lyngdal, and (5) Kvinesdal and has

about 33 000 inhabitants. The industrial structure in this region was characterized by large energy intensive process industry enterprises that operate on (exports to) the world market. Most of the owners of these enterprises do not live in the Agder region. These enterprises are few, but employ a significant portion of the work force in this region. Lay offs and downscaling in the process industry would influence the social structures in this sub-region and Agder as a whole significantly.

To the east of the Listerregion we find a region called “*Agderbyen*” that consists of the following municipalities: (15) Lindesnes, (16) Mandal, (17) Søgne, (18) Songdalen, (19) Vennesla, (20) Kristiansand, (21) Lillesand, (22) Birkenes, (23) Grimstad, (24) Arendal and (25) Froland. This region represents a plurality of industries, services, heavy industries, information technology, finances etc. No single group of industries is so large that it dominates alone. Approximately 190 000 people live in this region.

To the north of Agderbyen we find a region that we called “*Indre Agder*” that consists of the following municipalities: (6) Marnardal, (7) Hægebostad, (8) Audnedal, (9) Iveland, (10) Evje og Hornnes, (11) Åseral, (12) Bygland, (13) Valle, and (14) Bykle. About 14 000 people live in this region, which is the largest in geographic terms. The municipalities in this region are the location of several large dams and hydro-electrical power plants. These municipalities are among the wealthiest per capital in Norway, and use a significant amount of their resources to stimulate innovation in their industry, which in addition to the power plants mainly consists of tourism, farming, and woodworking industry.

Farthest to the east we find “*Østregionen*” that consists of the following municipalities: (26) Tvedestrand, (27) Vegårshei, (28) Åmli, (29) Risør, and (30) Gjerstad. About 20 000 people live in this region. Its industrial structure is characterized by many small-and medium sized companies (less than 50 employees). It has developed niches in a national market in areas such as design and tourism.

Traditionally the industry in the Agder region has been oriented towards the sea. It had a significant shipbuilder and shipping industry that laid the ground for capital build up and development of the districts. Arendal was for instance around 1870 the largest shipping city in Norway. In the beginning of 20<sup>th</sup> century, the traditional shipping industry entered into crisis, as a result of the technological shift away from a sailing

fleet. A third of the Norwegian tonnage originated from Agder in 1885. In 1927 it was down to 5 % (B. E. Johnsen 2002). One way of seeing this is as a “regional collapse”, and into the 1960s the region lost population growth relatively to the rest of the country in a significant magnitude. A large part of the population emigrated to the USA in this period. A count back to the 1890s indicates that 100 000 fewer people live in the Agder region now, than it would if the region had the same demographical development as the rest of the country. From the 1970s and onward the Agder region has been a growth region in Norwegian terms, a growth that has been fuelled by investments in infrastructure, trunk road between Arendal and Kristiansand in the 1950-60s, the airport in Kristiansand (Kjevik) became a hub for international and interregional transportation, ferries to England, Denmark, and Sweden, a railroad, and investments in harbours in Kristiansand and Arendal stimulated the region as a hub for freight transportation (J. P. Knudsen 2002b).

Also on the cultural side the Agder region has made a mark for itself in recent years. The Quart festival, named after Christian IV, King of Denmark and Norway from 1588-1648, has made a name for itself on the national and international music scene, as it attracts 10 000 people every day for a week, each summer to Kristiansand. The Agder region is also about to get its own university, as the Agder University College (with approximately 8 000 students) is about to gain status as the seventh University in Norway.

But it is the industries dependent on hydro-electrical power that is the main explanatory factor for the growth in the Agder region since the 1960s and onward, thus making the presence of the dominating industries in the Agder region a text book example for Paul Krugman’s Core-Periphery Model (Krugman 1991). The industrial structure in Agder deviates in significant areas from the average of rest of Norway. This is primarily related to having a high share of heavy industries relatively to the commercial services and primary industries than the rest of the country. A consequence of this is that the Agder region has the largest export per capital ratio in Norway. 21 % of the Norwegian gross production within the metal processing industries comes from the Agder region. This industry employs about 20 000 people, and represents about a third of all business in the region and 5-8 % of the total of Norwegian industry (Andresen, Cruickshank, Jamt, Jentoft, & Vangstad 2002).

### ***Politics***

Another important characteristic of the Agder region is that it politically and culturally is among the more conservative in Norway. For instance in the 2003 county and municipality elections the Norwegian Labour Party (DNA)<sup>5</sup> got 19.3% of the votes in the Agder region while it got 27.4% of the votes in the rest of Norway, an 8% difference. The Christian Democratic Party (KrF)<sup>6</sup> got 18.4% of the votes in the Agder region in 2003, while it got 6.2% of the votes in the rest of Norway, a 12% difference. Thus, the Christian Democratic Party and the Norwegian Labour Party are about the same size in the Agder region, a situation that is very different at the national level. For instance in the 2005 Storting (national assembly) elections the Norwegian Labour Party got 32.7% of the votes while the Christian Democratic Party got 6.8% of the votes<sup>7</sup>. This voting pattern is discussed in an article by Helge Røed called *The province The Labour Party never grasped* (Røed 2002). Here he argues that this had serious consequences for the level of influence the region had on government policies in the period of Norwegian history that were dominated by *The Labour Party* in government<sup>8</sup>.

An important consequence of this is that political leaders in the region tend to have different political mindsets from the political leaders in central government, which probably has had an impact on the degree of influence they have had compared to other regions that have represented a better political match to the central level. It also means that recruitment to central level government, (cabinet ministers, parliamentary secretaries, under-secretaries, political advisors etc.), from the Agder region traditionally has been less frequent than from other regions in Norway.

The counties in the Agder region do also get a relatively small share of the so-called 551 funding. Funding aimed at industrial development projects in the counties (Haga 2006). There are many good reasons for not distributing these funds equally to the counties or applying to a distribution based on population figures. However, I would argue that a consequence of this is that those counties that get the smallest share of these funds are in a much weaker negotiation position when they enter partnership and network structures than those counties that get substantially more of the 551 chapter funding. The two Agder counties together are on the bottom and get less than the next county on the list, and only 1.7% of the total funding available (Haga 2006).



I will argue that these factors have contributed to a feeling among many central regional actors in the Agder region of being subservient to other regions and central government, a specific notion of the Agder region having shortcomings in their influence on state policies compared to other regions in Norway. I believe that this is an important factor for understanding the position that regional governance got for realizing regional aims and also contributed to the widespread notion of the importance of unity and consensus as crucial factors in developing the region.

If we look at the political leadership in the two largest city municipalities in Agder, Arendal and Kristiansand, and in the two county municipalities in the 31 years from 1976 to 2006, we see that the political stability has been strikingly consistent (see appendix). Municipality mayors in the two largest city municipalities in the region, Arendal and Kristiansand, and the county mayors in Aust-Agder and Vest-Agder are predominantly represented almost exclusively by the two conservative parties in Norway, The Christian Democratic Party (KrF) and The Conservative Party of Norway (H)<sup>9</sup>. Signifying that the main routes to political influence the last decades primarily have been focused in and through these two political parties.

As I shall return to in later chapters it is very likely that this kind of political stability has unintended consequences when the political system acquires more and stronger governance features, a political stability that in the Agder region is enhanced by low level political turnover. This is because when more political work is done outside politically elected forums in systems with governance characteristics, in forums such as Agderrådet, and when the political bodies, municipalities and counties are represented through the leaders of these institutions, typically chief officers and mayors. It could be argued and expected that such governance structures when they are not broadly put together contribute to skewing and reinforcing already dominating voting patterns, and thereby reducing political diversity and multiplicity of opinion in new and emerging network structures. This alone should be enough too call for a rethinking of the composition of direct political participation in governance structures.

### ***Social Life and Culture***

The explanations for this voting pattern are not conservatism itself, but a culturally, socially, and historically rooted Christianity. A counter culture that is unique to the

Agder region and the counties in the southwest of Norway. A counter culture that already in the late 1950s was described by the geographer Gabriel Øidne, as characterized by temperance, linguistic movement<sup>10</sup>, and pietism (Røed 2002: 105). Pål Repstad has written that there are more people at Agder that reckon themselves a Christian than in the rest of Norway and that the Christians at Agder are more conservative Christians than in the rest of the country (Repstad 1992). It is however tendencies in the cultural life in Agder many proofs of a softening-up of many of the conservative aspects of this type of Christianity (Repstad 2002: 133-6).

However, the reminiscences of this culture are still an important background for understanding the political and social workings of the Agder region. Something that expresses itself in family-, cultural-, political-, economical- and social life at Agder, for instance is cohabiting with children in 2005 still more uncommon in the Agder region than in the rest of Norway, while marriages are more common. A series of statistics could be produced to substantiate this point, for instance the average level of attendances to religious services, average age of marriage, average number of chapels, churches and religious meeting houses, average number of different Christian religious communities etc., and they would all show the same tendency; that the Agder region scores relatively high compared with other regions in Norway. Agder has not a higher number of members in the state church than the rest of Norway but has many more independent and Free Church movements.

Another consequence of this is on equal opportunities in the Agder region. Agder has the lowest share of females with longer higher education in Norway (Magnussen, Mydland, & Kvåle 2005: 40). Males tend to have the same amount of working hours as males in the rest of Norway, while employed Agder females have significantly more often reduced working hours (Magnussen *et al.* 2005: 31-2). Agder has 12% fewer females working fulltime (more than 30 hours a week) than the country average (Magnussen *et al.* 2005: 33). The Agder region has a significant larger share of females working part time than the country as a whole. Especially fertile females have a weaker position in work life than the rest of the country. There are also fewer women in management positions in Agder than in most other counties in Norway (Magnussen *et al.* 2005: 207). Also in municipality councils the Agder women are underrepresented.

The country average was 35.5% in 2003 while Aust-Agder had 32% and Vest Agder had 31.9% female participation (Magnussen *et al.* 2005: 48).

The link between equal opportunities and conservative Christianity is that religiously active people tend to have more traditional gender role thinking than other less religious groups of the population. In a national survey on religion from 1998 (NSD) 26% of those who said they were religiously active strongly agreed or disagreed to the statement “The role of the husband is to make money, the wife’s is to tend to the house and the family”. 33% in the same category responded likewise in Vest-Agder (Magnussen *et al.* 2005: 47).

The type of Christianity that is present in the Agder region has traditionally been supportive of business and entrepreneurship. Repstad argues that the Agder region had a tradition for the coupling of sensible business and trade, piousness, self-discipline, and social growth that could have served as an example for Max Weber in his studies of the role of Protestantism in the early days of capitalism. There has also been many conspicuous examples of the regions industrial elite also being very active in Christian life (Repstad 2002: 141). That this coupling of religion and business in the Agder region also have resulted in the development of social structures and networks that favour some and disfavour others is not unlikely. However, this is something that it is difficult to do empirical studies of, as Repstad (2002) notes. It is however an important characteristic of the Agder region “real or not” since it is undisputable that it exists a belief among many people in the Agder region that this is how the system works, and that this belief has in itself many concrete and practical consequences and manifestations. Pål Repstad who is a professor in sociology of religion at Agder University College writes the following on topic:

As long as I can remember, I have heard stories about people in the region affiliated with the same Christian community favouring each other in questions of business and trade. It is said that they do things in a “straightforward manner”, sometimes with a smile, sometimes with indignation. [...] This can be a question of legal use of each other’s products and services based on knowledge, friendship, and trust. As we know that trust is an important type of immaterial capital in any market. I would think that this happens in certain degrees, and even if it were legal, would it sometimes feel morally provoking to those that are not in on the “game”. Consequently we should also be open to the possibility that frustrated outsiders exaggerate the extent of favouring based on religious criteria (Repstad 2002: 142)<sup>11</sup>.

Anne Ryen, a sociologist working at Agder University College, gives a less conciliatory interpretation. She writes that the traditional men's clubs such as Rotary<sup>12</sup> and freemasonry have a relatively strong position in social life at Agder. Moreover, that where it is an overlap between elite clubs, religious groupings, and political orientation we should expect to find that this also represents overlapping and conserving spheres.

Recruitment of a relatively homogenous member mass in cities or in places with a limited range increases the chance of the same people recruiting from their own ranks. Such arenas are important constructive contexts where gender stereotypes are reproduced. Organisations of this type have a central network forming function where consensus rather than conflict is a relevant characteristic of the milieu. The significance of such arenas, with strong male dominance in good positions in public life and industry can be important to understand also female's opportunities (Ryen 2002: 178)<sup>13</sup>.

Rotary, LIONS, and freemasonry are examples of organisations with influence on certain aspects of social life in the Agder region. This thesis is not directly concerned with such institutions, but with the more recent development of the rapid growth in network structures, institutions, partnerships, development organisations, funds, projects, permanent and temporary organisations etc. which in different ways aim at contributing to regionalisation and regional development processes in the Agder region. Such institutions are in this thesis conceptualised as the regional governance system in the Agder region.

## 2.2 – Governance in Agder

Collaboration between leaders in industry, industry associations, politics, and to some extent academic institutions is not a fundamentally new phenomena in the Agder region, there are in fact long traditions for it. In Agder there are many examples of such collaborative initiatives aimed at different development aims that both have succeeded and failed (H. C. G. Johnsen 1998), examples that date back long before anyone had ever heard or thought of ideas inherent in modern regional development ideas such regional innovation systems, triple-helix, learning regions etc.

In 1998 the Kristiansand Trade Association<sup>14</sup> celebrated its 150<sup>th</sup> anniversary. This association is still active, but in a restructured form. In 2003 its activities were integrated with the local industry association, and now it markets itself under the new name Kristiansand Chamber of Commerce which also has a working relationship with

other network institutions in the region such as Sydspissen<sup>15</sup>. Kristiansand Trade Association did play an active role in many of the larger investments and initiatives that have been made by the municipality of Kristiansand like a new harbour, city planning, airport etc. In the 1960s, the association took initiative to set up a business school and an economical/mercantile gymnasium, which later led to collaboration with NHH (Norwegian School of Economics and Business Administration), located in Bergen about the development of a Business College in Kristiansand. Johnsen points out that the collaboration between NHH, Kristiansand Trade Association and Kristiansand municipality was instrumental for Kristiansand getting ADH (a province college) in 1969 (H. C. G. Johnsen 1998: 40-1).

Johnsen writes that the period before the oil crisis in the 1970s represented the height of the intensity of collaboration and integration between industry interests and the political institutions in Kristiansand. The cultural, personal, and industrial integration between trade and politics was stronger when society was characterized by optimism, a belief in instrumental planning, and uninterrupted economical growth. The industry politics collaboration had a setback as the functionalistic thinking started to go out of fashion. When local politics became more plural, when local politicians started questioning the market, unfettered growth ideas, private motoring, modernization etc., collaboration between industry and politics became more difficult and the extent of the collaboration was reduced, even though it was still there (H. C. G. Johnsen 1998: 69).

Collaboration between business and politics pick up momentum during the 1990s, but now in a new form. The focus shifted from the city to the region. In this period the concept of Agdercity (Agderbyen) emerges, as a way to conceptualize the wider regional perspective on development (J. P. Knudsen 1990).

The “old” collaborative initiatives between industry interests and politics were therefore mostly oriented towards the developments in and surrounding the largest cities in the Agder region. The focal point of this development work was in a sense the city or the municipality, and on relatively task specific issues. What has changed is that this self-imposed boundary of thinking oriented towards the city or the municipality expanded, now the rhetoric and focus have shifted towards the region and too much broader development issues. Communicating a narrow perspective on the interests of

the city is therefore no longer “Good Latin” unless it is phrased as a necessity for regional growth.

This new perspective did however open up a new set of issues that had to be resolved. The traditional rivalry between the larger cities in the region and between the two counties was a challenge that had to be addressed if the idea of regional growth and competitiveness should be addressed in a meaningful way. “*Common Goal on Agder*” with the subtitle “a local development programme for Sørlandet” was therefore written (Norman, Knudsen, & Røed 1994) in 1994. The following year Agderrådet was established as an organ for realizing the objectives in the local initiative programme<sup>16</sup> (J. P. Knudsen 2002a). Following the establishment of the Agderrådet partnership a long range of different institutions, networks, partnerships etc. have emerged with the agendas and objectives that in different ways has been linked to the idea of regional development at Agder. These new institutions have also been linked to the “old” collaborative initiatives through institutions such as Sydspissen, which was established in 1999 as a regional chamber of commerce<sup>17</sup>. However, the most remarkable institutions in the emerging regional governance system are the new regional funds.

In the wake of changes in energy laws and the liberalization of the energy market in the Nordic countries, a long range of municipalities in Norway started in the last half of the 1990s a process that involved both the reorganization of enterprises owned by the municipalities, (turning them into limited companies), and reorganization of ownership. In the municipality of Kristiansand such a process happened when KEV (Kristiansand Energiverk) was established in 1997 as a publicly owned limited company. This company merged with two other hydro electrical energy companies, Vest-Agder Energiverk and Aust-Agder Energiverk, into Agder Energi AS in 2000. The municipality of Kristiansand owned 27.8% of the stocks in this new company, while the rest of the stocks were owned by the other municipalities in the Agder region. In June 2001 the City Council in Kristiansand decided to sell its shares to Statkraft Holding AS (a state owned energy company), NOK 1 440 million of these funds was used to set up the Cultiva foundation. The other municipalities in the Agder region entered into similar arrangements and The Competence Development Fund of Southern Norway (CDFSN)<sup>18</sup> (covers the municipalities in Vest-Agder County) was set up with NOK 595 million and a similar foundation was set up in Aust-Agder County with NOK 270 million.

Developments such as these lead the former the work- and administration minister Victor D. Norman<sup>19</sup>, to describe the public sector in the Agder region as the most innovative in Norway (Sydspissen 2004).

These main developments are followed and supported by a long range of network and development initiatives of which Value Creation 2010 Agder is a part of and integrated in. A full overview of all the initiatives that would qualify as part of the regional governance system at Agder is very difficult to give. A rough count and some of the most important actors and institutions are listed in the appendix. It lists about 130 governance institutions in the Agder region, where most of these have emerged during the last 6-7 years.

The scale, the regional perspective, and the broadness of political issues integrated in this work represents something fundamentally new, and is significantly different from when Kristiansand Trade Association worked with politicians to set up economical education facilities in Kristiansand in the 1960s. This growth in both scale and sophistication has altered local politics and the interaction between industry interests and politics in a fundamental and unprecedented way.

### 2.3 – A New Regional Policy

However, these changes would have been impossible if they had not been supported by important changes also in state policies towards the regional level. Roar Amdam write on the topic of governance:

The public reforms have had a big impact on the regional planning and development. We can talk about a shift in regional policy-making and planning characterised by a new process of governing. Regional *governance* has been added to the regional *government* structure (Amdam 2004: 5).

The county municipalities were established in its current form 1 January 1976. In the period from then to now the counties have been allocated some resources while others have been taken away, for instance hospitals, child welfare, drug care, family protection etc. The most significant reduction of county authority was when the management and steering of somatic and psychiatric hospitals 1 January 2002 were moved from the county to a national, state owned, health concern, which consists of five regional health companies. A promised transfer to the counties of responsibility for

environment and agriculture (St.meld.nr.31 2000-2001) was never commenced and retracted in the next white paper (St.meld.nr.19 2001-2002). Something that should be seen as expressions of the level of political controversy that the political mid-level has been and still represents in Norwegian politics.

Two political parties have removal of the representative midlevel integrated in their political platform. The Conservative Party of Norway writes in their election manifesto for the period 2005-2009 that a small country as Norway is best served with only two levels of government. Two levels of government, which are the state and the municipalities, will strengthen local democracy and provide a higher level of service. The Conservative Party will therefore phase out the county level (Høyre 2005: 80). The Progressive party (Frp)<sup>20</sup>, also negative to the county level writes in their party programme:

The “new” county municipality has no legitimacy, either among people or with national authorities. The county level is an unnecessary and costly part of public administration. The tasks of the county can be addressed more effectively through other ways of organising, and with a better result for the users. Fremskrittspartiet has been an initiative-taker to close down the counties as administrative units, Fremskrittspartiet’s intention has always been that the tasks of the county and its responsibilities can be handed over to the municipalities, the private sector and the state (Frp 2005: 16)<sup>21</sup>.

The county level capacity as a coordinating and a resource-allocating unit has therefore weakened over time. However, in 2002 the counties got expanded responsibility for regional development. The background for this was that the Storting, when it discussed a white paper on the division of responsibilities between municipalities and counties (St.meld.nr.32 1994-1995), decided to set up a committee that should give a full account for the responsibilities, tasks, and functions between the three levels of government. This resulted in a committee being appointed the task in 1998 (Oppgavefordelingsutvalget), which delivered its report in July 2000 (NOU 2000:22). This work resulted in a white paper submitted by the Stoltenberg I Government (The Norwegian Labour Party) (St.meld.nr.31 2000-2001) which stated that there was a need for a regional level and that the government wished to strengthen the regional development role of the counties, in order to create an administrative authority with a clear responsibility for the development of the region. After the 2001 Storting elections the Bondevik II coalition government entered office (consisted of The



Conservative Party, The Christian Democratic Party, and The Liberal Party<sup>22</sup>), and they wanted to submit their own white paper on regional development (St.meld.nr.19 2001-2002) which considered the statements about the regional level in their joint declaration of politics (the Sem declaration). The Sem declaration stated that the county should not be a super municipality, and that changes in the responsibilities had to contribute to a reduction in bureaucracy. In this new white paper on regional development (St.meld.nr.19 2001-2002) the government indicates that the counties shall move from having an administrative function to being a regional development actor in close partnership with other state agencies, municipalities, the industry and other actors. That the counties are given an increased responsibility for regional development is known as the responsibility reform (ansvarsreformen). It was not included in the whitepaper itself or in the notes made in the committee work (Innst.S.nr.268 2001-2002) exactly how the counties should execute this new role, it was left to the counties themselves to find out. The counties are however instructed that regional development shall be executed in and through partnerships.

The government emphasises that the actors in the regional partnerships shall have real influence on the arrangement of the strategies in the regional development programme. In a way, that regional development becomes a shared responsibility between the different actors. To strengthen the regional partnerships the government will also consider increasing the allocations to the regional level within the different state sectors? This is also in accordance with the main principles of the governments modernisation work (St.meld.nr.19 2001-2002)<sup>23</sup>.

The main difference between the two white papers on regional development (St.meld.nr.31 2000-2001), Stoltenberg I government, and (St.meld.nr.19 2001-2002) Bondevik II coalition government is that the latter primarily views the county as the central development actor in partnership with many others, while the first also views the county as an important arena for the practice of local democracy.

Given the vagueness in the policies indicated in the white paper (St.meld.nr.19 2001-2002), the political controversies surrounding the county level, and that the county level itself does not have many free resources to do development work with<sup>24</sup>, it would be an understatement to say that the counties first years in the front seat as the central regional development actor have been troublesome.

In the spring of 2005, Vest-Agder County executive committee<sup>25</sup> addressed a report on the counties role as regional development actor. Nordregio<sup>26</sup> and NIBR<sup>27</sup> wrote the report on behalf of the Ministry of Local Government and Regional Development. The report expresses in part strong criticism towards the regional policies as it was expressed in (St.meld.nr.19 2001-2002) and the role of the county as a regional development actor. The report states that the Norwegian partnership ideology<sup>28</sup> is an echo of the European partnership idea, but with other political and economical instruments than those that works in EU, this in the report is partnership as a political idea phrased as more new speak than new policy (J. P. Knudsen, Moen, Persson, Skålnes, & Steineke 2005). If the county shall mobilise heavy partnerships to strengthen regional development this requires larger political reforms and measures than those that have been executed in the last years. The counties has now few possibilities to build strong partnerships (J. P. Knudsen *et al.* 2005: 42). The report argues that it is strange that state institutions working regionally are given so much freedom in the way they want to relate to the county as a regional development actor. This lack of will or ability to specify the content of regional development, can therefore be interpreted to mean that the central government does not have a clear national development agenda, or does not know how to transform this into a regional agenda. This can again be interpreted to mean that the central government does not want to commit specific key actor to participate in regional development, or that they want to address eventual regional aims in other contexts than those that are connected to the counties development work (J. P. Knudsen *et al.* 2005: 39). The report therefore argues that regional development work can be strengthened by addressing the institutional conditions it is meant to operate under. This means that the state must set clear goals, anticipations, and ground rules for this work towards the actors that are involved. This is particularly important since the county in its current form is perceived as too weak to perform with much authority towards those that they are expected to work with (J. P. Knudsen *et al.* 2005: 40). The regional development ambitions live on in many different connections, within and without the counties. The counties themselves crumble under what is the pressure of a national steering debate. It is not likely that reforms within today's regime will address this problem. Authority signals on what kind of system one wishes to go for in the years

to come are needed. The regional development work needs a significant reform that can create rest, authority and predictability to this work (J. P. Knudsen *et al.* 2005: 44).

When the Vest-Agder County executive committee 31 May 2005 addressed this report, the decision recommended by the county commissioner was that the analysis represents an important analysis and judgement of how the county as a regional development actor and the partnership function. It also said that in order for Norway to reach its goals of a good regional development work based on the resources that are available it is important that the conclusions and recommendations given in the report are followed up on. The most important thing is however that power and authority is connected to a regional development responsibility. To realise this power and authority the county/the regional level must get more responsibility within the sectors and policy instruments that are important for regional development. It is crucial that the counties are given enough recourse to enter the role as the *leading* regional development actor (VAF 2005).

## 2.4 – Summary

In this chapter we have seen that the region as a concept is contested. We have also seen that the Agder region has an industrial structure that is complex and has many different sectors, and that it must be expected that this diversity also mean that the different sectors of the industry in the region have very different development dynamics and characteristics.

We have also seen that the Agder region has gone from being the most international oriented and prosperous region in Norway in the 19<sup>th</sup> century to being the one with most problems related to depopulation, to once again being a growth region in the latter part of the 20<sup>th</sup> century.

We have also seen that the Agder region represents a special case in the political and cultural life in Norway. It is a region where conservative Christianity has a stronger position on the social and economical life in the region than in many other places in Norway. This has resulted in a voting pattern that is different from the rest of Norway and many problems connected to equal opportunities in the region.

We have also seen that the Agder region has responded forcefully to the new regionalisation development paradigm through setting up and developing many new institutions and networks that are part of the emerging governance system in the region.

We have also seen that the county level is a controversial political topic in Norwegian politics, and that many of the changes that we can observe on the regional level have been imitated by changing state policies towards the regions, changes that are inspired by similar processes in the EU area.

In the next chapter, I will present the analytical tools that I will use to interpret and analyse the regional governance system in the Agder region.

## Notes

<sup>1</sup> Concepts known best by their acronyms, for instance: TQM (total quality management), BPR (business process reengineering), JIT (just in time), MBO (management by objectives), benchmarking, and many more.

<sup>2</sup> This point need not be confused with the emphasis laid on accountability in New Public Management reforms. The focus of NPM has been mostly on managerial accountability, that is the obligation to provide an account for one's actions *to* those in superordinate positions of authority, but very scarce attention has been placed on political responsibility in NPM. It is argued that NPM often is associated with ambiguity in political responsibility, and that this is sought compensated with more effectiveness and efficiency (Christensen & Læg Reid 2002: 110).

<sup>3</sup> My translation.

<sup>4</sup> The future of the regional reform is when this is written still pending in the national political system.

<sup>5</sup> DNA/Ap: (Det Norske Arbeiderparti): The Norwegian Labour Party (Socialist/left party).

<sup>6</sup> KrF: (Kristelig Folkeparti): The Christian Democratic Party (conservative/right party).

<sup>7</sup> Source: Bernt Aardals homepage. <http://home.online.no/~b-aardal>

<sup>8</sup> In the period 1945-2006 had the labour party the prime minister in 45 of 61 years.

<sup>9</sup> H: (Høyre) The Conservative Party of Norway (conservative/right party).

<sup>10</sup> Norwegian term "målsak".

<sup>11</sup> My translation.

<sup>12</sup> Rotary started to accept female memberships in 1989.

<sup>13</sup> My translation.

<sup>14</sup> Kristiansand handelsforening.

<sup>15</sup> See for instance <http://www.kristiansand-chamber.no>

<sup>16</sup> Agderrådet is discussed in chapter 6.

<sup>17</sup> Also discussed more thoroughly in chapter 6.

<sup>18</sup> Sørlandets Kompetansefond.

<sup>19</sup> Representing the Norwegian Conservative Party.

<sup>20</sup> Frp: (Fremskrittspartiet): The Progress Party (conservative/right party).

<sup>21</sup> My translation.

<sup>22</sup> V: (Venstre): The Liberal Party of Norway (liberal/right party)

<sup>23</sup> My translation.

<sup>24</sup> The Agder Counties got in 2006 19, 5 million NOK to do development work from the state (næringsrettede utviklingsmidler), which is 1.7% of the 551 chapter.

<sup>25</sup> Norwegian term: “Fylkesutvalg”.

<sup>26</sup> Nordregio is a European centre for research, education and documentation on spatial development, established by the Nordic Council of Ministers. Homepage: <http://www.nordregio.se/>

<sup>27</sup> NIBR: Norwegian Institute for Urban and Regional Research. Homepage <http://www.nibr.no/>

<sup>28</sup> Partnership’s does here primarily refer to bureaucratic and administrative partnerships between public corporations, institutions, and services, thus a part of new public management administrative reform and rationalisation.

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## Chapter 3 – Regional Discourses

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*[...] the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. Not, indeed, immediately but after a certain interval;... soon or late, it is ideas, not vested interests, which are dangerous for good or evil”*

– John Maynard Keynes<sup>1</sup>

### 3.1 – Introduction

Anders Osthol and Bo Svensson (2002) state in their book *Partnership Responses – Regional Governance in the Nordic states*, that Scandinavia now are witnessing the gradual transformation from a system of government to a system of governance. While government refers to a political system based on well-defined hierarchical relations revolving around a central (elected and national) body, governance refers to a looser and more scattered distribution of both internal and external political and economic power. Governance is also about changing modes of interaction between the private and the public sphere, changes that reflect a transformation of the authority structures in society.

In this chapter, I outline concepts suitable of interpreting the significance of this transformative process. I start with a discussion of what is understood as part of the new regional narrative, which is the regional development concepts giving direction and content to the ideas inherent in much of current regional development processes. This discussion is followed by an introduction to the institutional changes necessary to adept to the new regional narratives that are the gradual adaptation of governance like structures in regional development. However, setting up a development rationale through the regional development concepts and providing regions with institutions that shall realise the aims inherent in these concepts are, as we shall see not enough to achieve the desired results. The governing idea is that initiatives, processes, developments, aims, and policies have to be relatively stringently coordinated to be effective. This coordination is done at different levels for instance through the

government issuing new laws and white papers, or the Norwegian Research Council focuses its recourses into specific desired policy areas, for instance regional innovation policies. However, the most important steering is still done on the regional level itself. The regional level must find ways to coordinate the direction of development in order for it to be effective, or at least this is the paramount idea in much of the recent governance literature, and as we shall see also in practice in the Agder region. What I conceive as a meaningful way of understanding and interpreting these steering principles is through what is known as *regime theory*. Regimes is to be understood as a informal but stable group of people, with access to institutional resources, who shares policy aims, and has a sustained role in policy development and decision-making processes (Stone 1989).

In the subchapter following a discussion of regime theory, I outline more specifically what is the analytical framework of this thesis. Three perspectives are here developed on governance and regime processes in regional development in the Agder region.

First, an *instrumental* perspective is applied to the understanding of the governance system and the regional regime. In this perspective the paramount understanding of the governance system is that governance is horizontal interaction between resourceful and interdependent actors, and that the purpose of governance itself is to give a strategic response to institutional fragmentation. Meta governance or regime steering is here to manipulate the institutional and organisational aspects of the governance framework in accordance with paramount development policies. The legitimacy of meta steering of governance processes is that it is a way of securing that the emerging governance system does not evolve into chaos.

The second analytical perspective I outline to interpret the workings of the governance system and regional regime is *institutional*. Here is the paramount understanding of the governance system that governance is interactive steering based on institutional norms and rules, and that the purpose of governance itself is to give a response to fragmented and complex steering processes where the formulation and implementation of public policies happens in interaction between interdependent but autonomous actors. Meta governance or regime steering is here to re-institutionalise, shape, and develop identities and capacities in specific and wanted directions. The

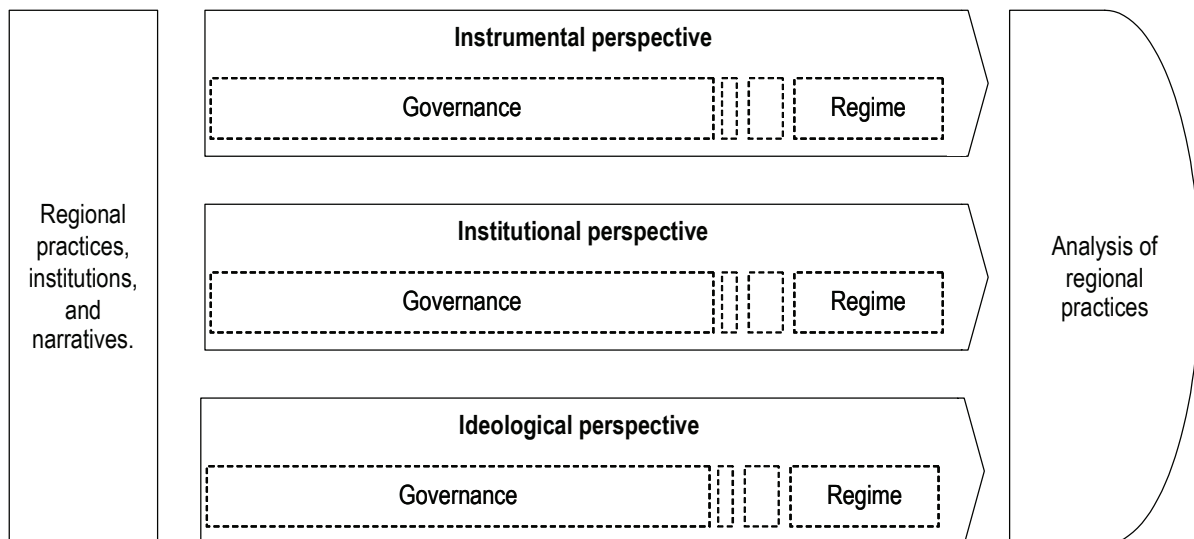


legitimacy of meta steering of governance processes is that this re-institutionalisation is done with a democratic mindset and that democracy is strengthened through governance processes in society.

The third and last perspective used to interpret the governance system and the regional regime is an *ideological* perspective. Here is the paramount understanding of the governance system that governance is best understood through what kind of power it exerts. Here governance is an institutionalised steering rationality and technology, which exerts a specific form of power, and that the purpose of governance itself is to support the exertion of an ideologically based development agenda. Meta governance or regime steering is here to mobilize actor’s energies and capabilities within discursively constructed bounds. The legitimacy of meta steering of governance processes is that the ideological definition of the institutional and normative bounds of development contributes to transforming the society and its institutions in necessary and wanted directions.

The figure below is meant to illustrate that I am going to use the perspectives to analyse the same set of data: the regional practices. These perspectives are in some instances complementary, and in some instances distinct in that they have different conceptualisations of power, interests, democracy, rationality of man, and society. See chapter 4 for a discussion of theoretical triangulation.

Fig. 3-1: Model of Analytical Framework



Following this discussion, the next subchapter introduces three different conceptualisations of democracy, the participatory understanding of democracy, the competitive understanding of democracy, and procedural democracy. The discussions of these perspectives are in chapter 7 used to analyse some of the practices associated with regional governance in the Agder region.

The subchapter following these deals with the operational research questions of the thesis, and chapter 3 ends with a brief summary of the discussions.

### 3.2 – New Regional Narratives

The idea behind introducing the discourses connected to the economic development of geographical locations into a discourse of democracy in development is simply that it would be impossible to comprehend recent instrumental, institutional, and ideological changes without glancing at the “road map”. A “map” of development is what the regional development concepts are, as they convincingly describes to regional and national stakeholders both what the current state of affairs is, what the problems are, and what must be done to address the challenges successfully.

#### ***The Managerial Inheritance***

As a global society we have developed new and powerful structures and alliances between theory and industry. In academic circles is it a certain path to economic success and academic recognition to be interpreted as relevant for industrial development. It is however equally important for the consultancies to be associated with academia, and the world of international consultancy is indeed a lucrative business. The large global consultancy Accenture for instance generated net revenues of US\$ 11.8 billion for the fiscal year that ended 31 August 2003 (Accenture & EPC 2004).

John Micklethwait and Adrian Wooldridge, two journalists of *The Economist*, discuss this phenomena in their well informed book *The Witch Doctors* (1997). They write on the topic:

For three groups of people, the link between theory and money is particularly important: professors, consultants, and managers. Increasingly, academics are keen not just on thinking up striking new ideas, but on selling them. Once such a taste for publicity might have provoked academic ostracism. Now, [...] every young professor dreams of writing a best seller; and with even the best business schools desperately competing for students, every business-school dean encourages him (Micklethwait & Wooldridge 1997: 58).

None of the international consultancies is more influential than McKinsey & Company; at least if we measure in terms of who gets the best pay. As a consultancy they contribute to setting standards, practices, and framing of current development discourses in both large corporations, nation states and in the development of regional strategies. McKinsey are not just good at picking up on the latest trends they also develop the new trends themselves. Thus, names such as Tom Peters, Kenichi Ohmae, Robert Waterman, and more McKinsey representatives are associated with a long range of international best sellers. McKinsey even has its own journal the *McKinsey Quarterly* that looks as the Harvard Business Review, and has its own research institute, the McKinsey Global Institute which aims at adding to the academic glow of the company. McKinsey also allegedly spends \$50m-100m a year on research (Micklethwait & Wooldridge 1997: 59). McKinsey even has their own award system, and they have given the honours to Michael Porter twice. This consultancy strategy of bridging consultancy up to academia is one where McKinsey once set the standard, and is now being copied by every consultancy with global aspirations, and most tend have. Thus consultancies such as Accenture, The Boston Consulting Group, Ernst & Young, Deloitte Touche, PricewaterhouseCoopers, PA Consulting Group, Capgemini, KPMG and many more have adapted to this strategy.

Friedrick Taylor's; Scientific Management, Peter Drucker's; "Management by Objectives", Tom Peter's; beyond TQM: towards wow!, Michael Hammer and James Champy's; Reengenering, The quality movement etc. (Micklethwait & Wooldridge 1997), all signifie an important insight that what this business sells is not solutions, but grand ideas about problems that are more or less contextually indifferent<sup>2</sup>. Micklethwait and Wooldridge thus write:

Management theory, according to the case against it, has four defects: it is constitutionally incapable of self-criticism; its terminology usually confuses rather than educates; it rarely rises above basic common sense; and it is faddish and bedevilled by contradictions that not would have been allowed in more rigorous disciplines. [...] Modern management theory is no more reliable than tribal medicine. Witch doctors after all, often got it right- by luck, by instinct or by trial and error (Micklethwait & Wooldridge 1997: 15).

There are exceptions to such an offhand brush off of the managerial disciplines. Peter Drucker for instance launched the terminology of the "knowledge worker" as

early as 1959, and he got it right in the sense that blue collar workers have declined in number in many parts of the industrial world. However, there are more examples of those who got it completely wrong. Tom Peters was one of them. In *Search of Excellence* he identifies 43 excellent American companies; whose organisation and management styles should serve as examples for other companies to follow. Less than five years after its publication two thirds of these miracle organisations were either bankrupt, faltering, or troubled (Micklethwait & Wooldridge 1997).

One problem of managerial theories is as mentioned that when applied individually they have the ability to confuse and obstruct organisational development processes. The larger problem is that they seldom are applied individually. In 1995 Bain & Co, did a survey on how managers used 24 leading management techniques. They found that the average company used 11.8 of these techniques in 1993, 12.7 in 1994, and on course to 14.1 in 1995 (Micklethwait & Wooldridge 1997: 17). It does however not exist any managerial theory to tell managers what the implications of applying all of these often-competing concepts simultaneously have on the development of their organisations.

The “beauty” of the system, from the consultancy industry perspective, is that the less they work, the more managers are in need of “new medicine” to fix the problem, and new managerial concepts therefore just keep popping up. Richard Pascale did in 1990 analyse the 27 most used fads. He found that two-thirds of them had emerged just during the 1980s, and since then this process has just picked up speed. A frustrated manager told Pascale that in the last 18-months he was being told that – “profit is more important than revenue, quality is more important than profit, that people are more important than profit, that customers are more important than our people, that big customers are more important than our small customers, and that growth is the key to success. No wonder our performance is inconsistent”, he concluded (Micklethwait & Wooldridge 1997: 68).

The large consultancies working globally probably saw the limitations in the market for business internal development as the competition steadily increased in this market segment during the 1980s and 1990s, and thus shifted a larger part of their attention to the more strategic aspects of business consulting. Within this realm of strategy planning the qualities of the environment where businesses are located was also

given an important role. This is probably also part of the explanation for the attention regional development ideas and concepts get from many of the larger consultancies. We should however, given many of the discouraging experiences from the management theory industry, also be cautious when similar tendencies emerge in the field of regional development, through the regional development concepts. One of the most influential regional development concepts as it is used as part of national and regional policies in Norway and elsewhere is Michael Porter's cluster theory, a theory which diffusion actively has been supported by the large consultancy firm McKinsey & Company.

### ***Clusters and Regional Development***

It is no longer much controversy in a statement saying that the dividing lines between academia, high paid consultancy, and policy or managerial reform is blurred at best, or as critics often say, non-existent. This is true in the field of the management theory industry, and it is regrettably becoming a harsh reality in the field of regional development as well. Where interestingly enough many of the same "players" from the field of management theory play key roles in the emerging field of regional development, and where it is not the same people it certainly are many of the same ideas with a slightly new wrapping.

Up until relatively recently the region was almost non-existent within the economic development discourse. The development discourse mainly related to nation states or to corporations. This has changed. And the reason for this change is the emphasis that is placed on technological innovations within especially information technology (for instance the success of the Internet, e-mail, mobile phones etc.). Wild exaggerations of the implications of globalisation (for instance articulated through statements such as we live in a global village, MTV, Coca-Cola, CNN, etc. give us similar cultural preferences etc.). The internationalisation of economical commerce (for instance the growth in companies outsourcing parts of their production lines to low cost countries), and the global influence of free-market promoting institutions (such as NAFTA, EU, EEC, IMF, The World Bank, WTO, ASEAN etc.)

These features of economical globalisation are, however, developments that apparently should disqualify a focus on the regional level, but the case is the opposite, and two main sets of works have made it so. Firstly a book by Michael Piore and

Charles Sabel *The second industrial divide: possibilities for prosperity* (1984), proved to be very influential. Many have used their study of the development of industrial districts in Northern Italy and similar development tendencies in other countries to introduce the idea that a new industrial divide has been taking place in world economy. The development of some special regional clusters was regarded as a proof of larger development tendencies that consisted of new ways of producing commodities. This new way of producing was characterised by local networks of SMEs which independently were highly specialised in their production of their products or services. The SMEs used advanced production equipment and was able to maintain a high degree of flexibility through this and notably because of a close cooperation with other firms in the same situation. Piore and Sabel regarded this as a development model to gain competitiveness alternate to vertical integrated large companies dominating the economy in the 1950-1970s. Piore and Sabel do however not make the case for learning regions since they do not have a conceptual understanding of collective learning and shared knowledge as important factors for regional development. Nevertheless, others who suggested a different mode of thinking on development later used their arguments.

In recent years, the discourse on industrial competitiveness has increasingly emphasised the significance of local and regional contexts. Michael Porter, consultancies such as McKinsey, and business schools around the world should get much credit for causing this through the global spread of the cluster rationale. In his cluster theory, Porter (1998a; 1998b) builds on Piore and Sabel when he emphasises the importance of local networks of enterprises as important environments to gain competitive enterprises. In an article from 1998, Porter writes:

Paradoxically, the enduring competitive advantages in a global economy lie increasingly in local things - knowledge, relationships, and motivation that distant rivals cannot match (Porter 1998a: 77).

If we live in a time of global competition a focus on regional development, as Porter states it, should be a paradox. Economic globalisation should make localisation irrelevant, because of speedier transportation, new information infrastructures, and the global market should allow competing businesses to get anything any time. However, Porter, and many with him, argues that localisation remains crucial to competition. Michael Porter understands clusters as:

[...] geographic concentrations of interconnected companies and institutions in a particular field. Clusters encompass an array of linked industries and other entities important to competition. They include, for example, suppliers of specialized inputs such as components, machinery, and services, and providers of specialized infrastructure. Clusters also often extend downstream to channels and customers and laterally to manufacturers of complementary products and to companies in industries related by skills, technologies, or common inputs. Finally, many clusters include governmental and other institutions – such as universities, standards-setting agencies, think tanks, vocational training providers, and trade associations - that provide specialized training, education, information, research, and technical support (Porter 1998a).

Porter (1998a) explains how clusters affect competition in three broad ways: “first, by increasing the productivity of companies based in the area; second, by driving the direction and pace of innovation, which underpins future productivity growth; and third, by stimulating the formation of new businesses, which expands and strengthens the cluster itself”. The focus on the regional level also mirrors an increasing attention to knowledge, learning, and innovation as decisive competitive elements for businesses and industries. This is particularly important in high cost countries.

The governing idea is that much of the knowledge needed for a business to be innovative and competitive is tacit, that is a type of knowledge that cannot be transferred between individuals and institutions in a written form. Knowledge must in a way be tapped from the knowledge milieu and people that developed it, or have access to this knowledge through networks. This new and locally anchored knowledge is seen as particularly important because many enterprises are part of global value chains. If globalisation also means that information about production can be spread around the world relatively quickly between different enterprises in different parts of the world. This means that enterprises in low cost countries can use the same advanced production equipment as enterprises in high cost countries. Since globalisation has led to that much knowledge and resources are easier to acquire everywhere, the central argument is that knowledge and other resources that are locally anchored and difficult to copy for other enterprises have increased in significance. Locally anchored learning processes and the development of unique knowledge are then central mechanisms in order to gain and maintain global competitiveness in enterprises and industries in high cost countries (Asheim & Isaksen 2006).

Porter’s work on cluster has become the standard concept in the field of regional development, and policy makers all over the world have seized upon it as a tool for

promoting national, regional, and local competitiveness, innovation, and growth. However, it is often forgotten that Porter's cluster model is a contested theory, and that many issues are related to it that should make policy makers vary it.

The main lines of this criticism are that when you focus too much resources on local learning processes and knowledge transfer between local actors you risk that local learning processes freezes up, and you experience negative lock-ins. The reasoning for this is that possibilities for new ideas, attitudes, and the development of new knowledge are exhausted when the collaboration happens in too large extents between a set core of local enterprises and organisations (Asheim & Isaksen 2006).

Policy makers and academics alike should also be wary of Porter's cluster concept's ambiguity. Porter's definition is so vague, in term of geographical scale and internal socio-economical dynamics that the result is conceptual and empirical confusion. Porter's cluster concept lacks clear boundaries, both industrial and geographical. Ron Martin and Peter Sunley (2003) therefore asks:

At what level of industrial aggregation should a cluster be defined, and what range of related or associated industries and activities should be included? How strong do the linkages between firms have to be? How economically specialised does a local concentration of firms have to be to constitute a cluster? [...] In addition, at what spatial scale, and over what geographical range, do clustering processes (inter-firm linkages, knowledge spillovers, rivalry, business and social networks, and so on) operate? What spatial density of such firms and their interactions defines a cluster? The difficulty is not just that the boundaries of clusters, as Porter admits, are 'continuously evolving', as new firms and industries emerge and established ones shrink or decline. More fundamentally, the definition itself seems intentionally opaque and fuzzy (R. Martin & Sunley 2003: 10-1).

Policy makers should bear in mind that Porter's clusters are theoretical constructs, constructs without any essential self-defining boundaries. The concept is so generic that it is used to cover a whole assortment of types and degrees of specialised industrial locations. It is therefore difficult to read this any different than that Porter argues that his cluster concept is a universal phenomenon, where similar mechanisms work approximately in a similar fashion in different political, economical, social and cultural contexts around the world.

Today's economic map of the world is dominated by what I call clusters: critical masses-in one place –of unusual competitive success in particular fields. Clusters are a striking feature of virtually every national, regional, state, and even metropolitan economy, especially in more economically advanced nations (Porter 1998a).



Porter's cluster approach to competition and competitive strategy are far from universally accepted around the world, within business economics, industrial organizations, and management studies, several authors criticise Porter's generic competitive strategies as being too superficial, for lacking specificity, for being too difficult to measure, and for not being as interdependent of one another or as universally applicable as Porter assumes. Especially Porter's notion of competitiveness should be viewed with extreme scepticism. Nations and regions do not compete with one another in the way firms do, the analogy between a company and a region is false (R. Martin & Sunley 2003: 15). In addition, since Porter's cluster theory is among the most distributed and well-known development theories at present date, we should also ask where the competitive advantage really lies within the theory? If clusters exist more or less everywhere, and if almost every policy maker is aware of the finer points of the theory, then should not also everyone be able to implement it?

One of the most influential thinkers and probably one of the consultants/academics alongside Porter that has contributed most to that regions are put on the map as a hotbed for development both by politicians and firms is Kenichi Ohmae<sup>3</sup>. Ohmae's coupling of globalism and regionalism is an expression of an ideological critique of the nation state – it is too small for some tasks and too large for other. Ohmae argues that in the borderless economy the only meaningful units are the spontaneous economical units, regions (Ohmae 1995a). He argues his case with reference to the dissolution of countries in the eastern-block and that countries as Germany, Canada and Spain are decentralizing authorities to their federal states and regions.

Ohmae explains these developments towards stronger regions on three levels: Firstly, nation state authorities loose control when capital, persons, and information flow freely over state borders. Secondly, executive powers loose support if it cannot satisfy the consumer demands that arise when the global flow of information shows the cheapest and best products on the market. Thirdly, the nation state restrains growth, and is economically destructive because it subsidises and reallocates resources. The nation state does not differentiate the cost of public services on basis of varying costs to produce them in different parts of a nation's territory. This is because the citizens, the voters, in a nation state have standardized demands and expectations to public service regardless of where they are located; e.g. prizes on telephony, postal services,

electricity, education, health care and communications cannot be too much differentiated within a nation state. The result is that productive areas must subsidize less productive areas, and consequently the nation states as a whole become inefficient units in the borderless economy. Ohmae states that the nation states are hostages of the economic logic of the past, and are incapable of putting the logic of the global market first. There is no average Italy, but an industrialized north and a rural south, with enormous economic differences. The executive body of the state must mediate these differences, which have enormous destructive economic consequences (Ohmae 1995a). Ohmae represents in this sense a vigorous advocate for neoliberal ideology and theory. For Ohmae the nation state has become an unnatural, even dysfunctional unit for organizing human activity and managing economic endeavour in a borderless world. It represents no genuine, shared community of economic interests; it defines no meaningful flows of economic activity. In fact, it overlooks the true linkages and synergies that exist among often-disparate populations by combining important measures of human activity at the wrong level of analysis. Consequently, on the global economic map the lines that now matter are those defining what may be called region states. The boundaries of the region state are not imposed by political decisions. The deft but invisible hand of the global market for goods and services draws them (Ohmae 1995). Ohmae's general comments, examples, and argumentation must be seen as a normative argument against the nation state. The nation state should dissolve because it restrains global capitalism, the global market (Østerud 1999; Normann 2005).

### ***The Wider Regional Development Discourse***

Porter recommends that policy makers does not prioritize between clusters, and rather upgrade those clusters that are not performing in a desirable manner, and then let the market decide who survives.

This sort of role for government is a far cry from industrial policy. In industrial policy, governments target "desirable" industries and intervene-through subsidies or restrictions on investments by foreign companies, for example -to favour local companies. In contrast, the aim of cluster policy is to reinforce the development of all clusters. This means that a traditional cluster such as agriculture should not be abandoned; it should be upgraded. Governments should not choose among clusters, because each one offers opportunities to improve productivity and support rising wages. Every cluster not only contributes directly to national productivity but also affects the productivity of other clusters. Not all clusters will succeed, of course, but market forces - not government decisions -- should determine the outcomes (Porter 1998a).

However, since the sphere of regional development, as previously discussed, increasingly is sharing features with the sphere of organizational development and the management industry it is no longer only one development concept that serves as map for regional policy development. What we see is a growth in the use combinations of cluster theory with the idea of the knowledge economy. When cluster theory and ideas inherent in the knowledge or new economy are combined at the regional level, policy makers are inclined to give priority to development of resources to those industries that forge clusters of what is interpreted as knowledge intensive firms.

Such lines of thinking are supported by Phillip Cooke (2002), who argues that we are facing a new type of growth dynamics in economics represented by what he labels the knowledge economy, he argues that innovation and growth happen in new ways in the knowledge economy than within the traditional economy. The main argument from those arguing in favour of the knowledge economy is that it has occurred and will continue to shift from tangible modes of production to intangible modes of production. This is true in the sense that a larger and larger portion of the economy in industrialised countries produces non-physical services. It is however, a different question all together if this also means that some fundamentally new principle of economics or fundamentally new dynamics of production, the knowledge economy, results as a consequence of this shift. What we see are that economies and employment in industrialised countries still is dependent upon the mass production of commodities. Such “tangible” industries are still, and can still be competitive and important in high-cost economies because of a combination of competences, technological advantages, natural resources, and supportive state policies towards these industries.

In one sense, Cooke’s perspective represents a nuance of Porter’s more generic cluster concept, because he argues that the dynamics of clusters vary dependent on what type of cluster configuration that exists. Cooke has for instance expressed deep criticism to the concept of regional clusters because they basically do not work, are very difficult to build, and that you have to be very lucky in the conditions for them to actually work. According to Cooke, they do not seem to play so much of an important role in the 2000s when the economy is more flattened out than it was when it grew rapidly in the 1990’s. Cooke therefore does not see it viable to use the concept of clusters as a central development policy (Cooke 2006).

The ideas inherent in the knowledge economy are important because this thinking fits well with both other regional development concepts, such as Porter's regional clusters and triple-helix, and because they are backed up by the growth of the information technology industry. However, policy makers should be wary of emphasizing it too much, particularly regions that not already have many industries within this segment. The Agder region has for instance only 4% of its workforce within this segment (H. C. G. Johnsen & Isaksen 2005), is it then a gamble for such regions to put they development resources into such industries, or is it better to put their resources into developing already existing industries?

A third leg, in addition to clusters and knowledge, in the current regional development discourse is an increased focus on the quality of and for individuals resident in a particular area, other ways known as *people climate*. That is to systematically develop the qualities of the people that live in a particular location, or to develop regions in such a way that they attract people with desired qualities. Richard Florida has in later years been the central proponent of such ideas with his book *The Rise of the Creative Class* (Florida 2002). Thinking inherent in the creative class and creative regions concepts build on another influential regional development concept also introduced by Richard Florida, namely the *learning region* (Florida 1995). The main argument behind talking about learning regions is that is it a restricted geographical area where learning and the facilitation of learning processes take place. Florida (1995) defines learning in regions by the same criteria that characterises knowledge intensive firms. This implies continuous development, innovation competencies, knowledge - sharing, -creation, and organisational learning. Cooke (1999: 2) states that a learning region has both vertical and horizontal arrangements for knowledge transfer, tacit and explicit information exchange, and diversified formal and informal skill providers. Florida argues that regions are becoming focal points for knowledge creation and learning in the new age of global, knowledge-intensive capitalism, as they in effect become learning regions. These learning regions function as collectors and repositories of knowledge and ideas, and provide the underlying environment or infrastructure, which facilitates the flow of knowledge, ideas, and learning (Florida 1995: 527). Even if Florida sees the learning region as the central dynamo in the global economy, he also notes that:

“[...] while several outstanding studies have chronicled the rise of knowledge-based capitalism, outlined the contours of learning organization, and described the knowledge-creating company, virtually no one has developed a comparable theory of what such changes portend for regions and regional organization” (Florida 1995: 528).

Maybe in an attempt to address just this problem Richard Florida launches the idea of creative class. In this perspective, the significance of the knowledge and creativity in the workforce is emphasized, specially the part of the work force that is involved in problem solving and innovative activities. Enterprises will in this perspective localize where there is ample access to creative and highly educated workforce.

The bottom line is that cities need a *people climate* even more than they need a business climate (Florida 2002: 283).

The essence of Florida’s (2002) theory is that creativity and the ability to innovate are the most important input factors for innovation and growth in industries. Creative and highly educated workers are therefore decisive production factors. Locations that have particular qualities that are attractive to the creative class have therefore competitive advantages to other places (H. C. G. Johnsen & Isaksen 2005).

The creative class theory has been highly successful. In Norway counties, for instance Sør-Trøndelag, and municipalities, for instance Kristiansand in Agder, are adapting their policies to it. Part of the strength of the theory is that it has the power to appeal to policy makers both on the left and on the right side of the political spectrum. It promises economical growth at the same time as it argues the crucial importance of for instance tolerance. The theory has however also been subject to much criticism from the political right for advocating increased public spending. Steven Malanga, an American conservative commentator, for instance writes:

Florida argues, cities must dispense with stuffy old theories of economic development—like the notion that low taxes are what draw in companies and workers—and instead must spend heavily on cultural amenities and pursue progressive social legislation (Malanga 2004).

Morten Levin and Monica Rolvsen speak of Florida’s theory as the “Emperors New Clothes”, and criticise academics and policy makers for uncritically jumping after the latest fashionable ideas. They also point to flaws in Florida’s use of the concepts of ‘class’. Florida’s conceptualisation of a class is that it consists of higher education

professions, doctors, engineers, architects, lawyers etc., and extended to a group of people that are thought to be particularly creative. However, if the concept of class shall have any real meaning then it also must constitute a collective with joint interests. Florida fails to show that this for the creative class (Levin & Rolvsen 2004). Others raise questions of causality with Florida's theory. Is it creative people that stimulate economical growth, or is it economical growth that attracts creative people (Gårdsvoll 2005: 12). Another problem with Florida's theory is that it is thought to have universal application and can be applied more or less generic. It has in a sense the same problem as Porter's cluster theory, as it can be interpreted as being contextually indifferent. Many have raised this critique. Problems that have been pointed out are for instance the problem of explaining the phenomena of the growing economies in totalitarian regimes in Asia using Florida's theory. And the city of Berlin, which apparently scores well on Florida's indexes (gay, melting pot, and bohemian) and his 3 'T's' (talent, technology and tolerance), but as a city still struggles with low rate economical growth.

Thus we must be open to the possibility that Florida's creative class theory has more weight in explaining economical growth in multiethnic, industrially high tech, and large city region in the USA, than in (compared to the US relatively) monoethnic, low tech, small regions of e.g. Norway. Or to the possibility that creative class is not an explanation for economical growth at all, but one of many relatively frequent "symptoms" of it, and not the "medicine" itself. If the latter were the case, then politicians and policy makers trying to adapt their strategies to Florida's concept would be comparable to recommending a suntan and nice suit instead of an education and social networks to a talented young person seeking a successful career in business.

The main problem with the theory as a policy tool is however that it is extremely individually oriented, that it easily could be seen as promoting social injustice, and that it could widen class gaps when implemented. Even though Florida argues that the goal of the creative class theory is to include everyone into the creative class and that tomorrow's winner regions will be those that have the largest part of their workforce in the creative economy. However, if we look at some of the success cases that Florida emphasises in the US much of the economical growth there is stimulated by cheap immigrant labour that does much of the low skilled jobs. Thus we must think that people living in regions adapting to Florida's creative class concept, still need their

houses cleaned, children looked after, buses and cabs driven, buildings cleaned, garbage removed, etc., and that the demand for such services only will increase when a larger and larger proportion of the population gets involved in the so-called creative part of the economy. It is therefore difficult to see the creative class theory as making a positive contribution to equality and class distinction problems in societies.

Those interested in inquiring into this subject should read Lindholm and Møller's (2004) neoliberal interpretations of Florida's theory. In their perspective is it not enough for policy makers to just invest in the creative class, but that the winner nations or regions should prioritise and invest in a small elite within what is defined as the creative class, thus promoting efforts that make the gap between the privileged and influential and those that are not, even larger.

### ***Regional Innovation***

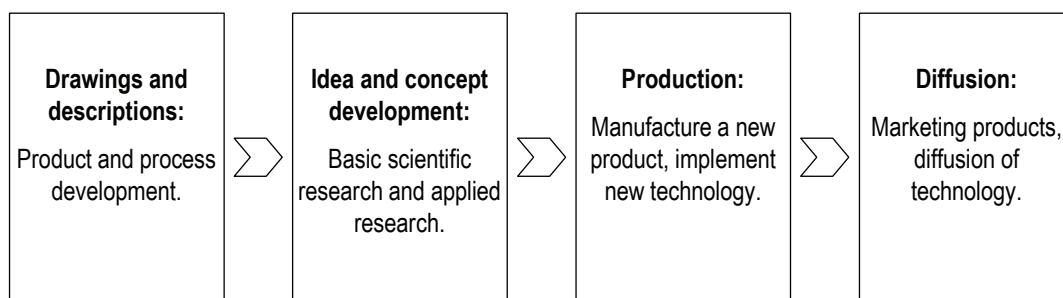
It looks as though academics, business leaders, administrators, and politicians now have a shared understanding and agree that the answer to the regional job and growth challenge is innovation in itself. We also know that the dominant thoughts of how innovation processes actually occur and subsequently how they can be stimulated have changed substantially over the last fifteen years.

The core components in the Norwegian innovation policies in the 70s and 80s were on research and on building strong competence centres, the MIT-model<sup>4</sup>. This was manifested in practice through the establishment of new regional research and development milieus: like e.g. regional colleges, with courses in economy and engineering, regional research institutions, technical and mercantile competence centres, etc. All these initiatives were bound together by a specific idea on how innovations diffuse, how technology and competence are spread. A core concept here is technology and knowledge transfer. The idea was that if you physically locate competences in one location these will somehow be transferred out into the region and stimulate innovation processes in enterprises which in turn will generate growth and jobs.

This way of thinking of innovation is later labelled the linear model of innovation (Malecki 1991). In terms of success this model has proved fruitful for advancing lesser and incremental innovations. However, the question has arisen if lesser and incremental innovations are enough when enterprises are competing in an increasingly globalised

world-economy (Isaksen 1997). Within the linear innovation model, SME's that would upgrade their innovative capacity had to introduce products and production process techniques based on formal research and development. Crevoisier<sup>5</sup> claims that confidence in incremental innovations “would mean that these areas will very quickly exhaust the technical paradigm on which they are founded”, and since most businesses in Norway and elsewhere are SME's, the strategy of building strong competence centres that would transfer knowledge and innovations out into businesses in the regions have not worked too well. The linear model is therefore now commonly regarded as flawed with respect to SMEs. It is in many instances irrelevant for the large multi-located global competing firm exactly where or in which of its units the innovative activity takes place. As long as it strengthens the company's ability to compete on the global market. However, for the regions in question it makes a world of difference if they are “blessed” with a strong R&D milieu or not. Malecki (1991)<sup>6</sup> illustrates the linear innovation model in the following way:

Fig. 3-2: *The Linear Innovation Model, adaptation of Isaksen (1997: 61).*



The simplified idea behind this ideal model is that the concept for an innovation stems from an R&D institution or the research department in a large enterprise. In the next phase the concept is made operational into drawings and schematics in a subsidiary development department, before the engineers take over and find out how the product can be produced or how the production process can be implemented. The last step is when the marketing department sells the new product, service, or process in the open market (Isaksen 1997).

In the linear model research and development are separated from the production processes. A consequence of this view has been that large multi-located corporations have chosen to physically locate most of its R&D activities near or adjacent to



universities or other R&D institutions, where there is ample access to a skilled work force. Localization of other more standardized processes, like production, have been delegated to more peripheral parts of the country or to low-cost countries altogether, where a lesser skilled work force is needed. An unintended or dysfunctional consequence of this business strategy has been that the product or service producing enterprises has been lesser and lesser involved in innovative activities.

The alternative and now dominating perspective on innovation is labelled the interactive model of innovation. Often associated with Post-Fordism, where knowledge is the most important resource and learning is the most important process (Isaksen 1997). It is made visible through concepts like industrial districts (Piore & Sabel 1984), which influenced much thinking in the latter parts of the 1980s. Amin and Thrift's (1994) use of the concept institutional thickness. Lundvall and Johnson's (1994) coupling of the concept of innovation to interactive learning, as an opposition to a more one-sided transfer of knowledge, technology and competencies. Collaboration as an important strategy to promote innovations (Asheim 2000). The learning regions concept (Florida 1995), and social learning and communicative rationality (Lundvall 1993). All of these contributions, and more, tried to develop models that were more accurate in describing how the innovation processes actually occur, so that planners, politicians, and business leaders later could adjust their policies.

The innovation process is in this new perspective no longer linear. This also means that the innovative process is much more complex and difficult to handle than it previously were thought to be. It is also apparent that the innovation process now includes more activities than just those that are strictly R&D oriented. The interactive model implies a sort of collective learning and development process that goes beyond the reach of one single actor, institution or enterprise. In addition, and most notably the innovation process, is in this perspective not only a technical process it is also a *social* process.

Asheim (2000) uses Habermas' concept of life-world to describe this. Habermas defines the life-world as the spheres of society where the interaction between people is based on communicative action (Habermas 1987). In the perspective of innovation theory, the main point is that "system" and "life-world" are characterised by different forms of rationality. While the "system" of the "economy" and "politics" spheres of

society are dominated by strategic, instrumental rationality, the “life-world” is dominated by a non-instrumental, communicative rationality. The dominating position of the instrumental, techno-economic rationality of modern industrial societies results in a colonisation of the life-world by the system, i.e. the reorganisation and instrumentalisation of the life-world to become part of the system (Asheim 2000). Thus, the ideas of interactive learning and innovation processes have gained a prominent position in local development agendas.

Such ideas and more have been conceptualised as *regional innovation systems* (RIS). RIS is formulated in part, as a critique of the idea of national innovation systems (NIS), which in practice is a sectorised approach to innovation. NIS is in the perspective of the RIS approach or underemphasising the horizontal interaction that is needed in order to produce innovations (Cooke 2006). In the underlying concept of innovation systems, particularly the variant known as regional innovation systems, it is often held that differences in economic performance between relatively more or less successful regions can be explained by looking at the mix of regional innovation policies and institutions that foster economic dynamism (Cooke & Memedovic 2006). RIS represents in this sense the totality of policies, public, and private institutions, R&D institutions, industries etc. aimed at regional development. RIS involves co-operation in innovation activity between firms and knowledge creating and diffusing organisations, such as universities, colleges, training organisations, R&D-institutes, technology transfer agencies, business associations, and finance institutions (Asheim & Herstad 2003: 245). RIS systems are analytically thought to vary in type arrangement, size etc., and the RIS approach does therefore represent a more sophisticated approach to the discussion of regional development and innovation than for instance Porter’s cluster concept. The RIS literature therefore describes a wide variety of typologies described as RIS.

The last important regional development concept I discuss here is what is known as *triple-helix* (Etzkowitz & Leydesdorff 1997b). A ‘triple-helix’ of academia-industry- and government relations, develops theoretically and practically as a result of a departure from the old social contract between academia and society, the linear model, to the new social contract that is more complex, and encompasses both old modes of thinking and working combined with new ones. Thus the originators of the concept,

Henry Etzkowitz and Loet Leydesdorff, link it up to both interactive learning and innovation as well as mode-2 type of knowledge production (Gibbons, Limoges, Nowotny, Schwartzman, Scott, & Trow 1994). triple-helix does as the other regional development concepts promise to be a key component in any national or regional innovation strategy (Etzkowitz & Leydesdorff 1997b: 3-4). The triple-helix concept is very much linked to the idea that we now live in what essentially is a knowledge based economy, thus it now advocates complexity in the political system since knowledge production no longer is controlled from a single point (Etzkowitz & Leydesdorff 1997b: 6)<sup>7</sup>.

Cooke (2006) criticises Etzkowitz and Leydesdorff's use of the triple-helix concept for being too generalizing, for linking the idea of the knowledge economy too much to the idea of triple-helix, and for emphasising the importance of collaboration between the triple-helix partners without saying much about the difficulties. Cooke states that the triple-helix concept presupposes that the three spheres easily can agree, thereby underestimating that industries, government and universities can have and represent fundamentally different interests. For instance, it can be in the interest of a government to increase employment in a given location, while the industry can view investments in that localisation as bad investments. Cooke therefore argues that triple-helix is a top down and bureaucratic way of thinking of development and innovation (Cooke 2006).

The triple-helix concept is also vulnerable to much of the same critique as the idea of the knowledge economy itself. Exactly how fundamentally different are the mechanisms in this new economy? Was not earlier economical development also based on the development on new knowledge? What is so different between knowledge associated with higher academic education, and knowledge developed through generations and passed on through practical education and learning? These concepts and ideas, triple-helix and knowledge economy, do not answer such questions, and we should therefore also be wary of taking their hypotheses on the future of the global economy as given truths.

The strength and the positive effect of the triple-helix concept is that it contributes to challenge academic institutions, especially Universities, to think through the role they can, should, and will play in and towards the wider society. The weakness and negative

effect is that this new role often gets a too narrow interpretation. Henry Etzkowitz (1997: 141) compares modern triple-helix structures to the Iron Triangles of the military-industrial complex<sup>8</sup>. The fear is that triple-helix structures develop academia into sub contractors for certain segments of the industry, with the subsequent loss of academic freedom<sup>9</sup> and industrial democracy.

A report, part of the process<sup>10</sup> of developing the follow up of the Value Creation 2010 programme, reports the findings from a series of 13 regional dialogue conferences (NFR 2006). The result of this process VRI (policy instruments for regional innovation) is the merge of three Norwegian Research Council projects, “Næringsrettet høgskolesatsing”, “Value Creation 2010”, and “Forskningsbasert Kompetansemegling”. The report states that the new VRI-programme should act in accordance with three fundamental principles: Firstly, research must be oriented towards the needs of enterprises and others. Secondly, the users (enterprises) must arrange for increased use of research-based knowledge, and thirdly innovation work must be seen in a broad societal perspective, based on the insight that no single actor can overview the basis for, and consequences of innovation (NFR 2006: 4).

This should indicate, at least if we talk on behalf of VRI, that the indication of an extreme neoliberal variant of triple-helix that we find in (Lindholm & Møller 2004), is not fully manifested yet, at least if we believe that the direction indicated in this report is representative for current Norwegian Research Council thinking. However, it is worth noting a certain level of instrumentality in the perspective on research in the new programme, and that the programme at least at this stage is vague on the relationship between development work and research, consultancy and research, and between academic freedoms vs. the interests of the market (enterprises). And the relationship and responsibility research has for the wider society, for instance democratic practices (NFR 2006).

### ***Summary***

To sum up is it fair to say that the regional development concepts are different, but the differences should as Asheim and Mariussen (2003: 15) say not be over-emphasised, at least if we choose to focus on the practical and local interpretations of these concepts. They often seem to mean much the same, a continued focus on and development of

temporary organisations, networks, partnerships and development organisations, paired with a belief in that this somehow must result in learning, knowledge development, more innovative industries, economical growth and regional competitiveness and prosperity. Even if these economical concepts rapidly have found their way into regional and national policies, academics still have the, now increased, responsibility of subjecting these concepts to the same level of scepticism and inquiry as we would any other theoretical concept and theory. If this were done, maybe policy makers would be more wary of uncritically adapting to them. Such simple observations as these, and others, that Porter's cluster concept and Florida's creative class have the uncertainty connected to them that it is unclear if they cause economic development or are mere symptoms of economic development, something that should incline policy makers into further inquiries before implementing policy change based on the recommendations inherent in the concepts. Then the main problem is that these often-faddish concepts direct policy makers into allocating development resources into areas where they have little or less impact, than if they were used in areas of the regional economy where they mattered. We should by now that as in modern medicine merely treating symptoms of an unknown illness at best only has a random effect on the underlying illness.

In addition to this there are many combinations of these concepts in the literature, for instance a combination of creative class and Porter clusters, or combinations of Porter's clusters and the knowledge economy, or knowledge economy and creative class, etc. Combinations that we can easily identify in regional practices in the Agder region, thus also representing combinations which consequences we know little or nothing about. The table below summarises my critique of the regional development concepts.

Tab. 3-1: Main Features of the Discussed Regional Development Concepts (I)

Regional Development Concepts:	Main Focus	Applicability (claim of)	Policy End	Regional Interpretation	Main Problems
<b>Porter Cluster (Business Climate)</b>	Any cluster (business climate)	Universal (generic), but emphasis on clusters in industrialised high cost countries.	Increased competitiveness. Innovations that lead to economical growth.	Development of new business networks or upgrading old business networks between enterprises within the same industrial segment.	That Porter's clusters are so generic that they essentially can be found everywhere where one chooses to look makes both policy adaptation, and the idea that clusters represent a competitive advantage problematic. The explanatory force of Porter's theory is also very limited compared to many other growth theories, for instance Paul Krugman's Core-Periphery Model (Krugman 1991). A theory that e.g. is very suitable in order to explain the public policy driven and hydro-electrical dependent, economical growth of the Agder region.
<b>Knowledge Economy ("Cook Cluster")</b>	High tech clusters (business climate)	Industries highly dependent on formal knowledge.	Innovations that lead to economical growth.	Network development between "new-tech" intangible enterprises.	Uncertainty. The idea that the mechanism of the economy is fundamentally changing is central to the idea of the knowledge economy. It is however difficult to assess if this is just a question of intangible assets being more economically dominant or a result of the emerging knowledge economy working the dynamics of the economy in new ways. What we see is that economies and employment in industrialised countries still are dependent upon mass production of commodities. Such "tangible" industries are still competitive in high-cost economies because of technological advantages and natural resources.
<b>Learning Regions</b>	Knowledge as source of value, knowledge creation, knowledge-based production.	Universal? Focus on industries and regions with high skilled workforces.	Innovations that lead to economical growth.	Mutually dependent relationships, Network organizations, and flexible regulatory frameworks.	As almost everyone agree that learning in some form is important for economical development, the problem of learning regions is its level of vagueness on what this implies in practice, outside developing networks aimed at learning.

Tab. 3-2: Main Features of the Discussed Regional Development Concepts (II)

<b>Regional Development Concepts:</b>	<b>Main Focus</b>	<b>Applicability (claim of)</b>	<b>Policy End</b>	<b>Regional Interpretation</b>	<b>Main Problems</b>
<b>Creative Class (People Climate)</b>	People quality, climate, and location qualities.	Universal. Focuses especially on urbanization economies.	Innovations that lead to economical growth.	Implementation of policies aimed at increasing regional attractiveness (marketing). Regional facilitation of various elements thought to be important to satisfy the “needs” of the creative class, for instance culture and leisure facilities.	The status of creative class as a theory for economical growth is uncertain, as it unclear if creative class is a symptom of, or a requirement for, economical growth.
<b>Triple-Helix</b>	Collaboration between academia, government, and industry.	Everywhere where there are institutional frameworks to facilitate collaborations between the triple-helix actors.	Increase industry relevant R&D activities. Innovations that lead to economical growth.	Network developments between industry, government, and R&D institutions.	In order for triple-helix institutions to function as intended there must be institutional, communicative, and interest overlaps between the three spheres. This also means that these institutions to varying degrees must change in order to accommodate. Dependent on the level of change this is something that will have some implications for the interpretation of the original and broader societal responsibilities of the triple-helix actors.
<b>Regional Innovation System</b>	The total configuration of policies, actors, and institutions in a given location aimed at regional innovation and development. RIS encompasses to varying degrees in a sense all of the other concepts.	The literature on RIS describes a large flora of different characteristic of RIS systems. This is both the strength and weakness of the concept. It is a strength that universal aspirations found in Porter’s clusters not are present but it can be unclear what the boundaries of the concept are.	Innovations that lead to economical growth.	The establishment of more networks, partnerships, development organisations, institutions, projects, programmes aimed at regional innovation.	The literature on RIS is complex; it is my interpretation that it is vaguely understood what the boundaries of a RIS are. Thus making the task of transforming RIS theory into operative policies difficult.

The effect these regional development concepts have had on regional practices so far is something that is discussed throughout this thesis. The main problem is not the theoretical discourse connected to regional concepts and theories, and it is neither a problem in itself that academics develop theories on regional development and innovation. This is good and should ideally help society, academia, and policy makers to refine and improve on their ideas and practices on development. The problem is that the level of sophistication, the reservations, and the relative abstract theories and concepts often are lost when these theories, often aided by academics and consultants, are translated into operative policies. Academics can only very limitedly control how their theories and conceptualisations later are used. But to put it bluntly, too often the ten slides PowerPoint variant of literally thousands of articles and books, years of academic discourse and controversy too often constitute the basis of many regional development initiatives and policies. The copy and paste approach to development seems to be firmly rooted. An anticipation of some of the conclusions from this thesis, a sketchy sum up of my general critique of the new role now acquired by the regional narratives are listed below:

- (1) Unsubstantiated exaggeration of the implications of globalisation and innovations in communications technologies have for the current regional dynamics of economics and development.
- (2) Faddish focus on popular, new, and well marketed development concepts as opposed to those ideas and theories on economical development that actually have provided locations with their present industrial infrastructure.
- (3) An unsubstantiated and uncritical link between the importance of innovation and R&D processes and economical growth in: a) lower tech business segments, b) enterprises and business not competing internationally, and c) small and medium sized businesses.
- (4) A too uncritical belief in enterprises preferences towards: a) economically risky innovation and R&D processes, b) taking on larger societal development responsibilities, and c) engaging themselves in processes that could strengthen the competition, compared to enterprises preferences towards engaging and dedicating themselves to proven profitable stable production, marketing and sales processes.
- (5) An extreme focus on the importance of networks and “high tech” knowledge intensive industries, followed by ignorance towards industry segments that are interpreted as old or traditional.



- (6) Too often a (post-) positivistic belief in the universality of concept applicability in different social systems and contexts.
- (7) The emergence of a narrow, uniformed, and market based perspective on the subject of regional development.
- (8) Emergence of a regional governance system that is too focused on realising the policy ends and rationales inherent in the regional development concepts.
- (9) Lack of focus on local/regional knowledge development processes, local/regional needs, something that contributes to a lack of context sensitiveness.
- (10) Emergence of regional practices that still are in a much too linear and autocratic knowledge transfer mode.
- (11) Most of the regional development concepts have gotten the regional interpretation that innovation and networks somehow are connected entities. Thus, we have seen almost an explosive growth in temporarily organisations, different types of partnerships, a conglomerate of different network structures, development organisations, new organisations projects aimed at building even more networks and partnerships.
- (12) Emergence of regional governance systems with a diffuse system of authority, responsibility, and accountability.
- (13) The emergence of new regional meta steering and policy developing structures (regional regimes).
- (14) Dysfunctional implications for the practice of democracy, in different regional spheres.

These regional development concepts are spread through consultancies, policy advising institutions such as the OECD, European Union, the World Bank, and through academic professionals, and academic institutions, and have rapidly found their way into national and regional policies all over the world. It is often easy to forget that these concepts now dominate thinking on regional development and innovation are very novel ideas, and that it is less than ten years since most of them first were mentioned in a publication<sup>11</sup>. If we look at the time since they found their way into regional policies in the Agder region we are talking of less than half that time. Our experiences with the effects of trying to implement policies based on these concepts are therefore very limited. We should therefore realise that we are witnessing what should be regarded as a grand scale societal experiment where we all are guinea pigs, and that our strive for more innovation has put core institutions and societal values on the card table, and that this almost by necessity will have long term, and yet unrecognized consequences.

The regional development concepts are all to varying degrees instrumental in the sense that they come with a promise of addressing the regional and local challenge of economic growth, innovation and increased competitiveness. These concepts also have significant institutional effects, in the sense that they prescribe certain ways and directions of structuring and organising the institutional landscape in regions, and that they all to a variable extent have a specific ideological manifestation in that they set an almost all encompassing market oriented direction for regional policies. The most concrete effect of this new regional narrative is, not yet innovation, but the emergence of a governance system. A regional governance system that has emerged because of increased orientation towards market interests combined with massive institutional transformations modelled on the recommendations built-in the regional development concepts.

### 3.3 – Governance

George Frederickson (2004) argues that it was Harlan Cleveland in 1972 who first used the word governance as an alternative phrase to public administration. Cleveland saw the blurring of the distinction between public and private organizations, and he was the first that associated this blurring with a concept of governance and he used governance as a normative argument in favour of less government and more governance. Cleveland simply stated that the people want less government and more governance.

The organizations that get things done will no longer be hierarchical pyramids with most of the real control at the top. They will be systems– interlaced webs of tension in which control is loose, power diffused, and centres of decision plural. “Decision-making” will become an increasingly intricate process of multilateral brokerage both inside and outside the organization which thinks it has the responsibility for making, or at least announcing, the decision. Because organizations will be horizontal, the way they are governed is likely to be more collegial, consensual, and consultative. The bigger the problems to be tackled, the more real power is diffused and the larger the number of persons who can exercise it– if they work at it” (Cleveland 1972: 13)<sup>12</sup>.

Cleveland also had perspectives on the individual accountability and responsibility associated with horizontal multi-organizational systems. For Cleveland accountability for the public executive is associated with his/her problem solving capacity. “In a society characterized by bigness and complexity it is those individuals who learn to get things done in organizational systems who will have a rational basis for

feeling free” (Cleveland 1972: 135)<sup>13</sup>. The origin of the governance concept developed in a US context, where governance is based and legitimised by system effectiveness. To put it another way – “big government cannot govern effectively; we therefore need governance to solve the big problems of our societies”.

Long after Cleveland developed the concept of governance into the dominant and prominent subject in public administration. The field formerly known as public administration is now governance. The Brookings institute for instance recently changed the name of its highly regarded “Governmental Studies” programme to “Governance Studies”. Important European Universities are now teaching graduate courses in governance with graduate curricula, not unlike traditional public administration curricula in both Europe and US. Influential journals in the field of public administration are including governance in its titles. Governance has become a virtual synonym to public administration and public management (Frederickson 2004).

It does not exist any authoritative understanding of what governance is and more important what it is not. Governance has become so popular and its use so diverse and widespread that it in essence is becoming a meaningless concept. Governance has in a sense dozens of meanings. Frederickson (2004) states that because governance is a power word, a dominant descriptor, and the current preference of academic tastemakers, there has been a rush to affix to it all of the other fashions of the day. To exemplify this Frederickson (2004) lists a dozen of different uses of governance, the list below represents a brief excerpt of prevailing definitions of governance:

“Governance is the shift from the bureaucratic state to the hollow state or to third-party government” (Rhodes 1997; Milward & Provan 2000).

“Governance is market-based approaches to government” (Nye & Donahue 2002).

“Governance is the development of social capital, civil society, and high levels of citizen participation” (Kooiman 1993; Hirst 2000).

“In the United Kingdom governance is Tony Blair’s “third way”, a political packaging of the latest ideas in new public management, expanded forms of political participation, and attempts to renew civil society” (Newman 2001).

“Governance is the new public management or managerialism” (Considine & Painter 1997).

“Governance is public-sector performance” (Lynn, Hill, & Heinrich 2001).

“Governance is interjurisdictional cooperation and network management” (Peters & Pierre 1998).

“Governance is globalization and rationalization” (Pierre & Peters 2000)<sup>14</sup>.

Frederickson (2004) summarizes his critique of the application of the governance concept into five main points. He questions if governance brings anything new to the table other than being a “rehash of old academic debates under new names”. Second, he criticizes the concept in itself for being woolly, so broad that virtually any meaning can be attached to it. Third, that it is so loaded with values that are stated in such ways that they seem implicit, when in fact they are not. He proceeds to state that, some approaches to governance wrap anti-bureaucratic and anti-government sentiments and contains clear sentiments for markets over government, and that this point is particularly relevant for understanding the democratic deficits associated with some models of governance. Fourth, governance is often stated to be about dynamic change, about reform, about getting things right. Frederickson (2004) argues that the underlying value of governance is not primarily about change they are about order. “Most descriptions of elements of governance – networks, inter-organizational and inter-jurisdictional cooperation, power-sharing federations, public-private partnerships, and contracting-out – are forms of institutional adaptation in the face of increasing interdependence” (Frederickson 2004). Fifth, governance is often cantered on non-state institutions both non-profit and for-profit contractors, non-governmental organizations, intergovernmental organizations. State-and jurisdiction-cantered theory and research are, from some governance perspectives, passé. Rhodes (2000)<sup>15</sup> argues that when this perspective is implemented it seriously diminishes the capacity of the core state executive to steer.

Independent of this, discourses on governance networks have developed as the organising metaphor for the study of interactive forms of political decision making (Sørensen & Torfing 2005). In a sense, it represented a shift from the study of pluralism and neo-pluralism, corporativism and neo-corporativism to the study of policy-networks and later governance-networks. Political networks are now of great immediate interest in the discourse on how political systems in the western world can be made more effective and legitimate. Before early 1990s networks were mainly considered as illegitimate and impenetrable informal characteristic features of any political system,

when contrasted to Weberian theories of bureaucracy and the idea of the parliamentary steering chains. Interplay between networks and the wider political institutions should therefore not be understood as a qualitatively new phenomenon. What is new is that networks and partnerships now are increasingly regarded by public authorities as necessary to bring forth effective and legitimate societal steering. This wave of enthusiasm on behalf of networks is nowadays found in almost any relevant policy document from any political institution on the western hemisphere.

The discourse on networks, within academia, associated to governance has developed out of developments within theories on pluralism and corporativism. Both these sets of theories shared in their time the perspective that a long range of “private” actors played central roles within the representative democracies of the world. They were however also in opposition to each other, they were in disagreement of the evaluation of the relative strength that should be attributed to the state in relation to other actors, and the consequences “private actor’s” central role had on the larger distribution of power and influence in society.

The pluralists, represented by Robert A. Dahl, Charles Lindblom, and Stein Rokkan among others, assessed the state as relatively weak; the state was primarily assumed to play a mediating role between different societal groups. The thesis of “group competition” had a strong position; if a group did not “win” in one policy area, it would win in a later point in time, or in a different area. The consequences of this political system was by the pluralists regarded to have weaknesses compared to political ideals, but in sum it was seen as positive by the pluralists (Hernes 2004; Sørensen & Torfing 2005).

The corporatists represented by for instance Philippe Schmitter and Trond Nordby among many others, assessed the role of the state as stronger than what was assumed by the pluralists. This was because the state itself could decide on which groups it wanted to collaborate with, and thereby define what groups gained access to power and influence. The consequence of this view was for the corporativists that it was unfortunate for the “balance of power” in society that some groups gained access while others were excluded. It was assumed that what was differentiated between those who gained access and those who did not, was the quality of their organisation and their resource base (Nordby 1994; Hernes 2004; Sørensen & Torfing 2005).

Between pluralism in its “pure form”, often used to describe political systems in the USA (Dahl 1961), and the state corporative model often used to describe Fascist-Italy and Nazi-Germany, a concept of social corporativism as a position in between came into operation (Schmitter & Lehmbruch 1979; Nordby 1994). Within the social corporative model it is one organization that dominates the different sectors of society, eventually interest organisations are ordered hierarchically in relation to each other in their relationship to the state. The state controls the organisations through different certifications and financing arrangements. The interest organisations in turn get monopoly to negotiate with public authority within their policy segment (Nordby 1994). Within the Norwegian political science research it has existed competing understandings of which of the different models that have been best suited to describe the political system in Norway. The dominating interpretation has however been a variant of organisational pluralism. But Trond Nordby (1994) has argued that the Norwegian state first shows signs of state corporativism in the period 1945-1952 (that the state in large controls organisational life), and thereafter develops into semi or social corporativism from 1952 into the 1980s. Nordby’s point is that Rokkan and those who argued the case for the segmented state or pluralism are not justified (Østerberg 1997). Nordby does in this sense present a different interpretation than that argued for by Stein Rokkan who argued for corporative pluralism and later for organisational pluralism. Stein Rokkan claimed in the 1960s that Norwegian society was closest to the pluralistic model. The state had no power over the organisations, while the organisations freely could approach the state in order to realise their goals and interests. Those who argued the case for the segmented state in the first power study (Olsen 1978), had a similar point of view. The association between the state and the organisations they claimed was characterised not by state supremacy but by the state’s lack of unity and consequent weakness. When state policies are forged in committees, where politicians and administrators meet knowledgeable people from the organisations, the state representatives lose their affection to the state, the state thereby loses its unity, and risks falling apart into a series of segments where special interests prevail (Olsen 1978; Østerberg 1997).

Internationally the theoretical discourse between the corporativists and the pluralists loosened somewhat during the 1980s. Corporatists become new-corporatists,

which partly deemphasised their assessment of the position of the state, and partly the conception that it is only the most resourceful organisations that can play a role in policy development (Schmitter & Lehmbruch 1979). Pluralists become new-pluralists and recognise the point that “some are more equal than others”, for instance the point that in capitalist societies public authorities are strongly predisposed to interests and preferences held by industry and enterprise leaders (Lindblom 1977).

When new-corporatist and new-pluralist theories individually and together were used as theoretical basis for empirical studies, it became clear that their conclusions, from their respective theoretical angle, became relatively similar. Their conclusion was –“it depends”. Different policy areas and segments such as culture, agriculture, research, education, industry, etc, could demonstrate large differences in how the relation between public authorities and private actors were organised. The state could be relatively strong and have much influence in some policy areas, while organisations and interest groups could be the dominating part in other policy areas (Jensen & Sørensen 2003; Sørensen & Torfing 2005).

Probably much because of this does the theoretical and empirical focus in the early 1990s start to shift away from more or less mechanical and generalised conceptions about the relationship between interest groups and public authorities, to concrete interaction patterns within different policy segments. *Policy networks* therefore develop as a central concept, where the focus is put on organising, mode of operation, and structure in different political sub-systems (Rhodes 1990; Jordan & Schubert 1992). These early analysis of policy-networks concluded in line with the new-corporatist that networks democratically problematic part because they hampered democratically elected authorities to implement the policies they were elected on, and partly because the influence between different networks was unevenly distributed. This because of the bias towards the continuance a network represents when it first is consolidated. When costs, roles, and responsibilities are distributed among network actors, it is difficult for politicians to withdraw this or exert direct influence. This was the argument in some of the early policy-network analyses. When networks were evaluated against efficiency and democracy criterions, the answer in the first policy-network studies was therefore negative on both accounts. They performed poorly in terms of steering efficiency because the networks seen as promoting conservatism were blocking innovation and

flexible adaptation to new tasks, and poorly in terms of democracy since it made it more difficult to place political responsibility, because decisions were made by network actors that were not elected (Jensen & Sørensen 2003; Sørensen & Torfing 2005).

During the 1990s some of the earlier conclusions from the policy-networks studies turned 180 degrees, and a more pragmatic approach was applied. The thinking seems to be that since we cannot deny the network phenomena, should we start to focus on how to improve them rather than trying to ignore and abolish them. Networks are here to stay, and “we” must meet this challenge. It was argued that it is possible that networks are dysfunctional, but also that they are not dysfunctional by nature or definition. It all depends on how they work in practice, in other words on the quality of the interaction and interaction processes within and between networks (Kickert, Klijn, & Koppenjan 1997). Networks are now starting to be regarded as a legitimate third steering structure of modern societies, something also reflected in Tony Blair’s new labour in the UK, not bureaucracy, not market, not worse or better than bureaucracies or markets, but a steering structure with different characteristics which fit “some” policy areas “some” times (Rhodes 1997). This shift in perspective is also reflected in use the term governance networks instead of policy networks.

Some of the basis of this shift in perspective where governance-networks increasingly are regarded as important and partly necessary structures in order to achieve effective societal steering is a re-evaluation of the possibilities the state has to steer governance networks. That many governance-theories are relatively positive towards governance networks mean that they are more optimistic than new-corporativist, new-pluralist, and that the earliest policy-networks analysis of the possibility that the state just have to control and steer governance networks (Jensen & Sørensen 2003; Sørensen & Torfing 2005). Rhodes (1997) argues that if we just give up on the conception about the “sovereign state”, then public authorities can only steer networks indirectly and imperfectly. Networks are not thought to be steered by aide of hierarchy but with authorities participating more or less directly in the governance networks. The argument in favour of this is that even though this means that public actors must subordinate to the functional conditions of the network or partnership they wish to participate in, this does not mean that they necessarily become “equal” to other actors. Public actors have a unique position that cannot be filled by other actors, for



instance connected to legitimacy and resources. Roughly speaking the discourse on governance networks has over the last 15 years or so developed from the conception of “evil networks” to good “networks”, and from “networks as condition” to “networks as tools”, even though it is yet unclear exactly what “good networks” are good at, and what they are best used for (Jensen & Sørensen 2003).

The “final” judgement on the status and legitimacy that partnership based governance structures have, is not yet determined in this sense, understood that there does not exist any consensus on the judgements of governance structures as such in academic circles. Such assessments, understood as the desirability and importance of a “third steering form”, will depend upon how governance structures actually function in practice, both when judged on the basis of efficiency, development, steering, and democratic criterions. This the complexity is also increasing when we know that different standards and perspectives will be used as benchmarks in order to judge positive and negative effects on these dimensions. A review of recent publications within the “governance discourse” reveals many perspectives on governance, the efficiency of governance, and implications on democracy. In the following, I will briefly illustrate this through three perspectives on governance discussed in *Complex Networks: Strategies for the Public Sector* written by Kickert *et al.*<sup>16</sup>.

Kickert *et al.* (1997) introduces three perspectives on network steering. First, an instrumental perspective where the focus is on for instance central actor’s steering needs and the governance network’s ability to adapt to these. This central actor does not have to be a person or an institution, it can be public authorities, but it can also be special interests associated with industry and work life. In this perspective governance networks become objects or instruments that are subjected to more or less indirect steering. The central success criterions depends on how close the end results are to what the central actor wanted to achieve. Such a perspective can be problematic because it can be perceived as manipulator by other actors with other ends, or if other actors experience their interests defined as secondary in a policy defining or development process. Such a perspective is by Scharpf (1994), mentioned as “networking in the shadow of hierarchy”. Here governance networks are believed to have the advantages over bureaucratic hierarchy because of its ability to absorb local information and that they hold local knowledge, thereby enabling central actors to overcome information overload

and bottleneck problems. Thus governance becomes *instrumental i.e.* a tool that can be used in order to overcome such problems.

The second perspective discussed by Kickert *et al.* (1997) is a participatory perspective. Here the success and failure of governance networks are not evaluated based on the preferences of a central steering actor, but on the preferences held by those directly involved in the processes. In such a perspective, one would emphasize to what extent the network and the interplay between network actors operate in a satisfactory manner. Steering of governance networks will in this perspective be oriented towards removing obstacles and identifying and exploiting possibilities for “common ground” and to identify “win-win” situations. In this perspective good steering practices will be steering that is beneficiary to the different participants. Critics against such an interpretation, can as corporatist theoreticians, point to the possibilities of strong interests finding “each other”, and in doing so excluding other interests. Critical for success is thus trust, which again renders possible coordination of collective action.

The last perspective on governance discussed by Kickert *et al.* (1997) is institutional. In such a perspective governance-networks mean to create robust and effective institutions within different policy-segments, something that is thought to ensure democracy and legitimate procedures for problem solving. Within this perspective are neither the interests of strategically central positioned actors nor the participants directly involved emphasized. Success of governance is here to build institutional robustness that again shall protect more fundamental norms, principles, and rules, for instance those connected to system’s efficiency, development, and democracy. This means that within this perspective there is a willingness to sacrifice a good immediate solution to a problem in order to secure long-term institutional dynamics.

This brief introduction to governance network research shows that governance is not a unified concept, and that the perspectives and standards we ground as principles for the discussion determine how we evaluate and assess governance networks. Thus showing that applying to a larger set of criteria and perspectives are necessary in order to gain the broad picture of such processes. Good processes are not a guarantee for good results, and good results are not the same as saying that they were achieved in an acceptable manner (Kickert *et al.* 1997). Governance networks can probably achieve “good results” if they do not have to consider negative effects, superior prioritizing

easily, and resourceful elites can probably use the autonomy inherent in governance networks to develop and implement agendas in narrow self interest which they never will be held accountable for. Thus when applying to only one standard of evaluation and one perspective on governance, you risk that important elements of the social processes of governance are “lost in translation”.

### **Summary**

The literature on governance networks is not unified on many areas, except in the recognition that governance networks play an increasingly important role in policy development and implementation in western societies. Based on the theoretical outline of governance networks, can governance networks be conceptualised as institutions with features similar to those listed in the table below<sup>17</sup>.

Tab. 3-3: *Features of Governance Networks*

<b>Governance networks are:</b>	<b>Description:</b>
<b>Institutions</b>	<ul style="list-style-type: none"> <li>▪ Governance networks are on a scale between the much unstructured social interaction and fully institutionalised and stable social interaction.</li> </ul>
<b>Self organised</b>	<ul style="list-style-type: none"> <li>▪ Different than for instance committees and boards appointed by the state etc.</li> <li>▪ Has a certain degree of autonomy in relationship to their environment, on what it shall do, who can and cannot participate etc.</li> </ul>
<b>Loosely coupled</b>	<ul style="list-style-type: none"> <li>▪ The actors in a governance network are not closely linked hierarchically, but are more or less on the same footing.</li> <li>▪ The participants have no clearly defined limits of authority and roles, in the same way as in many firms and public institutions.</li> </ul>
<b>Inter-organisational</b>	<ul style="list-style-type: none"> <li>▪ The literature on Governance refers to networks where organisations participate, and is therefore different from personal networks. In praxis personal networks are however more important within governance structures than it is for instance within social corporative arrangements. Since these institutions are less stable.</li> </ul>
<b>Based on negotiations</b>	<ul style="list-style-type: none"> <li>▪ Work methods within governance networks can take on different forms and are often described as based on negotiations. These negotiations can take on different forms, for instance interaction patterns based on strategic behaviour (egoistic), consensus oriented (compromises), or rule based (for instance with the use of voting).</li> </ul>
<b>Based on trust</b>	<ul style="list-style-type: none"> <li>▪ When networks and network participants are not hierarchically organised they are also dependent that different participants comply with formal and informal agreements. Trust in the validity and respect of such agreements are therefore critical to the governance networks efficacy.</li> </ul>

Governance-network research aims at filling the gap between the political system’s self-description (government) and its actual workings (governance). The prime target of first generation network research (Pierre 2000), was therefore to convince itself and others that this was a new and important phenomenon. It aimed at demonstrating:

(1) the wide-spread application of governance-networks in different areas and on different levels, (2) how steering through governance-networks is done, and (3) how governance network can be distinguished from more traditional forms of steering such as state, market, and civil society (Sørensen & Torfing 2005: 30-1). The first series of governance studies were in this sense much ontologically oriented.

From the late 90s, governance research started to transcend the initial research agenda, and they started to focus on a new set of questions like: (1) what conditions are decisive for the success or failure of network steering? (2) How can public authorities and other actors regulate self-regulating governance networks through different forms of meta governance? (3) What democratic problems and potentials are inherent in the interactive network-governance? Second generation governance networks therefore explore that governance networks are not a Columbus egg that solves all problems, but that this form of steering both can succeed and fail, and that there are pertinent issues relating to both democracy and efficiency (Sørensen & Torfing 2005: 31-2).

The paramount challenge facing almost every governance network aimed at development work is to identify the “right” balance between conflict and collaboration. Collaboration is good from a certain perspective, because it promotes interest’s aggregations, something that is a premise for successful steering, while conflicts can be constructive because they can stimulate new thoughts, creativity, development paths, and innovative processes. Successful regime or meta steering of governance networks therefore means finding the “right” balance between collaboration and conflict (Jessop 1998: 41; Sørensen & Torfing 2005: 51). The meta governance steering paradox is that if the development discourse is too hegemonic, you risk blocking new thoughts and loose development opportunities, and on the other hand, if it is too much conflict you risk undermining network negotiations.

It is therefore reasonable to assume that in such a complex social system as a regional governance system is, where there exists a myriad of governance actors, -institutions, and -networks, there have to exist some mechanisms at a meta level that coordinate and control the actors, the networks, and the activities. In fact almost every theory on governance makes such assumptions (Sørensen & Torfing 2005). Without such mechanisms some perspectives on governance hold the position that chaos will emerge, followed by debunking of the legitimacy of the governance system. Other

perspectives see meta steering as necessary in order to coordinate between network initiatives, others see meta steering as more or less blunt exertion of power and elite dominance, and others see it meta steering as necessary in order to secure democratic norms and accountability of governance structures. The main questions then are how meta steering is done in practice, to what end it is done, and what the effects of meta steering are on development and on democratic processes in general? These are all empirical questions with no blueprint answers. I am of the opinion that such meta steering processes can be understood through what in the following is conceptualised as (regional) *regime theory*.

### 3.4 – Regime Theory

In political science and in the studies of international relations regime theory represents an established body of theories. Regimes are here often used to describe the political steering model – ways of organising the decision-making process. In classical terms regimes refer to how political power is distributed and organised within nation states, e.g. the classical distinction between totalitarian and democratic regimes. Here regime theory is also broadened to include studies of international organisations, where regimes are understood as a set of implicit and explicit principles, rules, norms, and decision-making procedures within a defined policy area on the international arena. It is this second understanding of the regime concept that is relevant to the topic of this thesis. Regime theory often emphasises that states, organisations, and other actors on the international arena are interdependent of each other and therefore mutually benefits from cooperation (Berntsen 1997). If we look at the literature on regimes in international relations theories, these are divided into different schools that hold certain perspectives on rationality, power, and institutions.

Three main schools of thought are found within regime theory in the study of international relations – the *neoliberal school*, the *realist school*, and the *cognitive school* (Hasenclever, Mayer, & Rittberger 2000).

The *neoliberal school* in international relations emphasizes the role of international regimes in helping states and jurisdictions achieve common interests. The neoliberal school share perspectives with the realist school on the actors in international

relations as maximising egoists that act out of self-interests. Neoliberals use economical theories of institutions, and focus primarily on information and transaction costs. Game theoretic models are often used to estimate the probability in which particular situations a regime will emerge. Therefore, the “structure of the situation” is the central premise and logic of international neoliberal regime theory (Hasenclever *et al.* 2000). The neoliberal school in international relations shares many features with the rational choice school in public administration (Olson 1971; Riker 1982; Niskanen 1994).

The central concept in *the realist school* is power. Students of this tradition emphasise the significance of political power and its exercise in and by the territorial state. The argument is that power is as important to inter-jurisdictional cooperation as it is to conflict. The realist school differs from the neoliberal school because of the strong emphasis on the significance of the territorial state, and a claim that stable international regimes are much more difficult to create than the neoliberal school postulates. The difficulty of establishing regimes stems from that power needs to be balanced, so that relative losses do not accrue (Hasenclever *et al.* 2000). Frederickson (2004) sees similarities between the realist school of international relations and the realist school in public administration. In the public administration version of the realist school, the focus is on laws, constitutions, the formal separation of power, formal structures, and on the exercise of political and bureaucratic power in the context of such structures. Sometimes the neoliberal school and the realist school are together called the *rationalist school* of international relations (Frederickson 2004).

The *cognitive school* or the cognitive institutional perspective in both international regime theory and public administration opposes the rationalist school’s approaches to regimes. Their main criticisms are: (1) actor preferences, and options are treated as given (exogenous), (2) that actors are assumed rational in an economical sense, and (3) actors are atomistic in the sense that their identities, power and fundamental interests are prior to international society and its institutions. A central claim within the cognitive school is that actors are as much shaped by institutions as they shape them accrue (Hasenclever *et al.* 2000).

A central premise within the cognitive school is that actors are *bounded rational* (narrow cognition). The notion of bounded rationality, originally developed by Herbert Simon (1997) just after world war II, has occupied an important place in many

discussions about an alternative to game-theoretical oriented neoclassical economics. Some of these discussions take place within the so-called “old-institutionalism”, a theory developed by among others Phillip Selznick in the early 1950s (Selznick 1984a; 1984b) and within “new-institutionalism”, a successive body of theories developed in the 1970s and 1980s (March & Olsen 1989; DiMaggio & Powell 1991). Bounded rationality is here often used to denote the type of rationality that actors resort to when the environment in which they operate is too complex relative to their limited mental abilities. In their book *Organizations*, from 1958, James March and Herbert Simon state this point in the following way:

Because of the limits of human intellectual capacities in comparison with the complexities of the problems that individuals and organizations face, rational behaviour calls for simplified models that capture the main features of a problem without capturing all its complexities (1993: 190).

There are different interpretations of bounded rationality: realist or rational schools of public administration have e.g. attempted to interpret bounded rationality theory within game theoretical analysis schemes. These interpretations of bounded rationality are not emphasised here.

For Herbert Simon (1997), the notion of bounded rationality is constructed through the following steps: (1) People or organizations often pursue multiple objectives, which may be conflicting. (2) The alternatives from which to choose in order to pursue these objectives are not previously given to the decision maker, who thus needs to adopt a process for generating alternatives. (3) The limits in the decision maker's mental capacity compared with the complexity of the decision environment are already present at this early stage, and usually prevent him/her from considering all the alternatives. (4) Those limits are also present when the decision-maker has to consider the consequences of the alternatives, so that the decision-maker employs some heuristic procedure for that purpose. (6) Finally, the decision-maker adopts a satisfying rather than an optimising strategy, searching for solutions that are “good enough” or satisfactory, given some aspiration levels (Simon 1997). All this is a specific way of arguing, as Simon (1997) did, *that human behaviour is intended rational, but only limitedly so.*

Many would probably agree that James G. March and Johan P. Olsen have made one of the most influential arguments in the cognitive school of international regime theory (March & Olsen 1998). They apply the concept of appropriateness to distinguish themselves from those, e.g. the rationalists, who see action as driven by the logic of anticipated consequences or prior preferences. Within March and Olsen's (1998) theory of appropriateness actions are rule based, and actors follow rules that associate particular *identities* to particular situations, approaching individual opportunities for action by assessing similarities between current identities and choice dilemmas and more general concepts of self and situations. Action involves evoking an identity or role, and matching the obligation of that identity or role to a specific situation. In the cognitive school the pursuit of purpose is associated with identities more than with interests, and with the selection of rules more than with individual rational expectations (March & Olsen 1989; 1998). In this sense, March and Olsen meet some of the criticism that Simon's theory of bounded rationality met. Simon (1997) has been criticised for focusing too much on rules of thumb that may be strictly individual, and for not paying enough attention to the social context in which people act and interact, as well as for neglecting habits and the tacit aspects of institutions, see (Langlois 1986) for an in depth discussion of this.

Regime theory in international relations is a broad field consisting of different ontological and epistemological positions that also are found within studies of public administration. In addition to the regime theories stemming from international relations, there is a body of regime theory found in urban studies. Urban regime theory has become one of the dominant theories for the study of local politics, and it builds on parts of the regime theories found within the field of international relations. Many of the perspectives of regime theory in international relations theories are often used, in slightly modified forms, to study urban regimes. Scholars from many parts of the western world have critically and sympathetically engaged the theory (Davies 2002).

### ***Urban Regime Theory***

The concept of regime applied within urban regime theory has many parallels to that of governance, although they are not the same. One clear difference between urban regime theory and the governance perspective is that urban regime theory de-emphasises the



role of elected officials, and emphasises the role of business leaders (Frederickson 2004). However, urban regime theories does offer something that theories of governance do not, that is *clarity* on the object of study. The focus of urban regime analysis has been on case studies of individual cities. Although Clarence Stone, the author of *Regime Politics - Governing Atlanta* (1989), indicated that regime theory did not need to be confined within political boundaries, very few regime analysis studies have used the region as a unit of analysis. Hamilton (2004: 457) states that it is not surprising that regime analysis has not been used more extensively in the study of new regionalism, as this is a newly emerging field. Clarence Stone (2002: 7) argues that regime analysis is a promising place to start looking when reviewing the potential for non-coercive cooperation (partnerships). Karen Mossberger and Gerry Stoker (2001) state that urban regime theory is an elaboration of the regime concept drawn from the international relations literature. Urban regime theory draws on insights from the entire three regime schools in international relations; in specific, the realist's emphasis on *power*, and the cognitivists' emphasis on *bounded rationality*. The regime concept in urban regime theory is to be understood in the same ways as in international relations; as formal and informal arrangements that enable cooperation across boundaries, or a set of principles, rules, norms, and decision-making procedures around which actors' expectation converge in a given issue area (Mossberger & Stoker 2001).

Whitt Kilburn (2004) identifies Clarence Stone as regime theory's "chief architect" and "most influential" theorist. But both Stephen Elkin (1987) and his study of Dallas, and Stone's (1989) study about the way political power is realized in city life of Atlanta are usually regarded as cornerstones within urban regime theory (Davies 2002). The key aspects of Stone's understanding of what a regime is can be summarised in the following way:

A regime is "an informal yet relatively stable group with access to institutional resources that enable it to have a sustained role in making governing decisions" (Stone 1989: 4), where collaboration is achieved not only through formal institutions but also through informal networks. Regimes bridge the divide between popular control of government and private control of economic resources. Beyond the inclusion of local government and businesses, participants in regimes may vary, including neighbourhood organizations or organizations representing middle-class African-Americans, for

example. Cooperation is not expected to exist everywhere within urban regime theory; it is something that has to be achieved. Stone (1989) therefore states that regimes cannot be assumed to exist in all cities. Neither are regimes necessarily exclusively connected to one specific administration, or representatives from a specific political party. Stone (1989) states that regimes are relatively stable arrangements that can span a number of administrations. For example, Stone (1989) discusses in his book the development of a single regime in Atlanta in the time frame of 1946 to 1988. Regime change is therefore not necessarily synonymous with changes in city administrations. Mossberger and Stoker (2001) therefore state that whether electoral turnover represents regime change as an empirical question. Furthermore, distinctive policy agendas can be identified (i.e. development regimes or middle-class progressive regimes) that are influenced by the participants in the governing coalition, the nature of the relationship between participants, and the resources they bring to the coalition. Consensus is formed on the basis of interaction and the structuring of resources. This is achieved through selective incentives and small opportunities. Regimes may not feature complete agreement over beliefs and values, but a history of collaboration would tend to produce consensus over policy (Mossberger & Stoker 2001: 813).

#### ***Origin and Central Concepts***

Jonathan Davies (2002) traces the theoretical origins of urban regime theory back to the pluralist/neo-pluralist tradition as it is formulated by Robert Dahl's "*Who Governs?*" (Dahl 1961), and specifically to Charles Lindblom's "*Politics and markets*" (Lindblom 1977). A central point in neo-pluralist theory is the recognition that governments in capitalist countries believe that they are dependent on economic growth in order to sustain. In addition, governments can only limitedly control the rate of growth themselves. Neo-pluralist theory recognises business leaders as those who make growth decisions that affect everyone in society. Furthermore, these decisions are not subject to democratic control. Governments play a limited role in controlling the growth pace. The unrefined pluralist notion that groups in society have equal access to the decision making process is therefore perceived to be flawed within neo-pluralist theory (Davies 2002).

Building on the neo-pluralist position both Elkin (1987) and Stone (1989) recognize a division of labour between state and market, where ownership of productive assets rests largely in the hands of the private sector while the machinery of government is subject to popular control. Urban regime theory is concerned with the interface between state and market. For Stone the regime is the ‘organism’ that mediates the relationship between popular control of the political sphere and the private control of the economy.

Stone (1989) also builds on Lindblom (1977) in the sense that he argues that in market-economy based societies, governments are strongly predisposed toward the preferences of business leaders. In Stone’s terminology, this is labelled ‘*systemic power*’. For Stone the result of this systemic power is an indirect conflict between favoured and disfavoured groups. The favoured are those concerned with economical growth, while the disfavoured are those concerned with redistribution.

A second central concept in urban regime theory is ‘*pre-emptive power*’. Pre-emptive power is to be understood as actor’s ability to occupy, hold, and make use of a strategic position. Pre-emptive power derives from systemic power because the state-market division tends to endow business interests rather than other groups in society. Systemic power *creates* the conditions in which pre-emption occurs, but pre-emption itself is dependent upon the exercise of those capacities. The two concepts, *systemic and pre-emptive power*, are cornerstones of urban regime theory (Davies 2002).

If we read urban regime theory, from an equal rights perspective, or an ideal democratic perspective, urban regime theory could easily be read as a fundamental system critique of the workings of government in market-based societies. However, socialism is not a normative goal within urban regime theory, as it is formulated by Stone and Elkin; they are here in line with Lindblom when they argue that the market economy is the best possible social form, and prescriptions for change within urban regime theory are made within this framework. An example of a normative prescription in urban regime theory is the objective of building more inclusive regimes with the goal of ameliorating inequality (Davies 2002). In this sense the regime can be an important institutional form in the good market economy. This is interesting because Stone’s concept of systemic power clearly is inspired by the structuralist school of Marxism, but

for Stone it is not classes that represent the core dialectic in society but the contradiction between liberalism and democracy.

### ***Workings of the Regime***

In Stone's (1989) study of Atlanta he begins with stating that what makes governance in Atlanta effective is not the formal machinery of the government, but the *informal* partnership between city hall and the downtown business elite. This informal partnership and the way it operates constitute the city's regime; and is the mean through which major policy decisions are made (Stone 1989: 3). Stone makes the regime concept operational through his concept of the '*governing coalition*'. A governing coalition is a core group, a body of insiders, who come together repeatedly in making important decisions. This group is the centre of the workings of the regime in Stone's theory of urban regimes. The coalition does not necessarily represent identical interests; the regime brings together different institutional capacities they control. This is governance through informal arrangements, and not rules in the sense of command-and-control fashion (Stone 1989: 5). A regime is thus not just any relatively stable group that comes together to make decisions, but an informal but relatively stable group with access to institutional resources that enables it to have a sustained role in the making of governing decisions. Thus it is no all-encompassing structure of command that guides and synchronises everyone's behaviour (Stone 1989: 5). Coordination of the regime is in Stone's terminology informal and heavily dependent on *tacit* understandings of the "rules of the game". It is arguable that it in a system of fragmented local governance, where formal means of coordination are weakened, likely and that such informal arrangement to promote cooperation can be particularly useful. Stone (1989: 5) says that when the informal structure is integrated with the formal political structure of authority it constitute a supra-institutional capacity to take action. Any informal basis of cooperation is in this sense empowering. It enables community actors to achieve cooperation beyond what formally could be commanded. Stone (1989: 5) states that *loyalty* is the code that ties politicians to this cohesive group.

The regime indirectly produces governing-decisions, not to be understood as running and controlling everything, but as managing conflict and making adaptive responses to social change. Stone states that the actual makeup of informal

arrangements governing decisions differs from community to community, but everywhere they are driven by two needs. *Firstly*, institutional scope, understood as the need to encompass wide enough scope of institutions to mobilise the resources required to make and implement governing decisions. *Secondly*, cooperation, understood as the need to promote enough cooperation and coordination for the diverse participants to reach decisions and sustain action in support of those decisions (Stone 1989: 6).

Given the state-market divide, governments are restrained to promote investment activity in an economic arena dominated by private ownership. This political-economy insight is the foundation for a theory of urban regimes. Stone does however emphasise that private interests not necessarily are confined to business figures. Labour-union officials, party-functionaries, officers in non-profit organisations or foundations, etc. may also be involved (Stone 1989: 7). One reason behind this configuration can be that business interests sometimes works through *intermediaries*, business figures can therefore seemingly be relatively passive because they know that someone else represent their interests. However, business interests are *always* part of the urban political scene.

The study of urban regime is a study of who cooperates and how their cooperation is achieved across institutional sectors of community life. Further, it is an examination of how cooperation is maintained when confronted with an ongoing process of social change. Regimes are dynamic, not static, and regime dynamics concern the ways in which forces for change and forces for continuity play against one another (Stone 1989: 9).

Based on this I believe that recent changes in the Norwegian context have made Stone and Elkin's analysis more relevant for understanding the political-economy dynamics of Norwegian regions. These changes can, as mentioned earlier, be labelled as transformations into a system of local-governance, from an action perspective where the focus is on how regions can be changed, into a more active spatial environment. Understood as change towards a regional policy that helps build an abundance of resources for organizational learning and innovation, I believe urban regime theory can be an important framework.

Given bounded rationality (March *et al.* 1993) the politics of local agenda-setting tend to address challenges not as structurally caused conditions, but as a series of

discrete problems. With bounded rationality fostering a tendency to concentrate on matters of immediate interest, a series of highly circumscribed areas of concern emerge and give an appearance of pluralism (Stone 2002). And as Stone notes, bounded rationality works against the development of a comprehensive view of the community and its problems:

Pluralism [...] is not a hidden hand that somehow works for the best. As large forces of economic, demographic and social change unfold, they set in motion structural drift. Tending to matters close at hand fails to ameliorate intensifying problems. Put another way, structural drift builds, and cross-cutting problems accumulate. Single-shot and ad hoc responses hold little promise of making a lasting impact (Stone 2002).

Policy agendas are selective and reactive; they reflect some concerns and not others. Even if an agenda proves viable, it may represent some segments of the population, but not others. It elevates some concerns while downplaying others, Stone (2002) notes. The criteria development efforts should be assessed in terms of their democratic qualities, Stone says, rest on two principles:

One is the principle that no segment of the population should hold a position of privilege that prevents the remainder of the community from acting on problems it faces. The second is the principle that no segment of the community should be relegated to the position of permanent minority -- none should be persistent losers in the weighing of policy matters. Although concrete cases turn on matters of degree, these two principles give us a useful standard against which practice can be weighed (Stone 2002).

A regional regime should be understood as a set of informal but stable arrangements by which a locality is governed, where collaboration is achieved not only through formal institutions but also through informal networks. That is to say a regime is a group of people bound together by ideology or shared principles of policy agendas that has been able to sustain an ad-hoc stage, thereby moving it self into a position of persistent informal influence over policy decisions.

Regime theory is then as Clarence Stone articulates it; concerned with how and why certain interests and perspectives are able to cut-through, while others do not. The point is that policies do not develop by themselves, but is a result of political interaction between both elected and non-elected individuals. What type of policies that emerge is then a consequence of what type of coalitions that develops and the perspectives held by this group. Stone argues that those policy agendas and those coalitions dominated by political leaders, and which hold market perspectives tend to “win” such processes. In

such coalition and agenda building processes media tend to play central roles as it is actively used by the dominating coalition to connect local patriotism with development agendas in order to gain popular support. Media tend to refer to growth agendas in positive or in neutral terms, seldom critical or pointing to alternatives. Governing coalitions also tend to associate policy agendas with popular sports and culture institutions and engage in strategic alliances with academic institutions. Policy agendas are often expressed as promoting economical growth and that this will lead to more employment. This strategy is often successful and policy agendas therefore tend to also gain support from local worker's unions. Research into localisations with and without such growth coalitions do not show any significant correlation between the existence of such coalitions and the economical growth rate of that place (Lyngstad 2003: 100-2).

#### *A Contextually Set Theory*

Urban regime theory as Elkin (1987) and Stone (1989) develop it is contextually situated in the political economy context of US cities. However, I believe that urban regime theory offers promising perspectives and insights on the field of local governance, and that it therefore, with some adjustments, can serve as an analytical framework for discussion of the institutional dynamics of Norwegian regions too. Urban regime theory needs to be adjusted to a new context because it is contextually specific to the democratic tradition of USA. A tradition that is significantly different from the redistributive political culture of the welfare states in Scandinavia. The local public sector is for instance relatively much smaller in the US than in Norway, and the public sector has more and larger responsibilities for public welfare and development in Norway than in the US. The local policy level in the US, for instance through property tax, is more dependent of its own incomes than Norwegian counties and municipalities which are more dependent upon central government allocations. In addition local government in the US is less bound both politically and functionally of central government. This means that there are larger differences in local policy practice in the US than in Norway who is more governed by concepts of equality on the level of service the local government often should give by law. These are indications that the relationships between business interests and the political level in the US, at least traditionally, is different than in Norway (Lyngstad 2003).

In addition, Stone's concept of business elites is not directly compatible with the Norwegian context. Norway does not have business elites in the fashion and to the same degree as US cities. Nevertheless, regional Norway does have local regional elites, but they are manifested somewhat differently than the elites described by Stone and Elkin. However, they have the values and ideology they represent, e.g. business growth, value creation etc., many parallels to that of the US business elites.

The most significant difference between the US city context, in which urban regime theory as Stone and Elkin articulate it is set, and the Norwegian regional context is probably the corporative structures embedded in the Norwegian society.

In the US context, as it is articulated by the pluralists in the 1950s and -60s, interest groups were independent of public institutions. They supposedly balanced each other out, and confronted the authorities as autonomous interest groups, at the same time as laws regulated their activities.

This US pluralistic system is significantly different from the social corporativism characterising the Norwegian system. The softer social corporativism implies a system of formal and functional representation, where political institutions include interest's organisations into public decision-making processes. Such corporative institutions have emerged as a result either of grass-root demands or as an invitation from above, thereby based on voluntary participation.

Any corporative form is ambiguous in the sense that it is difficult to see if interest organisations have conquered the state apparatus, or if state apparatus has conquered the independence of voluntary organisations. Whether participating organisations are disciplined hostages or champion agents, is a classical corporatist research question. Corporativism as interest representation in public affairs therefore implies that the division between the private and the public realm of society become blurred. Corporativism is the development towards a sort of symbiosis where private and public institutions and their interests melt together. The main effect of corporative structures in society is that state sovereignty and power flows into civic society through networks that no single group of actors can control. With its close knit of negotiations for public support corporativism is a type of organised capitalism, where negotiations on public safety nets function as a guaranty against a risk filled market. Corporativism protects



against the market-forces on the one hand and against bureaucratic steering on the other hand (Østerud 1992: 81pp).

One way of interpreting the differences between the US and the Norwegian context could be to argue that the urban regime in US cities functions as a substitute for the lack of corporative arrangements, and that it therefore is not reasonable to expect a dominant presence of regional regimes in Norwegian society. However, such claims neglect one important feature of the regime. If we assert what types of interests that are promoted through the urban regimes, it seems obvious that urban regimes have a different function in society than social corporativism. The urban regime primarily mediates market-interest into government. The social corporative system, as found in Norway, articulates the multitude's interest, e.g. agriculture, fishing, industry, voluntary organisations, labour movements, social work, environment organizations, art and culture, religious organisations, relief work etc.

The plausible argument is therefore not that the regimes do exist in the Norwegian context, but that the regime's method of working is different from regimes set in an US context. Political actors in the Norwegian context are, because of corporate traditions, also part of, and included in the workings of the regime in a way that is different from the workings of US city regimes.

Even though there are significant and important differences between the interaction between business interests and politics in the US and Norway, there are also examples of regime theory having good explanatory merits in studies of Norwegian society.

#### ***Regime Theory Applied in a Norwegian Context***

A thesis work that studied decision-making processes in a medium sized Norwegian city municipality used regime theory to inform an analysis of the 1987 election (Lyngstad 1997). At the core of the election campaign were three large building projects, that the majority of the political parties were committed to. The first was a service centre for the elderly (estimated to NOK 60 million), the second was a sports centre (estimated to NOK 60 million, where NOK 35 million would be paid by the municipality), and the third was a cultural centre (estimated to NOK 70-80 million where less than NOK 30 million would be paid by the municipality) (Lyngstad 2003: 110).

Throughout the election campaign it became clear that it was not room in the local economy to finance all three projects. Analysis of the political campaigns and party programmes indicated that most parties prioritised the service centre for the elderly highest. None of the parties explicitly prioritised the other two projects above the service centre for the elderly. Thus, we must conclude that all of the parties asked for support from the voters based on a priority where the interests of the elderly came first. Given the idea of the parliamentary steering chain, the realisation of the service centre for the elderly should be a given after the election, and certainly realized before the two other alternatives. This did not happen. Both the sports centre and the cultural centre were finished during the following 4-year election period, while the service centre for the elderly was not commenced. This indicates that the political programme did not have any influence on the practical policies and prioritising, neither did the agreements between the three parties constituting majority of the City Council make any difference since these agreements all had the establishment of the elderly centre as their top priority. Then what happened? (Lyngstad 2003: 111).

Lyngstad's study shows that it early in the decision-making process developed a coalition of industrial leaders, representatives from the largest soccer club, the chief officer, the mayor, chief city planner, and representatives from the two largest parties, who got a prominent position in the municipality. These people, representatives from the industry, administration, and politics met frequently in different forums and developed joint understandings of how a stronger commitment to cultural activities could be beneficiary for the municipality. These actors represented important institutions in the local community, and had in a sense systemic power based on their positions to set the policy agenda and to define the discourse in a way that the followers of the service centre for the elderly could not match. The regime was able to phrase the two cultural projects as expenses that would lead to future income, while the centre for the elderly was phrased as expenses that would lead to further expenses. It was also argued that the future incomes of the two cultural projects would make it easier to realise a new centre for the elderly. This understanding originating from the regime becomes broadly anchored in the political milieu after a while. The realisation of the culture projects was in a sense seen as policy instruments to realise other projects. The regime was also able to downplay the initial prioritising that were done ahead of the

election, and deemphasise and redefine those political factors that would have led to another outcome (Lyngstad 2003: 112).

In Stone's terms these actors were able to make use of their pre-emptive power, and the understandings represented by this group were able to gain a dogmatic position, with a rationale it was difficult for others to question. Lyngstad describes that an interaction pattern developed in the governing coalition, the regime, characterised by shared norms, trust, and coordinated activities between the actors involved in the regime in the city of Bodø. The fact that the regime phrases its argumentation so its policy alternative becomes a policy instrument in order to realise other aims is also typical, according to regime theoreticians. This type of argumentation is both normative and idealistic because it would be difficult to measure if the "policy instruments" have had the desired effect afterwards. The "policy instrument argument" hide the reality that policy making is a struggle for limited economical resources, and when this argument is used it conceals that prioritising always is done at the expense of other policy aims (Lyngstad 2003: 112).

### **Summary**

What we can learn from this story is that when limited resources are to be allocated, certain perspectives and ideas tend to be dominant and effectively set the boundary of the policy discourses. Steering coalitions tend to form, consisting of leading politicians, industry representatives, media, and others. Such coalitions can through their political capital, economical resources, and administrative capacity influence the political debate in such a way that political decisions could seem preset. Such processes are often characterised by agendas that articulate the need for allocating more resources into projects wanted by the certain segments of the industry, and that it is legitimised by the fact that this economically benefits the municipality as a whole in the end. Projects that are defined as policy instruments are given priority over projects that are seen as, or defined as expenses (Lyngstad 2003: 113).

Lyngstad's study thus shows us that regime theory can give important insights also when applied in a Norwegian context. Regime theory gives an explanation to why and how certain steering imperatives and modes of understanding develop and get to be dominant. The strength of regime theory is that it provides us with the tools to

conceptualise and understand those processes that incline certain policy makers to “think alike”, something that results in the emergence of dominating perspectives on municipal or regional development. Regime theory also gives an explanation to why these dominating perspectives have a strong bias towards the market and market based solutions.

### 3.5 – Three Perspectives on Regional Governance

Given the outline of governance and regime theory it should be apparent that we also should be open to the possibilities that governance systems and regime theory can be interpreted in different ways and seen through different “glasses”, depending on what aspect of the governance system or normative model we choose to emphasise. Three perspectives are therefore outlined in the following in order to provide the discussions in this thesis with these different “glasses”. These perspectives, the *instrumental*, the *institutional*, and the *ideological* are in this thesis used to interpret the workings of the governance system and regime in the Agder region. These perspectives can be interpreted as ideal types, where different elements are “cultivated” and that we therefore should not expect to “find” them in their pure form in any practical reality. My ambition is therefore not so much to test the perspectives against each other, but to see how and in what way they are complementary in order to gain better understandings of current regional governance practices (Christensen & Læg Reid 1998).

The perspectives are heavily inspired by and borrow elements from some of the most central publications within governance theory, policy-analysis theory, organisational theory, bureaucratic theory and more. This has two major implications, first the theories and empirical works that underlie the perspectives are more complex and nuanced than what is expressed through my outline of the perspectives, thus they are simplifications. Second, certain aspects of the theories underlying the perspectives are emphasised while others are deemphasised, in order for them to be workable and provide the basis for a coherent analysis. This means that the perspectives should be read and interpreted as written.

On the threshold of second-generation governance research, the theories and perspectives on governance and governance research are as over-complex as the

institutional landscape it theorises on. Sørensen and Torfing (2005) have in their book *Netværkstyring*, done an exemplary job in structuring some of the main theoretical and empirical works in the field into four perspectives. In this thesis, I adapt this idea and this approach, and use three perspectives to discuss the governance and regime practices in the Agder region<sup>18</sup>.

In developing their four perspectives, or groups of theories, Sørensen and Torfing (2005) distinguish between theories on governance, based on their action theories, and on their perspective on societal steering. With respect to action theories, they distinguish between theories that argue that actor's actions are governed by more or less rational and instrumental calculus between the net profit of choosing between different courses of action, and theories that see actor's actions as more or less culturally or institutionally bound. With respect to societal steering, they distinguish between theories that see societal steering as fundamentally conflict filled processes, and theories that in principle see societal steering as more or less friction free coordination processes (Sørensen & Torfing 2005: 35). In my outline of the perspectives I will distinguish between to what degree the perspectives fundamentally sees society as an arena for competition or collaboration, the type of rationality they express, and understanding of governance and meta steering (regime steering), and finally the concept of power inherent in the perspectives.

#### ***An Instrumental Perspective on Regional Governance***

It is fair to say that to view organisations and institutions through instrumental or rational glasses is not particularly fashionable among academics. Bogason (2004b) writes that in conferences and anthologies purporting to mirror the state of the art within policy analysis, such techniques do not take many pages. However, I believe that such perspectives are important at least as an adjunct to other perspectives. Not because I believe that they are principally, normatively justifiable, or particularly empirically accurate, but because they are central to the way many actors with power and influence over institutions and organisations think and act when institutions are designed, planned and implemented. This perspective is attractive to such groups, because it points out a direction and prescribe actions with a level of clarity that other interpretations of the nature of man, society and institutions cannot compete. If we think about

instrumentality in these terms, we can also realise that most, if not all, institutions of society are designed with just such rationales in mind. This also makes this perspective important and valuable as an analytical benchmark of practice. That institutions often do not work in the way that they were supposed to, have unintended consequences, or are so complex that rational planning becomes puzzling is a different story.

Sørensen & Torfing (2005) outline in their two groups of theories what should be interpreted as being instrumental in the sense that both are based on the notion from rational choice theory that society consists of utility maximizing actors, and that these actors systematically and deliberately work to realise their interests in competition with other utility maximizing actors with other interests. Their two instrumental groups of theories come in a “soft variant” and a “hard variant”.

The fundamental idea of the “hard variant” of the instrumental perspective is that society consists of utility maximizing actors, and that these actors systematically and deliberately work to realise their interests in competition with other utility maximizing actors with sometimes other and competing interests. The “hard variant” theory has a strong focus on the regulating of conflicting actor interests, and is interested in how governance networks contribute to coalition formation between actors that are interdependent of each other. Interdependent in the sense that network actors hold resources that other network actors are dependent upon in order to realise their aims (Marsh & Rhodes 1992). The “hard variant” focuses on collective actors. Collective actors are a group of individuals that are placed in an institutional or functional setting, which give them overlapping interests. When such a group comes together in an institutional context, where there is room for communication, collective strategies, joint experiences and learning, and a joint rule and norm system will emerge over time, which all contribute to the production of collective action (Kickert *et al.* 1997). The “hard variant” sees governance networks as institutions that produce collective action, based on negotiations between interdependent actors which enjoy a certain degree of trust of each other’s will and ability to make and comply with agreements made (Sørensen & Torfing 2005: 41). The “hard variant” therefore has a positive and supportive perspective on the societal steering potential inherent in governance-networks, and governance is viewed as a clear alternative to state and market steering (Sørensen & Torfing 2005).

The second softer variant of the instrumental group of theories share the presumption from the “hard variant” that society consists of rational actors, who act in a calculating manner in order to realise their aims. The “soft variant” sees governance networks as a tool to solve a series of pressing problems that state and market have failed to solve in modern societies. The state is according to the softer variant able to set collective aims, but unable to realise them. The market is not able to set collective aims, and thereby produces the aggregated results of individual actor behaviours that benefits no one. Governance networks can according to the “soft variant” address this problem, but it requires a meta steering state that is able to stabilise, control, and democratize governance networks (Sørensen & Torfing 2005).

Both the “hard” and the “soft” variant are therefore here labelled instrumental hence the rational actor model and because governance structures are viewed as (effective) *instruments* in order to solve pressing societal problems, that the market and the bureaucratic state cannot solve.

The “soft variant” focuses on the need for collective coordination of autonomous actors. Actors lack an orientation towards collective goals, this is, according to the “soft variant”, not because of lack of compromising will among actors but there is an insufficiency of coordinative structures in society. In this perspective, rational actors act based on an assumption of *ceteris paribus*, but if everyone do this, *ceteris paribus* is not a condition that represents the reality of the context in which rational choices can be made. The aggregated results of rational action under the premise of *ceteris paribus* are therefore irrational for everyone. Aggregated collective action, without collective steering, results in a series of negative externalities (Sørensen & Torfing 2005: 64).

Further on, the “soft variant” is also inspired by systems theories, especially the presumption within systems theories of a steadily increasing functional differentiation in society. The “soft variant”, as system theory focuses on how coordinated steering is possible through “invisible-hand” structuring of rational behaviour.

Governance networks are in this context only one of many arenas for the institutionalised interaction between different rational actors. The success of governance networks in terms of contributing to successful societal steering is in this perspective dependent upon the networks being able to balance between order and stability on one side, and change and flexibility on the other. To achieve this balance, the “hard variant”

argues that governance networks need to be steered through meta processes. There has to exist some actors and/or institutions that are able to “judge” whether a governance institution is the “correct steering form” in that particular setting.

The main problem in this respect is that governance networks by large, and some would argue per definition, are self-regulating entities. When they are exposed to hierarchical rules or regulations, they lose their self-regulating abilities, and thereby their function as steering tools. The “hard variant” therefore argues that steering of governance networks must be done more indirectly than what is the case within traditional bureaucratic state steering. Within the “hard variant” meta governance is defined as the “organisation of self organisation” (Jessop 1998), and recommends hands-on in the sense that this is steering through for instance the determination of the superior resource and organisational framework. This is meta governance through allocating resources to the network actors one wishes to promote, and through removing resources from the network actors you are less friendly towards. Meta or regime steering can in this perspective also be done through manipulation of the superior institutional framework in order to influence interaction and communication patterns in and between networks (Sørensen & Torfing 2005: 53). This is hands-on and instrumental meta governance; it is instrumental in the sense that the goals of the steering process are predetermined.

The “hard variant” also recommends more hands-on approaches to meta governance, but then only as process-oriented interventions and not instrumental and goal oriented (Rhodes 1997). The executors of meta governance can in principle be anyone with enough resources, according to the “hard variant”. The “hard variant” is however concerned with the role of public actors in such settings and positions, as it to a large extent recommends governance networks as a new way of organising for the public sector, where the new core values should be creativity, collaboration, and process-orientation (Sørensen & Torfing 2005).

An historical example of a parallel perspective on such steering processes is Frederick Lugard’s principle of *indirect rule*, developed as way for the British Empire to steer its colonies cost effectively<sup>19</sup>.

Within the “softer variant” of the instrumental perspective, governance networks are understood as qualitative different social structures than state and markets. They are



characterised with the existence of the plurality of autonomous actors, typical for markets, and on the other hand the will to pursue collective aims, typical for hierarchies (Mayntz 1991).

One of the differences between the “hard” and the “soft” variant of the instrumental perspective is that the “hard variant” has a broader and more inclusive perspective on what constitutes a governance network, while the “soft variant” primarily focuses on networks that consist of both public and private actors. Kooiman for instance understands governance networks as a new form of socio-politico interaction between state and society, that is based on a two way traffic between those who steer and those who are steered (Kooiman 1993). Another difference is that while the “hard variant” sees governance networks as a supplement to steering through state and market, the “soft variant” regards governance networks as an alternative that replaces state and market steering. They are, according to the “soft variant”, obsolete steering forms in the modern society (Sørensen & Torfing 2005: 69).

In the “soft variant”, hierarchical regulations of the self-regulation together with governance networks are necessary in order to avoid *laissez faire* effects and destabilisation of society (Mayntz 1991). Hierarchical steering is in this sense necessary in order to realise the steering potentials of governance networks. However, the “soft variant” also stress that the autonomy of governance networks must be preserved. This means that hierarchical regulation of governance networks must be meta steering in an indirect form (Kooiman 1993). This distinguishes the “soft variant” from the “hard variant” which also applies to approaches that are more direct. Meta governance is in this variant to decide and define the framework of development, the structural context, and set the “rules of the game”. Meta governance is achieved through goal oriented strategic institutionalisation and coordination that aims at increasing actor’s dependence on each other and thereby their will to cooperate. For instance through influencing actor’s resources and a strategic incentive system, and to hold the threat that hierarchical steering will be applied if the network is not able to solve the tasks,. This is what Scharpf calls “horizontal coordination in the shadow of hierarchy” (Kooiman 1993; Scharpf 1994).

The big challenge for those executing network steering consists of finding the right balance between state meta steering and autonomous network steering. The task is

to identify the balance between self organisation and political administrative intervention (Sørensen & Torfing 2005: 80). The “shadow of hierarchy” cannot be too dark, and hierarchy cannot manifest itself too often to the governance network actors. The “soft variant” therefore expresses concern that the state intervenes too much and limits the governance network’s leeway too much. This is something that could lead to network actors losing interest in participating in the governance networks (Sørensen & Torfing 2005: 80).

The study of regimes centres the issue of how to think about power. In *Regime Politics* (1989), Clarence Stone drew the distinction between “power over” and “power to” as a way of differentiating a social-production model of power from a social-control model. The concept of systemic power “power over” within regime theory is an expression of power that has parallels to a traditional Weberian understanding of power. Systemic power is an expression of actor’s position within the socio-economic system. This is power over others or control power, based on status, financial capabilities, knowledge or individual capabilities. This understanding of power is closely linked to the regime theory’s pluralistic inheritance.

Classical pluralist political analysis were concerned with the question on how to characterise American politics. The central question was if it was dominated by a ruling elite or as exhibiting pluralist democracy. For Dahl such hypothesis could only be strictly tested if:

- 1) The hypothetical ruling elite is a well-defined group; 2) There is a fair sample of cases involving key political decisions in which the preferences of the hypothetical ruling elite run counter to those of any other likely group that might be suggested; 3) In such cases, the preferences of the elite regularly prevail (Dahl 1958)<sup>20</sup>.

Power is here intentional and active, it is studied by ascertaining the frequency of who wins and who loses, who prevails in decision-making situations where there are conflicts between interests, and where interests are overt. Lukes states that the substantive conclusions or findings from this literature usually are ‘pluralist’, e.g. is it claimed that since different actors and different interest groups prevail in different issue-areas, there are no overall ruling elite, and power is distributed pluralistically (Lukes 2005: 5). The focus on the one-dimensional view of power thus involves a focus on behaviour in the making of decisions on issues over which there is an observable

conflict of (subjective) interests, seen as express policy preferences, revealed by political participation (Lukes 2005: 19).

When Lukes discusses this type of power (Lukes 1974; 2005), he argues that power in this perspective is not only one actor's ability to get another actor to do something but this actor's successful attempt to get another actor to do something s/he would not otherwise do. Thus, this type of power is "slightly" different from "Systemic power" since this power also conceptualises the potential capability.

An instrumental understanding of power will in this thesis be present in those instances where power observable is exercised. Implying that in those instances where there are absence of conflict, or in instances where alternatives are not put forth, we have no reason to speak of power being executed using this perspective. This perspective on power thus is behavioural in the sense that it is only observable and direct power is conceptualised and observable.

The implications of this type of power are important, but limited in governance systems and in policy agenda setting processes. This is because political issues of some importance require broad support in order to be implemented in a regional political system (Lyngstad 2003: 103). This understanding of power does therefore not provide us with the analytical tools to conceptualise and understand such agenda and discursive transforming processes.

### ***Summary***

The instrumental perspective builds on Max Weber's ideal model of the organization as rational and efficient instruments, meaning that rules, regulations, instructions, etc. imposed by the leadership will be acceded to (Weber 1978). This perspective is also instrumental in the sense that it presupposes that politicians or a steering group are in control, (or at least can be in control), over subsidiary institutions of society, including governance institutions. For instance, that such institutions can be planned, designed and effectuated in such a way that it realises intended policy aims. It presupposes that it exists feedback loops from local institutional practices back into representative policy-making institutions. So that central political stakeholders get relevant and verifiable information, and that this group, the elected politicians, can process this information and transform it into a new and improved set of policies. In turn, politicians are scrutinized

by the media and controlled by the voters in general elections. The instrumental perspective as it is articulated here, conforms to this view of instrumental rationality with one important amendment. The rational meta steering institution can be, but is not necessarily, an elected political body. This function can also be preserved attended to by what here is conceptualised as a regime. The regime is here conceptualised as having a rational function in much of the same way as the elected politicians in the Weberian model except from not being subject to accountability through the ballot. The nature and characteristics of the meta steering body are subject for discussion throughout this thesis.

The main lines from this perspective as it is used in the data analysis are summarized in the table below.

*Tab. 3-4: Summary of the Instrumental Perspective on Regional Governance*

<b>Dimensions:</b>	<b>Description:</b>
<b>Type of rationality</b>	<ul style="list-style-type: none"> <li>Actors are utility maximizing and rational, they are <i>instrumental</i> in their actions.</li> </ul>
<b>Type of actors</b>	<ul style="list-style-type: none"> <li>Actors are conceptualised as collective actors. Further there are two possibilities within this perspective, collective actors can be understood as autonomous or as interdependent of each other.</li> </ul>
<b>Perspective on society</b>	<ul style="list-style-type: none"> <li>There are two possibilities within this perspective. If actors are <i>interdependent</i>, then society can be an arena where different interests are in competition on a fundamental level and governance still being a viable societal steering and coordination form. If actors are <i>autonomous</i>, then society must also be an arena where actors intentionally seek common good solutions for governance systems to be a viable societal steering and coordination form.</li> </ul>
<b>Conceptualisation of governance</b>	<ul style="list-style-type: none"> <li>Dependent upon the fundamental perspective of society/actors. Horizontal interaction between resourceful and interdependent actors or horizontal coordination between autonomous actors.</li> </ul>
<b>Purpose of governance</b>	<ul style="list-style-type: none"> <li>To give a strategic or functional response to institutional fragmentation, or to insufficiencies of other coordinative structures in society (market and state).</li> </ul>
<b>Meta governance</b>	<ul style="list-style-type: none"> <li>An actor(s), institution(s), coalition(s), organisation(s), or regime's manipulation of the institutional and organisational aspects of the governance framework. If actors are viewed as autonomous there is laid more emphasis on steering that seeks preserving the autonomy of individual governance institutions.</li> </ul>
<b>Workings of the regime</b>	<ul style="list-style-type: none"> <li>Indirect steering is emphasised (the organisation of self-organisation), and instrumental in the sense that the paramount governance objectives are predefined. If actors are viewed as autonomous then it will also be a goal to increase actor's dependences on each other.</li> </ul>
<b>Conceptualisation of power</b>	<ul style="list-style-type: none"> <li>Emphasis on the one-dimensional view of power. Focus on behaviour in the making of decisions on issues over which there are an observable conflict of (subjective) interests, interpreted as expressed policy preferences.</li> </ul>

### ***An Institutional Perspective on Regional Governance***

Organizations within the political system are often conceptualised as institutions. This means that when we talk and write about institutions in the contexts of policy studies institutions can be interest organisations, political parties, parliaments, the executive, the local government, but also many other forms of political life (Bogason 2004b). When we use this definition of an institution, we also apply to a definition of an institution that is dependent upon our definitions of politics and the political system. A wide definition of politics implies a wide understanding of institutions, and a narrow definition of politics for instance including just formal political organisations hence give us a narrow definition of institutions. This thesis views governance institutions as political structures, in the sense that they are articulating, adhering to, and indirectly or directly prioritising between different societal interests. Thus, this thesis views all structures associated with the regional governance system as institutional forms.

Institutional theory is both meaningful to understand as a reaction to empirical (practical) changes in how democratic political system work, as an implied critique of the Weberian rational model, and as a new way of theoretically conceptualising how the political systems and its institutions actually work. Institutionalism has become a comprehensive body of theories and it is therefore difficult to pinpoint exactly how many variants there are. We find that rational choice institutionalism, organisational or sociological institutionalism, and historical institutionalism which all can be labelled as various “new institutionalisms” again come in different flavours within economics, political science and sociology (Bogason 2004a). The institutional view of the world is in its broadest sense so wide that all of the perspectives discussed in this thesis are institutional in a way. However, the institutional perspective on regional governance will in this thesis mainly conform to an understanding of intuitionism as it is articulated in two books by James G. March and Johan P. Olsen *Rediscovering institutions* (1989) and *Democratic Governance* (1995). The main reason for emphasizing their perspective institutions is firstly that their theory has proven to be very influential in the sense that it becomes one of the dominant perspectives in organizational and political analysis, at least in Scandinavia. Secondly, they explicitly address institutional theory in relation to governance, and thirdly because they also

emphasize the democratic aspects of institutions in their perspectives, something that also is central to this thesis.

There are however some commonalities between the different variants of institutionalism. Peter Bogason states that these are; (1) that structures matter, (2) that structures have some continuity (persistence), and (3) that structures create human regularity. Thus, institutional theories tend to understand human action as *bounded rational*. One important difference between the type of institutionalism represented by for instance rational choice and March and Olsen is that the rational choice variant is more or less value free. Bogason states that rational choice institutionalism is colour-blind; rules and regulations can be set to reach objectives no matter what they are. While in March and Olsen's variant theory of institutions place great demand on anchoring for instance democratic governance in values that have a more comprehensive content, e.g. redistribution, a good life etc. (Bogason 2004a).

March and Olsen (1995) see governance steering as one of the most influential forms of societal steering ever. Their perspective is institutional, in the sense that individual and collective action are shaped by values, identities, knowledge, and rules that are bound together in socio cultural systems and institutions. Further, they see action as conditioned by socio cultural identities, norms, and rules, which are bound together in a concept of a common good. The normative integration of individual and collective actors gives good conditions for stable societal steering. March and Olsen distance themselves from rational choice inspired action theories, that condition actors that act based on rational calculus of consequences – *logic of consequentiality*, instead their institutional perspective sees action as culturally conditioned – *logic of appropriateness*. Appropriateness in this context signifies that actors first reflect upon who we are, and then identify what type of situation this is, and then act based on an assessment of what the institutional context of rules, norms, and conceptions define as appropriate in such a situation (March & Olsen 1995).

March and Olsen see identities, action conditions, and democratic changes as something that are continuously changing through political negotiation processes. Politics and democratic steering is, in this perspective, not a question of creating and making political coalitions based on given preferences and limitations, but a mutual development and adaptation of identities, institutions, and political measures. This

mutual adaptation gives the political process character of consensus based coordination (March & Olsen 1995). This theory regards governance networks as an expression of a fragmented and complex steering process, where the formulation and implementation of public policies happen in interaction between interdependent but autonomous actors.

March and Olsen do not conceptualise the regime as a force in governance processes. Therefore, we have to construct what a regime is and what the role of the regime is, from the premises of their perspective. In this perspective, the actors' identities and capacities are decisive for governance network's ability to contribute to societal steering and to adapt to new challenges. In order to steer self-steering networks, the prime tool, in this perspective, is to shape and develop actors' identities and capacities in specific and wanted directions. This also becomes the prime target of the regime in this perspective.

The regime can then meta govern actors' identities through influencing the institutional rules and norms in the network, and produce specific forms of knowledge, tell stories of "best practice", create symbols and rituals and systematically work with attitudes. All of which is meant to influence actors' images of themselves, of others, and their joint mission. Meta governance of actor capacities can be done through the creation of new rights, resources, competencies, and new forms of political know-how, or through the distribution of these between different actors, networks, and levels of steering.

The aim of meta governance of identities and capacities is to create a democratic political community, which can serve as the base for extensive political unity, thus without suppression of free exchange of opinions. To March and Olsen, the goal of meta governance is to secure and contribute to solidarity between the different parties involved. Meta governance shall, in this perspective, also try to limit the effect of conflicts, for instance through confining them only to certain arenas so that conflicts do not spread throughout the governance system as a whole. Meta steering must therefore aim at creating a balance between the wish to block unwanted tyrannical developments and the wish to secure effective societal steering (Sørensen & Torfing 2005). March and Olsen are unclear on who should be responsible for meta governance processes, but they refer to the political system, government, society, and modern democracy in these contexts (March & Olsen 1995).

I do not believe that it is unfair to say that power do not have a prominent position in March and Olsen's conceptualisations of institutional theory. The concept of power in this view must be constructed based on selective (and simplistic) pickings from institutional theory on how institutions function and the conceptualisations of rationality. That organisational structures have some influence over decision-making processes, agendas, and what is subjected to the attention of individuals are central factors in a theory of institutions which applies to narrow cognition. This means that certain ways of organising also can give preference and probability to certain processes and outcomes. This also means that those who realise this and have systemic power, can make certain outcomes more likely than others, make certain policy outcomes disappear from the realm of possible outcomes of a policy development process, and make others pop-up through careful manipulation of certain aspects of institutional frameworks. For instance if an expert group of engineers, economists or a group with collective or market preferences is presented to the same problem, they are inclined to give different interpretations of both the problem and the solution or policy recommendation in the end. If we read the "honest" political biographies, such processes are not uncommon. In this sense a theory of 'nondecisions' (Bachrach & Baratz 1963), can meaningfully be complemented with a theory of institutions (March & Olsen 1989: 16).

Bachrach and Baratz (1963) can on their end be read as a critique of the one-dimensional view on power. They argued that power has a second face, unperceived by the pluralists, and undetected by their methods of inquiry. Power was not solely reflected in concrete decisions. If one seeks to investigate power, the researcher must also consider the chance that some person or association could limit decision-making to relatively non-controversial matters, e.g. through influencing community values, political procedures and rituals, notwithstanding that there are serious but latent power conflicts in the community (Lukes 2005: 6). Power also accrues to those who have the means, either consciously or unconsciously to create or reinforce barriers to the public airing of policy conflicts (Bachrach & Baratz 1970)<sup>21</sup>. A similar point is also found in one of the most quoted paragraphs in political science:

All forms of political organization have a bias in favour of the exploitation of some kind of conflict and the suppression of others because *organization is the mobilization of bias*. Some issues are mobilised into politics while others are organised out (Schattschneider 1960: 71)<sup>22</sup>.



Bachrach and Baratz called this type of power or influencing for *nondecision-making*. A satisfactory analysis of two-dimensional power then involves examining both decision-making and nondecision-making (Lukes 2005: 22).

This understanding of power does provide us with the tools to conceptualise how certain societal interests might be excluded from policy and agenda setting processes which are different, more pervasive and more nuanced than the one-dimensional view on power. However, it is not a concept of power that provides answers into why certain societal interests systematically might be excluded.

### **Summary**

The critical reader would rightfully note that March and Olsen’s theory of institutions is much broader and integrative than I give them credit for here. Their ambition is wider than being an adjunct to theories of rational competition, they do however endorse such views and uses as those applied in this text (March & Olsen 1989: 16). The institutional perspective can also be viewed as a profound critique of models and perspectives on organizational structures that view such structures as primarily governed by environmental dictates, rational design, or both (Brunsson & Olsen 1998). However, this also implies that this perspective in some instances can be viewed as complementary to such views. The main lines of this perspective as it is used in the data analysis are summarized in the table below.

*Tab. 3-5: Summary of the Institutional Perspective on Regional Governance*

<b>Dimensions:</b>	<b>Description:</b>
<b>Type of rationality</b>	<ul style="list-style-type: none"> <li>▪ Actors are bounded rational in their actions, and apply to logic of appropriateness.</li> </ul>
<b>Type of actors</b>	<ul style="list-style-type: none"> <li>▪ Actors are conceptualised both collectively and individually and are both interdependent and autonomous.</li> </ul>
<b>Perspective on society</b>	<ul style="list-style-type: none"> <li>▪ Society is an arena where actors intentionally seek common good solutions.</li> </ul>
<b>Conceptualisation of governance</b>	<ul style="list-style-type: none"> <li>▪ Interactive steering based on institutional norms and rules.</li> </ul>
<b>Purpose of governance</b>	<ul style="list-style-type: none"> <li>▪ Response to fragmented and complex steering processes.</li> </ul>
<b>Meta governance</b>	<ul style="list-style-type: none"> <li>▪ An actor(s), institution(s), coalition(s), organisation(s), or regime’s re-institutionalisation, shaping, and development of identities and capacities in specific and wanted directions.</li> </ul>
<b>Workings of the regime</b>	<ul style="list-style-type: none"> <li>▪ Influencing the institutional rules and norms in the network, and produce specific forms of knowledge, tell stories of “best practice”, create symbols and rituals and systematically work with attitudes.</li> </ul>
<b>Conceptualisation of power</b>	<ul style="list-style-type: none"> <li>▪ Here is the two-dimensional view of power emphasised. Focus on the institutional conditions for decision-making and agenda setting.</li> </ul>

***An Ideological Perspective on Regional Governance***

The introduction of an ideological perspective can easily and understandably be interpreted as both arrogance and ignorance. To label some actor or collective group as driven by ideology is almost the same as saying that they are not acting rational, are unaware of the consequences of their actions, are driven by beliefs not logic etc. This is true in the sense that the ideological perspective just as the institutional perspective does not view human action as primarily driven by rational calculus of conceivable action alternatives. Explanations are also in this perspective primarily sought at a systems level. What primarily differentiates an institutional and an ideological perspective is that the latter has power as the central explanatory variable, while the former sees norms, rules, culture etc. as the most important structures. An ideological perspective does however beg an immediate answer to what an ideology is.

Ideology is in this text not used in the sense that it conceptualises a necessarily false or systematically wrong classification of the nature of reality. In a sense it is uninteresting whether the particular ideology in question is correct or not about its conceptualisation about society. All of our ideas about society, rationality, and power are in sense social-constructs. What is interesting is if that particular ideology is influential in the sense that it is manifested into practices. In this perspective are ideologies such as socialism, communism, liberalism, conservatism, etc. only interesting to the extent that they exert any influence onto how people act and interact.

It can be very difficult to observe an effect chain from theoretical construct or idea into practice, and a consequence of this is that also analysis of how important or influential a particular ideology is notoriously difficult. Changes in ideology are a much more diffuse and difficult subject to handle than the more visible institutional and/or rational changes. That is not to say that ideology is not important or does not have an impact.

One meaningful way to approach ideology is to view ideologies as discourses or narratives on and about society. If we view society by default to be so complex that we cannot possibly fully understand it, we should be puzzled by the level of certainty that apparently exists about the truths of the nature of “reality” and society. Social-

constructivism provides insights into understanding such processes. Through the process of being socialised into society, we are bound to be imprinted with some conceptions and ideas about society that we can never fully verify, but take for granted. Such ideas can vary from place to place and between social stratas, and thus lay the foundation for the emergence of both different cultures and ideologies. What is interesting about this is when an ideology emerging from one place or strata moves from one place to other places or stratas and starts to manifest.

Thus, ideology is most visible in the ways in which language is used. In this sense ideology can be understood as a narrative or discourse. Discourses are a set of rhetorical forms and models of thought, which manifest themselves within distinct social fields and situations. Some discourses tend to be dominative and gain hegemony. The discourse then sets the limits for what can be said, represented, gain a communicative form, what choices that can be made and what actions can be understood. A hegemonic discourse is a situation where some can find and use language for their experiences, and to justify their actions, while others must remain silent and invisible (Meyer 2003: 72). Ideology can be observed through *who* speaks about *what*, but probably more important through an observation *who do not* speak, and *what is not is spoken of*. Power in this perspective is not primarily exercised with the use of force or instructional authority, but through agreements and certain ideas about how elements and structures of society are connected and interact. Such understandings and ideas can gain dominance and get a hegemonic position. When this happens, they effectively set the boundaries of how and in what way we conceptualise and understand society and our role in it. Such ideas can be conceptualised as ideologies, and when they are privileged in defining problems and societal challenges, ideology exerts power in the sense that it is the underlying basis and fundament of any policy agenda developed within it discursive framework (Lyngstad 2003: 115-6).

Earlier in this chapter, some of the current regional development concepts were discussed. These concepts were conceptualized as regional narratives just because of their function as setting and defining the dominant discourse, narrative, about regional development practices. These concepts express certain ideas, concepts and understandings about society, development and democracy that briefly can be summarized as: (1) a belief that economical globalization has made regions competitors,

(2) a unitary focus on innovation is the key to succeeding in this competition, (3) that innovation is the key factor to economical growth, (4) that we must be prepared to “sacrifice” some societal/institutional values in order to succeed/survive in the global competition, (5) that there are no viable alternatives to the market based solutions, (6) a belief that what is best for the individual is best for the society, (7) that public intervention outside capital transfers restrains the workings of the market, (8) that society should invest and prioritize in its (creative) elites, etc. Such ideas as those listed here do come with various emphasizes and interpretations, but at the kernel there are a unifying idea and belief in market mechanism as both necessary and supreme of other ways of organizing society.

This is in the continuation referred to as an ideology of neoliberalism, a philosophy, which is most visible in attitudes to society, the individual, and employment. Paul Treanor defines neoliberalism in the following way:

Neo-liberalism is a philosophy in which the existence and operation of a market are valued in themselves, separately from any previous relationship with the production of goods and services, and without any attempt to justify them in terms of their effect on the production of goods and services; and where the operation of a market or market-like structure is seen as an ethic in itself, capable of acting as a guide for all human action, and substituting for all previously existing ethical beliefs (Treanor 2004).

Alfredo Saad-Filho and Deborah Johnston (2005), write that we live in an age of neoliberalism. That it is an ideology that strongly influences the lives of billions of people in every continent in most areas of societal life. They write that in less than a generation, neoliberalism has become so widespread and influential, and so deeply intermingled with critical important aspects of life, that it can be difficult to assess its nature and historical importance (Saad-Filho & Johnston 2005: 1).

Given the complexity of assessing how neoliberal ideology is manifested onto regional development discourse and practices, I refer to concrete examples of such processes from the Agder region in chapter 6. The theoretical conceptualisation of the ideological perspective is concretised in the following, using the same dimensions as for the instrumental and the institutional perspective, namely rationality and society, governance and regime, and power.

Between 1970 and 1984, Michel Foucault delivered thirteen annual courses of lectures at the Collège de France in Paris. In the lectures held in 1978 and 1979,

Foucault defined and explored a fresh domain of research into what he called ‘governmental rationality’, or governmentality (Gordon 1991: 1). This work was not carried out by Foucault alone but in a fellowship of researchers of who many are contributors to the book *The Foucault Effect Studies in Governmentality* (Burchell, Gordon, & Miller 1991).

Governmentality theory is not particularly concerned with who governs or the legitimacy of government but *how it is governed*. This theory gives an informed perspective on the analysis of shifting governing rationalities and their steering effects. It shares perspective with the institutional perspective on the importance of effects that culture and institutions have on actor’s steering practices. In Governmentality theory it is not so much the institutionalised norms and values so much as it is the institutionalised steering rationalities and technologies that define the framework of possibility for concrete steering. Another difference between the institutional and the ideological perspective is that the latter views steering as a specific form of power, and thereby also a praxis that involves the creation of antagonistic conflicts (Sørensen & Torfing 2005: 115-6).

Foucault’s action theory is institutional, in the sense that actors act based on discursively constructed, motives, strategies, and rationalities which are embedded in practice. Specific power strategies, which, Foucault says, are intentional and non subjective forge the discursive conditions for actions (Foucault 1991). Strategies of power always contain a specific set of goals, means, and calculations. No single actor is however able to steer and control the formulation and development of different power strategies, which complex, polysemantic, and institutional character effectively limit conscious attempts at rational strategy development. According to Foucault, power is a strategic game without game steering actors. Foucault starts, as within the institutional perspective, with institutional conditions for action but does not, as March and Olsen (1995), believe that actors act based on their interpretation of institutional conditions (appropriateness), but based on a series of discursive conditions that are forged by crossing power strategies. In Foucault’s genealogical studies he analyses historical examples of how humans are subjected and subject themselves through institutionalised power strategies and technologies (Foucault 1991; Sørensen & Torfing 2005: 117).

Foucault's genealogical thesis of power as an institutional conditioned discursive subjecting process, which creates distinct forms of subjectivity and action, can be read as the total elimination of individual freedom. This critique however misses Foucault's point that power only can be exercised on free subjects, and only to the extent that they are free (Sørensen & Torfing 2005). If individual or collective subjects do not have different opportunities, and if they do not have opportunities to react in different ways, it is not a question of power but of dominance. The nature of power is not to enslave individuals to do specific tasks. The point of power is to mobilise individuals' energies and capacities within a specific discursive framework. This discursive framework secures a certain degree of conformity to the telos of power, but is no guarantee against resistance and non-intended behaviour. If it is a question of power and not dominance, subjects always have the possibility to oppose, Foucault says (Sørensen & Torfing 2005: 118). The ideological perspective is thus not a question of environmental determinism imposed onto a social system/institution.

On a more general analytical level governmentality can be defined as a collective steering rationality, which contains a more or less coherent set of knowledge, calculations, and techniques, which determine how steering is executed and organised. Government can, in this perspective, be understood as the concrete regulation of one or more actor's behaviours ("the conduct of conduct"). Governmentality is a distinct type of steering ("art of government"), while government signifies the concrete steering measures ("acts of government") (Dean 1999). Governmentality has no independent existence but is embedded in the implicit and explicit conceptions, rationalisations, and calculations of government (Sørensen & Torfing 2005: 122).

To study the historical changes in steering rationalities, Foucault argues that we must analyse the ongoing formulation of, and changes in, governmentality-programmes. These are visible in the calculating and explained recommendations of how institutions should be reorganised, spaces to be connected, and behaviour regulated. Examples of such governmentality programmes are Liberalism, Marxism, and Neoliberalism. Sørensen and Torfing (2005: 127), argue that if we really want to understand the growth of governance networks as new and legitimate steering strategy, we should regard governance networks as an integrated part of a new governmentality programme.

Foucault, who died in 1984, does not explicitly discuss governance-networks in his governmentality analysis. Sørensen and Torfing (2005: 122) however, see this perspective as useful in the analysis of governance networks, because it builds on a understanding of power as a network of actors, strategies and actions. This in addition to Foucault's view on the state as something that is de-governmentalised, because societal steering increasingly is pluralized and subjugated to a long range of more or less autonomous actors, which are coupled together in different types of networks. Thus, power is not centred on the state, but is exerted in a multiplicity of social relations with different organisational forms; hereof also network structures in society.

Meta governance has a central place in Governmentality theory. The dominating governmentality defines the conditions and bounds for steering through an interactive network of actors and institutions. Thus, meta governance is in this perspective, all the conceptions, techniques, subjectivities, and rationalities that the governmentality programme in question articulates, and that manifest itself to the development of concrete steering forms and steering measures.

Network governance should in this perspective, be regarded as a part of the advanced liberal steering (governmentality) programme. It is crucial that it is steered at a distance without too much involvement in the specific details. According to Dean (1999) advanced liberal meta steering is at the same time about both subjectification and subjection of network actors. On the one side, meta steering is about establishing partnerships, partner-hearing mechanisms, mechanisms for participation and negotiation, establish incitements for free and active participation (subjectification). On the other side meta steering is about establishing a series of norms, standards, benchmarks, quality indicators and different hierarchical instruction- and control mechanisms and relations, which enables the possibility to measure, judge, and to sanction the steering efforts in governance networks (subjection).

Meta/regime steering has in this perspective a built-in duality. It is supposed to create, develop, and mobilise actor energies, resources, and capacities, at the same time as these activities unfold within a defined discursively constructed framework. The actors must not perceive this discursive framework as external conditions that they must relate to, but be present in the actors own perceptions of themselves, the others, and their shared surroundings (Sørensen & Torfing 2005: 132).

Using different contract technologies meta steering actors can enter into binding arrangements with enterprises, organisations, organised groups, and individual citizens who then are recruited as actors in governance networks. These governance networks are, through running evaluations and reporting, coerced to act within distinct social, political, and economical bounds. This coercion has not the character of legal sanctions or pecuniary loss, but of a committing norm of responsibility to joint development plans and to negotiated agreements and solutions (Sørensen & Torfing 2005: 133).

Power is the central concept in the ideological perspective. It is a type of power that in many ways are invisible compared to the other forms of power discussed in the two other perspectives.

Central to regime theory is the concept of pre-emptive power. This is power that emerges from actors' resources, and capabilities, to make use of their systemic power. This power becomes real through the development of the shared understandings that emerge when actors that constitute regional regimes (from politics, interest organisations, consultants, development organisations, academia, etc.) directly and indirectly interact. The most important output from this work is the shared understandings and perspectives that emerge as a result of this work. A critique that has been raised against regime theory is that it can be unclear whether regimes built joint understandings, or if joint understandings are the basis of regimes (Lyngstad 2003: 103). The most likely answer to this is that such joint understandings, discourses are a result of interplay between ideas and coalition building processes, and that these processes are mutually reinforcing and that regimes gain increased strength over time as a result of this. The survival of regimes is however dependent on its ability to produce results. Or at least their ability to get it across that they are producing good results, also for the larger society. As long as such results are produced, regimes tends to be maintained. The power expressed through the regime is in this sense not so much a question of or ability to control or dominate but to have the power to define the boundaries of the relevant discourses. Regime theoreticians therefore often emphasise that power within regime theory primarily is about social production and not just social control (Lyngstad 2003: 104). Such understandings of power are conceptualised as the third dimension of power by Steven Lukes (Lukes 1974; 2005).



Lukes' third dimension of power does not represent a complete alternative to Weber's and Dahl's concept of power, the first dimension, neither does the third dimension represent a complete alternative to Bachrach and Baratz concept of power, the second dimension. Lukes' third dimension of power represents an addition/expansion to how the concept of power previously was used. Lukes states that Bachrach and Baratz retreated somewhat from their earliest assessment and adjusted their view that it must always be some observable conflict if their second face of power is to be revealed. Bachrach and Baratz therefore stated that without observable conflict, we must assume that the consensus is genuine (Lukes 2005: 7).

If there are no conflict, overt or covert, the presumption must be that there is consensus on the prevailing allocation of values, in which nondecision-making is impossible (Bachrach & Baratz 1970: 49)<sup>23</sup>.

Based on this Lukes also characterises Bachrach and Baratz perspectives on power for limiting their analysis of power to where it is observable conflict.

Lukes' third dimension of power is to be understood as a profound critique of the behavioural perspectives on power articulated both by Dahl and the pluralists, but also on Bachrach and Baratz perspectives. Lukes does not reject their claims, but he states that power also is something more, and that their perspectives on power are too limiting for understanding the true faces of power. Lukes (2005: 26) criticizes Bachrach and Baratz, along with the pluralists, for adopting a too methodically individualistic view of power, and that both the first and the second dimension of power follow in the steps of Max Weber for whom power was the probability of individuals realising their wills despite the resistance of others. The two-dimensional view of power lacks a sociological perspective within which to examine, not only decision-making and nondecision-making power, but also the various ways of suppressing latent conflicts within society (Lukes 2005: 59).

Lukes lists Antonio Gramsci and his *Prison Notebooks* as one of the central inspirational sources for the third dimension of power. When imprisoned in fascist Italy Gramsci had grappled with the question of how consent to capitalist exploitation is secured under contemporary conditions, in particular democratic ones. The central concept to be interpreted is *consent*. How is it to be understood, what is it? Gramsci inspired many interpretations of this, and Lukes lists a few.

It is the contemporary social formations of the West, when class rules were secured by consent by means of the bourgeoisie's monopoly over the ideological apparatuses (Althusser 1971; Anderson 1976)<sup>24</sup>. This interpretation of Gramsci refers to a psychological state, involving some kind of acceptance that not necessarily is explicit of the socio political order. Przeworski puts forward an alternative non-cultural, materialist interpretation of Gramsci. If an ideology is to orient people in their daily lives, it must express their interests and aspirations. A few individuals can be mistaken, but delusion cannot be perpetuated at a mass scale.

The consent which underlies reproduction of capitalist relations does not consist of individual states of mind but of behavioural characteristics of organisations. It should not be understood in psychological or moral terms. Consent is cognitive and behavioural. Social actors, individual and collective, do not march around filled with 'predispositions' which they simply execute. Social relations constitute structures of choices within which people perceive, evaluate, and act. They consent when they choose particular courses of action and when they follow these choices in their practice. Wage-earners consent to capitalist organisation of society when they act as if they could improve their material conditions within the confines of capitalism (Przeworski 1985)<sup>25</sup>.

Based on this, new questions emerge. What are the persistence of capitalism and the cohesion of liberal democracies? Where were the limits of consent beyond which crisis would occur? What were the proper roles of intellectuals (researchers) in contesting the status quo? Lukes states that it where such questions *Power: A Radical View* sought to address, and they have been even more pertinent after its original publication, and are still demanding answers. When Reaganism in the USA and Thatcherism in Britain were succeeded, after the fall of communism, by the extraordinary diffusion across the globe of neoliberal ideas and assumptions, such questions are given a renewed relevance. Does the extraordinary diffusion of neoliberal ideas constitute a mega-instance of hegemony? In such a context Gramsci's original question; "how consent to capitalist exploitation is secured under contemporary conditions, in particular democratic ones?", seems just as relevant. Charles Tilly paraphrases Gramsci when he asks: If ordinary domination so consistently hurts the well defined interests of subordinate groups, why do subordinates comply? Why don't they rebel continuously, or at least resist all along the way? Tilly suggests answers to the problem, all of which are commented on by Lukes:

1) *The premise is incorrect; subordinates are actually rebelling continuously, but in covert ways.* #1) Lukes comments that this solution is highly unlikely ever to be the whole story. One could also add with reference to the global diffusion of neoliberal ideology that people in the industrial part of the world, mostly are unaware of long-term effects of this system, and therefore have no reason to object either overt or covert. 2) *Subordinates actually get something in return for their subordination, something that is sufficient to make them acquiesce most of the time.* #2) Lukes sees this as a parallel to Przeworski's materialist interpretation of Gramsci, a major part of the persistence of capitalism, but also, one should add, this is also the case of every socio-economic system. 3) *Through the pursuit of other valued ends such as esteem or identity, subordinates become implicated in systems that exploit or oppress them. (In some versions, no. 3 becomes identical to no. 2.)* #3) Lukes argues that #2 and #3 together pinpoint the importance of focusing on actors' multiple, interacting and conflicting interests, and that they raise the question of materialist versus culturalist explanation. Are material interests basic to the explanation of individual behaviour and of collective outcomes, rather than, for instance, interests in 'esteem' or 'identity', and if so, when? An additional reference (Berger & Luckmann 2000) makes this point even more relevant. To the individual the society appears as an objective reality, and building esteem and identity outside the social system they are socialised in, is probably something that is impossible to comprehend for most people. 4) *As a result of mystification, repression, or the sheer unavailability of alternative ideological frames, subordinates remain unaware of their true interests.* 5) *Force and inertia hold subordinates in place.* 6) *Resistance and rebellion are costly; most subordinates lack the necessary means.* 7) *All of the above.* #4), #5), and #6) Lukes comments are relating specifically to power and the modes of its exercise, #5) emphasises coercion and #6) scant resources. It is however #4) that pinpoints the third dimension of power. The power to prevent people, to whatever degree, from having grievances by shaping their perceptions, cognitions and preferences in such a way that they accept their role in the existing order of things (Tilly 1991: 594)<sup>26</sup>. Lukes argues that no view of power can be accurate unless it offers an account of this kind of power. A systematic arrangement of the distinctions between the three views of power is sketched out in the table below:

Tab. 3-6: Three Dimensions of Power, adapted from Lukes (1974)

Dimensions:	One-Dimensional View of Power, focus on:	Two- Dimensional View of Power, focus on:	Three- Dimensional View of Power, focus on:
<b>Behaviour</b>	a) Behaviour.	a) (Qualified) critique of behavioural focus.	a) Critique of behavioural focus.
<b>Decision-making</b>	b) Decision-making.	b) Decision-making and nondecision-making.	b) Decision-making and control over political agenda (not necessarily through decisions).
<b>Issues</b>	c) (Key) issues.	c) Issues and potential issues.	c) Issues and potential issues.
<b>Conflict</b>	d) Observable (overt) conflict.	d) Observable (overt or covert) conflict.	d) Observable (overt or covert) conflict, and latent conflict.
<b>Interests</b>	e) (Subjective) interests, seen as policy preferences revealed by political participation.	e) (Subjective) interests, seen as policy preferences or grievances.	e) Subjective and real interests.

The third dimension of power takes on a systemic perspective on power, power is embedded in the social system, often without even being articulated. In fact power is most effective when it is unspoken and inherent in the system. It is just the norm of doing and thinking, in a way as governing steering without execution. This type of power is only effective as long as it is not questioned, described, or recognised as a problem by those affected; when it is unrealised and institutionalised into a system. Why should e.g. universal suffrage be an interest of the population if they are unaware of the concept of voting and participating?

Paradoxically, this type of power can even be unacknowledged by those with formal or informal decision-making power in a social system. This type of power will only be revealed to them if they act outside the norm of acceptance, e.g. the left-wing political leader who argues the supremacy of global competition for securing developing countries' problems, or the right-wing leader that argues against big-business interests, both very quickly would be isolated and out of office. Such cases are rare because it was through advocacy of the "correct" values, which enabled them to take position in the first place.

What stands out in the third dimension of power is the concept of *latent conflicts*, which consists in a contradiction between the interests of those exercising power and the *real interests* of those they exclude (Lukes 2005: 28). Are power issues or conflicts not present if the observer cannot uncover grievances, should the observer then conclude and assume that there is a genuine consensus on the prevailing allocation of values, do actors then have no interests that are harmed by the use of power? Is it not

the most supreme and insidious exercise of power to prevent people, to whatever degree, from having grievances in the first place, either by shaping their perceptions, cognitions, and preferences in such a way that they accept their role in the existing order of things, or because they cannot see or imagine an alternative to it, or because they see it as natural or unchangeable, or because they value it as divinely ordained and beneficial? Lukes therefore notes that to assume that the absence of grievance equals genuine consensus is simply to rule out the possibility of false and manipulated consensus by definitional fiat (Lukes 2005: 28).

It is not difficult to agree with Lukes assessment that there must be a third dimension to power, but the question of latent conflicts and people's real interests is mind-baffling. Who can then determine what a real interest is if it is not recognised by the actors themselves, who should as the authority decide that there are latent conflicts, and does not those who introduce or reveal latent conflicts, just introduce a new regime of latent power structures? Moreover, how can power in such forms even be studied?

### **Summary**

The ideological perspective is in one sense fundamentally different from the other two perspectives. The instrumental perspective can be viewed as an architectural approach to governance, the belief that regional governance systems can be instrumentally designed to solve specific societal problems. The institutional perspective can again be read as a profound critique of the instrumental perspective, emphasising normative, cultural components of institutional design, but also expressing a belief in normative values of democracy and the governance systems potential in addressing democratic deficits and development challenges. The ideological perspective is in many ways very similar to the institutional perspective, with governance systems and its institutions as power structures that exert specific views and ideas about society. In order for a governance system to function within the ideological perspective, some specific and system beneficiary narratives, hegemonic ideas, and enclosed discourses must be present, in order for volatile institutions, such as networks and partnerships, to sustain and gain legitimacy and maintain an image of a coherent rationale and efficacy. A summary of the main elements in the ideological perspective is presented in the table below.

Tab. 3-7: *Summary of the Ideological Perspective on Regional Governance*

<b>Dimensions:</b>	<b>Description:</b>
<b>Type of rationality</b>	<ul style="list-style-type: none"> <li>▪ Actors are bounded rational in their actions, and act based on discursively constructed, motives, strategies, and rationalities, which are embedded in practice.</li> </ul>
<b>Type of actors</b>	<ul style="list-style-type: none"> <li>▪ Actors are conceptualised both collectively and individually. Actors are dependent upon a discursive framework.</li> </ul>
<b>Perspective on society</b>	<ul style="list-style-type: none"> <li>▪ Society is an arena where different interests are in competition with each other. In order for societal structures such as governance networks to be viable, there must be a dominant idea or discourse about these institutions' role in society, about development, and about democracy, that all contributes to rationalise and legitimise governance structures and processes in society.</li> </ul>
<b>Conceptualisation of governance</b>	<ul style="list-style-type: none"> <li>▪ Governance is an institutionalised steering rationality and technology, which exerts a specific form of power.</li> </ul>
<b>Purpose of governance</b>	<ul style="list-style-type: none"> <li>▪ To support the exertion of the dominant development agenda.</li> </ul>
<b>Meta governance</b>	<ul style="list-style-type: none"> <li>▪ An actor(s), institution(s), coalition(s), organisation(s), or regimes mobilisation of actor's energies and capabilities within a discursively constructed framework.</li> </ul>
<b>Workings of the regime</b>	<ul style="list-style-type: none"> <li>▪ Steering at a distance, through premising the institutional, ideological, and normative bounds of development.</li> </ul>
<b>Conceptualisation of power<sup>27</sup></b>	<ul style="list-style-type: none"> <li>▪ Here is the third-dimension of power emphasised. Power is exercised when there is general consent to a discursively constructed narrative.</li> </ul>

We have earlier seen that the theoretical discourses associated with corporatism, pluralism, policy networks studies, early governance studies, second-generation governance studies, and regime theory, all represent theories that in different ways informs discourses on democracy. For instance, we have seen that it has varied from a very critical to a more pragmatic stance on the extent that governance networks have been viewed as problematic for democracy. The instrumental, institutional, and the ideological perspectives give theoretical basis for different interpretations of governance, and therefore basis for different interpretations of the implications governance has for democracy. These perspectives are not directly discussed against democratic theory in this thesis. What I later do is to use the findings from the analysis, where I use the perspectives, and discuss this towards theories of democracy. I will therefore in the following briefly introduce and discuss some conceptualisations and understandings of democracy, that later will serve as basis for analysis of data about regional governance.

### 3.6 – Democracy

The theoretical and practical discourse relating to democracy is large, complex and many faceted, it is also probably one of the most written about topics within social science. To give something close to a complete overview of the discourse on democracy far supersedes the ambitions of this thesis work. Because as Davydd J. Greenwood and Morten Levin writes:

Democracy is a concept with such a multiplicity of meanings that attempts to be clear about it are extremely controverted. [...] To some, [...], the term means egalitarianism. For others, it evokes participation, whereas for others it conjures decision making by consensus, and still for others, decision by majority rule. For some democracy implies a homogeneous community and for others, arenas for lively debate. All of these meanings have their associated genealogies, theories, politics, and ethics (Greenwood & Levin 1998: 11).

I will therefore limit the discussions to certain perspectives that I believe are so different that they illuminate the point I will try to make relating to how different democratic values manifests in practice, and of these perspectives I only provide an outline that sufficiently can provide basis for analysis in chapter 7.

#### **Introduction**

In this subchapter, I will outline some general principles and ideas of democracy and I will conclude the discussions with insights provided by the writings of Robert A. Dahl (Dahl 1985; 1986a; 1989). Broadly speaking democratic theory has been oriented towards three core ideas, three ideas emphasising three different aspects of democracy (Rasch 2004). This is the ideas of (a) *democracy as competition*<sup>28</sup>, as articulated by for instance Joseph Schumpeter and Max Weber, (b) *democracy as participation*, as articulated by for instance Carole Pateman and Carl Cohen, and (c) *democracy as deliberation*, as articulated by for instance John Dryzek and Jürgen Habermas. All of these core ideas of democracy builds on, are a critique of, or modifies, *Age of Reason* and *Age of Enlightenment* philosophy and political thought, which again readdresses the classical topics of government and democracy from Greek antiquity. It is the classical writers from the *Age of Reason* and *Age of Enlightenment* periods such as John Locke, Montesquieu, Jean-Jacques Rousseau, John Stuart Mill, and others that together with Greek political thought that constitutes what Schumpeter labels the “classical” doctrine of democracy. Schumpeter who writes about the failure of state, publishes his classical

work *Capitalism, Socialism and Democracy* (1994) during the Second World War. He did so with the failure of society governed by capitalism and socialism with the two world wars in his mind, based on this Schumpeter recognises the need for firm steering. Schumpeter therefore conceptualise democracy as a just system in which rulers are selected through competitive elections, it is defended because it is the only political steering system in which citizens can get rid of government without bloodshed, this is the idea of democracy as a minimalist democracy (Przeworski 2003). It is the idea of society as ridden with conflicts, values of interests, economic conflicts, moral conflicts, cultural conflicts, that justifies a call for strong leadership, an elected elite that can steer society clear of troubled waters. The competitive mechanism is what secures balance of power and interests, and secures that the “best” leaders are elected. Thus, to Schumpeter democracy is “only” a method to achieve this, and not an end in it self:

Democracy is a political *method*, that is to say, a certain type of institutional arrangement for arriving at political—legislative and administrative—decisions and hence incapable of being and end in it self, irrespective of what decisions it will produce under given historical conditions. And this must be the starting point of any attempt at defining it (Schumpeter 1994: 242).

In *Participation and Democratic Theory*, Carole Pateman (1970) criticises this elitist conceptualisation of democracy. She criticises Schumpeter for vagueness about the notion of classical democracy, it has never existed something as a “classical” theory of democracy, and the classical writers did not ignore the subject of leadership Pateman (1970) writes. Pateman identifies Jean-Jacques Rousseau and John Stuart Mill as the first theorist of ‘participatory democracy’. Pateman writes that Schumpeter has a too negative portrayal of the citizen’s capabilities for participation. Schumpeter for instance writes:

Party and machine politicians are simply the response to the fact that the electoral mass is incapable of action other than a stampede, and they constitute an attempt to regulate political competition exactly similar to the corresponding practices of a trade association. The psycho-technics of party management and party advertising, slogans and marching tunes, are not accessories. They are of the essence of politics. So is the political boss (Schumpeter 1994: 283).

This in contrast to John Stuart Mill, who introduced a double criteria for good governance, he said that a good governing system should make use of both the resources that exist in the population in a good way, and therefore result in good



decisions. Secondly this should be a form of governance that also *develops* the human capabilities in a good direction, something that in turn can lead to even better decisions (Midgaard 2004: 32). In Rousseau's writings participation is also important, because, as for with Mill, is it the educative effects of participation that is important. Both Rousseau and Mill are therefore in their way spokespersons for broad political participation (Midgaard 2004: 33). Participatory action is designed to develop responsible social and political action. Something that once it is established becomes self-sustaining. The more citizens participate the better they get at doing so. This is development of the human at the same time as it is development of the political democratic system. Participatory democracy is also empowering in the sense that it gives individuals the means to better control of their lives. When a participatory process is the basis of the decision-making process, then will also the individual accept collective action easier. Last, Pateman argues that participatory democracy has an integrative function, it builds society, because it contributes to creating a sense of belonging to a community (Pateman 1970).

The third core idea of democracy is democracy as deliberation. This is also the most recently developed democratic theory. The central claim of deliberative democracy is that democracy is defined by the existence of a free, inclusive, rational debate by citizens that determines the basic trust of public policy. In the course of this debate, citizens exchange views, persuade or are persuaded on the basis of sound reasons, and reach conclusions that represent a mutually agreed-upon position at the very least, and perhaps a vision of the common good (Rubin 2001). There is a substantial overlap between participatory and deliberative understandings of democracy. These two theories of democracy are mutually supporting. Edward Rubin writes that we very roughly can say that participatory democracy focuses on the *quantity* of citizen involvement, while deliberative democracy focuses on its *quality*. To meet the participatory standard all citizens must be politically active, but their involvement need only be sincere, not rational; to meet the deliberative standard, citizens must engage in rational discussion of the issues, but many need do nothing more than listen, talk, and vote, Rubin writes (Rubin 2001). Personally, I disagree with Rubin's appraisal of the distinction of deliberative and participatory democracy. In the sense that a participatory democracy without deliberative features does not make much sense, if participation also is about education and democratic "training", then a participatory theory of democracy

also must incorporate strong deliberative features for it to be meaningful. I therefore choose to view the distinction between participatory and deliberative democracy in egalitarian terms. Deliberative democracy can easily be conceptualised in elitist terms, for instance the deliberative processes occurring among an elected or unelected elite. Participatory democracy does not require that everyone participate in everything, but a minimum is that everyone affected by a decision should have the *possibility* to participate directly, and this participation must be governed by deliberative principles for it to be meaningful in an educative and a joint learning perspective<sup>29</sup>. Discussions of deliberative democracy are because of this not included in the further discussions.

The discussion of democracy ends with Robert A. Dahl's 'procedural democracy'. This ideal and normative theory of democracy represents in some ways a unifying position, as it broadly incorporates many of the central ideas and values associated with the three conceptualisations of democracy discussed here.

These three conceptualisations; competitive democracy, participatory democracy, and procedural democracy, are in chapter 7 discussed against some of the empirical findings about the regional system of regime steered governance in the Agder region.

### ***Participation***

The first historical record of democracy is the *direct-democracy* introduced in Athens by the aristocrat Kleisthenes some 2500 years ago (Hansen 1991: 4). Almost every writing on democracy starts with the distinction between direct and indirect democracy, or democracy and representative democracy, and it is often stated that direct democracy no longer exists (Sartori 1987; Hansen 1991). Such statements are true in the sense that they refer to direct democracy as a way of governing territorial states. The only other widely accepted example of direct democracy as a way of governing states, after the Greek city-states, is the Swiss cantons that existed in the sixteenth century. They constitute the only real parallel to Athenian democracy. Nowadays they do not, as they are only subordinate units, with limited local powers. In their day they were sovereign states governed by means of direct democracy (Hansen 1991). There are many other examples of direct democracy like for instance the New England town meetings but then also only at a municipal scale, or with limited political and economical power. The German *Urdemokratie* was by Montesquieu thought to be an example of direct

democracy, but this notion has later been abandoned by later historians and archaeologists (Hansen 1991: 2).

Similar analysis of the workings of the Athenian form of democracy is made by Robert Dahl (1989). Dahl characterizes the Greek democracy as a predominantly exclusive system of governance, but of course more inclusive than other systems of government that existed at the time. The Greek practice of *demos* excluded many, as a large part of the adult population was denied full citizenship, the right to participate in political life. No women could be citizens, neither could slaves or long-term resident aliens (*metics*), in addition, both your parents had to be born in Athens in order for you to gain citizenship (Dahl 1989: 22). Greek democracy was also externally exclusive, among Greeks democracy in a “modern sense” did not exist, it existed, and in the view of the Greeks could only exist, among members of the same polis. Neither did the Greeks acknowledge the existence of any universal claims to freedom, equality, or rights. Freedom was an attribute of membership in polis, not membership in the human race. Greek democracy was therefore inherently limited to small-scale systems (Dahl 1989: 23).

The idea of direct participation has however lived on, not any longer as a way of governing nation states, but as a steering mechanism in smaller social systems. Thus it is central to the ideas inherent in what often is conceptualised as participatory democracy, workplace democracy, industrial democracy, and economical democracy (Pateman 1970; 2003).

*Economical democracy* is here understood as worker control over enterprises and societal control over means of production, and should not be mistaken for Anthony Downs’ *‘An Economic Theory of Democracy’*, which is one of the cornerstones of rational actors theory (Monroe 1991: ix)<sup>30</sup>. Dahl is one of the most prominent advocates of workplace democracy in America (Dahl 1985), he has been troubled by the different ways in which those who govern polities and firms are chosen in modern society (Mayer 2001b). Dahl notes that while democracy is the norm in the state in the advanced industrial nations, authoritarianism prevails in the economy. Most employees are subject to managers they did not elect and to rules in which they had little or no say. They are subordinates, a role manifestly at odds with the ideal of the democratic citizen. Given the “contradictions between our commitment to the democratic ideal and the

theory and practice of hierarchy in our daily lives” (Dahl 1979: 68)<sup>31</sup>. Dahl has expressed interest in re-establishing symmetry between polity and economy through the democratic transformation of work.

In ‘*A Preface to Economic Democracy*’, Dahl claims that the self-managed firm is not merely desirable by contrast with the alternatives but is also a moral right of employees (Dahl 1985). According to this argument, labour is entitled to democratic voice in the firm as a matter of right, as a kind of compensation for subjection to the rules. In this way Dahl shifted the debate about workplace democracy from the question of its consequences to the question of what justice demands (Mayer 2001b). If power at work is a moral right of employees, then it is the entitlements of the individual that matter and not merely the relative desirability of this set of arrangements. Moral rights must be respected even if they do not benefit others. This is a position that, maybe especially in the US, is controversial.

Robert Mayer notes that despite Dahl's stature as the premier democratic theorist in the post-war era, surprisingly little attention has been devoted to his proof for the existence of a moral right to workplace democracy. Most of the reviews of ‘*A Preface to Economic Democracy*’ passed over the issue in silence (Mayer 2001b).

Dahl's thesis of the moral right to workplace democracy has spurred objections. Jan Narveson, a noted libertarian philosopher, insists against Dahl that there is a moral right to private property and that it trumps the putative right to democratic voice at work (Narveson 1992)<sup>32</sup>. McMahon observes that the right to exclude others from contact with an item is central to ownership. Ownership thus gives the owner of an item the right to control the uses to which others put it in the sense that he may veto any use proposed by someone else. However, it does not give him any right to tell anyone to put that property to the use that he wants. It is not a right to command labour (McMahon 1994)<sup>33</sup>. Ownership in itself is not a sufficient moral license to confer authority on managers. Hence, the fact that employers own all of the physical assets of a business does not entitle them to boss labour around. Conversely, a democratic reorganization of the enterprise would not confer power on labour to use another's property without the owner's consent. For this reason of democratic rights and property, rights are capable of peaceful coexistence, without the need to establish a hierarchy between them, since the one is concerned with power over people and the other with power over things. In an

economic democracy, owners could keep their property and workers would retain their voice, and their interactions in the marketplace would be governed by contract. Instead of capital hiring labour, in a democratic economy labour will hire capital, leasing it at interest from owners, but owners might remain free to keep their property if they do not wish to put it to productive use (Ellerman 1990)<sup>34</sup>.

Dahl should therefore not be regarded as a ‘radical revolutionary’. What Dahl seeks to take from capital is not the right to control property but the power to command labour (Mayer 2001b). Dahl’s response to this is that he never entailed to violate basic rights to property, or, for that matter, existing property rights in business firms. It could simply “entail a shift of ownership from stockholders to employees” (Dahl 1985: 113; 2001). Dahl is also criticized by Mayer because of the notion that employee-owned firms would be less effective than share holder owned firms in achieving such intermediate goods as investment, growth, and employment. To this Dahl notes that employee-owned firms could be as efficient as American corporations at present in minimizing “the ratio of valued inputs to valued outputs” both in the narrow sense ordinarily employed by economists, for whom the outputs are those valued by consumers, and in a broader sense that would include outputs “we as producers value” (Dahl 1985: 130; 2001).

A third set of criticism that has met Dahl is connected to the rights to a democratic process (Dahl 2001). Dahl explains the difference between Mayer and himself in terms of different ways of interpreting and understanding certain important economic and political aspects of the world in which they live. Dahl draws on the resemblances between a corporate business firm and a political system in the government of a state, to make his point clear. Like the government of a state, a firm's leaders are empowered to make decisions that are binding on those legally subject to them, that is, their employees. Dahl asks if employees are adequately qualified to participate in the firm’s decisions, should not they have the right to do so? And he continues with:

If we agree that they have a moral right to participate in governing a state, don’t they have a comparable moral right to participate in governing a firm? In both cases the right is, in my view, contingent on two assumptions: a moral judgment that the fundamental interests of all persons are entitled to equal consideration and a practical judgment that in general adults are qualified to participate (Dahl 2001).

Dahl then parallels Mayer with classical economists that viewed worker's acceptance of employment in a hierarchically controlled firm as a freely made choice, a contract, so to speak, voluntarily entered into by equals. So absolutely no coercion is involved. If the prospective employee signs away all "rights" to claim a voice in the government of the firm, she does so voluntarily. Working in a firm is not in principle different from joining a club. Dahl finds such line of arguing problematic and asks what empirical conditions would be necessary to make this description convincing? A perpetual state of full employment, for one thing. Dahl then rhetorically asks if Mayer would regard the acceptance of the employment contract as voluntary, entirely uncoerced, if a large numbers of workers are driven by the fear of unemployment to accept any job available. Dahl then notes with reference to Professor Mayer's own example of himself always having the option of quitting and taking a job at the local McDonald's, if circumstances compelled him to. Dahl then asks if he really would feel that his choice was perfectly free? Dahl therefore refuses to accept Mayer's parallel of joining work-life as similar to joining a club where you must accept the rules at the door. How many persons are free to decide not to work? Dahl asks. Secondly, Dahl notes that bargaining power not is evenly distributed in work-life. Persons who possess scarce and valued skills, like a Professor or a creative programmer in Silicon Valley, can gain de facto "rights" to participate in decisions that employees lacking these skills and other resources cannot hope to acquire (Dahl 2001).

Dahl is however pessimistic on the chances of such an economical democracy to be manifested in practice at least in any grand-scale. He lists two main reasons for this, firstly if employees themselves are not deeply concerned about re-casting the structures of ownership and control along the lines he proposed. Without their strong insistence, democratically governed firms are unlikely to flourish. Secondly, in the new service and information-based economy; efficiency may require that employees with scarce skills participate more in decisions. To insure a reciprocal flow of information and ideas, a firm's government may need to become flatter, less hierarchical, and more cooperative. This quasi-democratization among a firm's most valued employees may, however, effectively blunt demands for extending internal democracy to less privileged workers (Dahl 2001).

In his rejoinder to Dahl, Robert Mayer recasts his criticisms of Dahl for using firms and government as parallel cases. The differences between firms and polities are too significant to sustain the analogy (Mayer 2001a). However, advocates of workplace democracy can avoid that weakness if they recast the argument for the entitlement to voice at work. Mayer states that Dahl is forced into the parallel case because he begins with a minimal and uncontroversial principle of fairness: that equals should be treated equally. Mayer therefore suggests that we should start with a more robustly egalitarian principle of distributive justice as a condition for the entitlement, and that it then would be possible to side-step the parallel case altogether (Mayer 2001a). Mayer's suggestion on how to overcome the analogy reads as follows:

Consider this egalitarian principle of distributive justice: goods should be distributed so as to equalize burdens. If so, we might hold that employees are entitled to an equal share of power at work as compensation for the burden of obedience imposed on them as members of the firm. That burden cannot be eliminated, for any collective enterprise requires obedience in order to function, but the burden of obedience is mitigated by the bestowal of directive power. And if the burden is mitigated for some, it ought to be mitigated for all given the norm of equal burdens. Employees would therefore be entitled to an equal share of directive power in the firm (Mayer 2001a).

What Robert Mayer here is suggesting is a practice of workplace democracy in the US that could be labelled as not economical but industrial democracy as it has been practiced in most Scandinavian countries since the 1970s.

Democracy is often connected to different appendages. These appendages refer to different understandings, meanings, practices, and traditions of democratic theory. The following distinctions should therefore be made clear. *Industrial democracy* is here understood as representative or indirect democracy within enterprises, and *participatory democracy* is here to be understood as broad participation within enterprises or in other spheres of society (Heiret, Korsnes, Venneslan, & Bjørnson 2003). Another way of clarifying the distinction between industrial democracy and participatory democracy is to state that industrial democracy is democracy on development, of e.g. the firm, while participatory democracy is democracy in e.g. a development process.

Economical democracy was in the early 1960s a central aim both for the social-democratic party and for the labour union in Norway, but when the social-democratic party took over government and the labour union got more and more involved in the corporative steering system such visions got less prominent (Heiret *et al.* 2003: 145).

The start of industrial democracy in Norway is often connected to the collaborative experiments<sup>35</sup> that were initiated by action researchers such as Einar Thorsrud and Fred Emery in the early 1960s. Being inspired by the Tavistock Institute of Human Relations, the researchers aimed at democratising Norwegian work-life based on insights from sociotechnical organization theory. This tradition has also been called the ‘Scandinavian Model’ (Foss, Kvasdheim, & Ravn 2002). A model characterised by the following elements:

- (1) institutionalised cooperation between employers and trade unions (and the state); (2) sociotechnical thinking: the interrelationship between technology and work organization shapes the working conditions (Trist & Bamforth 1951; Trist 1981) (3) an effective work organization is based in a good sociotechnical fit, and is developed through a participative change process involving all relevant parties in the organisation (Foss *et al.* 2002: 171).

Developmental research done by Einar Thorsrud, Fred Emery and others therefore represented a stark contrast to Tayloristic management practices. Their work spurred waste experiments with self managed teams, that would collectively decide on their own work-situation and job design (Heiret *et al.* 2003). These initiatives are often listed as being examples of participatory democracy. These experiments also differed from the human relations school, where the focus was that workers should have the feeling of participation, the socio-technical school emphasized the importance of genuine participation. The technical system of the firm should therefore also physically adapt to the social system represented by the workers.

Throughout the 1960s it became apparent that the researches involved and the labour union differed in their perspective on the significance of representative democracy in the work place. The researchers concluded that worker representation in enterprise boards is not an efficient mean in order to realize industrial democracy (Thorsrud *et al.* 1964: 11; Heiret *et al.* 2003). They argued that for a worker to choose someone to represent him/her does not matter much if the worker does not have at least some degree of self-determination in the daily work situation. Gustavsen writes that the relationship between labour and management took the form of negotiations in an adversarial scenario, through representatives, over quantifiable objects (Gustavsen 2004b: 18).

For the researchers involved in these early action oriented research efforts, the democratisation of work life was only part of a greater theory on how to construct a



more democratic society (Heiret *et al.* 2003). Philip Herbst argued for instance that democratizing workplaces is the first step to enhancing democracy in society at large (Herbst 1976)<sup>36</sup>. Even if they did not formally cooperate with Carole Pateman their ideas represent parallels to her thoughts. Pateman's argument is that in a democratic society a certain degree of democratic attitude and quality is required, she criticizes contemporary democratic theorists for neglecting how such attitudes could be achieved<sup>37</sup>. John Dewey makes a similar point, he contended that democracy should be confined to the enlightenment of the elite, and highlighted the importance of public deliberation in political decision-making (Dewey 1991 [1927]). Dewey recognized that intervention by the public is not possible without a better organized and educated public, but argued that lack of education, stupidity, and intolerance lead to bad governance in democracies. Thus, argues Dewey, the democratic system is not responsible for the poor decisions of the public in local policy-making, such as the prohibition of the teaching of evolution in schools. For Dewey, the weaknesses of democracy are symptoms, rather than causes, of the problems of modern society (Dewey 1991 [1927]; Schugurensky 2004).

Industry-wide programmes based on agreement that developed in the 1980s, between the social partners, evolved in the 1990s. This agreement led to a development programme labelled Enterprise Development 2000 (Colbjørnsen, Pålshaugen, & Gustavsen 1998; Gustavsen *et al.* 2001; Levin 2002). The main thrust of this programme was not to expose the enterprise actors with still more ideas about what they could do, but to make them able to grip their own situation and make ideas about organization serve their own purposes. This was thought done through collective efforts under broad participation with conversations as the core vehicle (Gustavsen 2004b: 26). The core unit of the programme was the module, defined as a set of enterprises and researchers working together (Gustavsen 2004b: 27). The Enterprise Development 2000 programme reached its end in the summer of 2001.

If we examine the Enterprise Development 2000 programme, in terms how much it contributed to a more democratic work-life, and then indirectly how much it contributed to a more democratic society the following points are worth noting.

The researcher's own assessment of the programmes working is presented in Morten Levin's *Researching enterprise development: action research on the*

*cooperation between management and labour in Norway*' (Levin 2002). In this volume, Johnsen and Claussen assess the Enterprise Development 2000 programme in terms of democracy and participation. They note that many cases in Enterprise Development 2000 showed major emphasis on direct participation in the developmental activities conducted in the different modules. They do however also note that it is the formal representation for instance through the union, the management, and the shop stewards, that seems to have been most dominant in the developmental processes. At first sight, there seems to be no indication that the different participatory aspects have any impact on the actual character of the development activities as such (H. C. G. Johnsen & Claussen 2002: 236). In addition, they continue with asserting that neither direct nor indirect participation managed to stimulate any noteworthy change of the capacities in the organization. They also find it difficult to grasp any articulated resistance that could give birth to changes and processes not outlined by the initiators of the developmental activities. They therefore conclude that there seems to be little or no democratic opposition and alternative cases articulated in the different cases in the Enterprise Development 2000 (H. C. G. Johnsen & Claussen 2002: 237). I think that one way of reading Johnsen & Claussen's somewhat unflattering assessment of a programme that builds on such strong democracy traditions, achievements concerning democratization processes, is to recognize that the Enterprise Development 2000 programme did provide some opportunity for participation, in a broader sense than only indirect, but that these opportunities by large were unused.

Despite of this, the Enterprise Development 2000 programme succeeded with the new and similar initiative Value Creation 2010. One main purpose of this programme was to diffuse the learning from Enterprise Development 2000 (Gustavsen 2004b: 27). The goal of Enterprise Development 2000 was to establish relationship between groups of researchers and enterprises. Value Creation 2010 aimed wider and was more complex in the sense that the idea of regional partnerships was more strongly applied. One of the aims of the Value Creation 2010 programme is to help form and strengthen already existing regional partnerships (Gustavsen 2004b: 28). This shift in perspective also leads to new perspectives and development initiatives being set on the agenda, such as regional innovation, regional politics, and economics. The crucial point of this new action research approach was to integrate the ideas and interests of as many regional

stakeholders as possible, thereby introducing an element of *industrial democracy* and participation into regional development (Fricke & Totterdill 2004: 5).

The perspective on participatory development present in central texts surrounding the two programmes Enterprise Development 2000 and Value Creation 2010 is often one that highlights the importance of the communicative aspects of human interaction. New development initiatives are supposed to emerge from dialogue, where actors are partners in conversation, meaning relating to each other in certain ways (Shotter & Gustavsen 1999; Gustavsen 2004b). Ennals and Gustavsen (1999) define dialogue as conversations or discussions between equal partners, characterized by openness, willingness to listen, to accept good arguments, and generally to learn from each other. This requires trust among participants. Trustful dialogue is in this sense the one core element in the establishment and evolution of developmental work.

This is because only through dialogue will it be possible for all participants to really learn, because dialogue is the only kind of communication that allows for learning through linking one's own experiences with those of others, and in such a way that no initial preference is given to any of the experiences as being more valuable or more superior than the others (Ennals & Gustavsen 1999: 81).

Shotter and Gustavsen describe these processes within the region's development organizations ideally as a *mental shift*, occurring when participants including the researcher gain what they call a relational-responsive understanding of a region's inner-life. They describe this as a shared, felt sense of what, in practice, given certain momentary surroundings, participants' gain of what they should do for the best. This responsive-relational understanding from the "inner life of a region" allows each individual participant, not only to gain a sense of their present place or position in relation to all the other relevant actors around them, but also a sense of the particular openings or invitations offered to them by the region for their own future actions (Shotter & Gustavsen 1999: 13).

It is apparent that Ennals, Shotter, and Gustavsen see trust as a central key for succeeding with these regional developmental activities. They do however not prescribe actions to be taken where trust is lacking, or when interests are so strong and conflicting that they apparently cannot be mediated through friendly round the table dialogue. It is therefore legitimate to criticize them for not having chosen to include concepts as power and strategic action in their theories on how to bring industrial democracy out in the

regional sphere, for a discussion of this specific point see (H. C. G. Johnsen & Normann 2004b).

Pateman's answer is that democratic attitudes are most importantly developed in the industry, because most people spend so much of their lifetime at work and the climate for education in collective affairs is especially promising (Pateman 1970). Pateman's point is compelling even if it has been heavily criticised by other more orthodox democratic theorists. How can we expect a democratic society to evolve, if the citizens get no training and sense of what it means to be democratic? In addition, is not the work place the most natural place to do this training? This rather simple idea has spurred the notion that if we can make the work-place more democratic through action research why can we not also make regions more democratic through action research, and would this represent processes that would lead to a more democratic society overall?

In order to understand the concept of democracy in a meaningful way we must go beyond theories about representative government and classical elite doctrines of democracy like those put forward by e.g. Schumpeter (Pateman 1970; 2003). Pateman (2003) argues that a contemporary theory of democracy, participatory democracy, must be built around the central assertion that individuals and their institutions cannot be considered in isolation from one another. The existence of representative institutions at national level is not sufficient for democracy. She argues that the major function of participation in the theory of participatory democracy is an educative one, in the very widest sense. Therefore, for a democratic polity to exist, it is necessary for a participatory society to exist, i.e. a society where all political systems have been democratised and socialisation through participation can take place in all areas (Pateman 2003: 41). Carole Pateman's point is that there are no fields of society, not the market, not industry that legitimately can be excluded from participation and the democratic process. Politics and democracy are not subjects that are or should be confined only to representative institutions, a similar argument to that found in Dahl's *A Preface to Economic Democracy* (Dahl 1985).

Our understandings and assessments of whether an evolving governance system is democratic or not, should take this important point into account. These are also the principles that should be institutionalised into the practical organisation of new

institutions we develop for meeting our regional “challenges”. Robert Dahl’s (1963: 6) definition a political system is in line with such views: “*any persistent pattern of human relationship that involves to a significant extent power, rule or authority*”<sup>38</sup>. If politics also exists outside representative institutions, then must also these processes be governed by democratic principles, if they shall contribute to a more democratic society overall.

However, increased participation does not in it self mean increased democracy (Stone 2002). The development of new arenas for participation, networks, partnerships, development coalitions etc, in a regional sphere does not automatically mean that we have added positively to democracy, as discussions in previous chapters should be ample examples of. In assessing these institutions in terms of democracy, we must assess what they do, what interests they articulate, and how they are organised and function. Put in other words, in terms of democracy, governance structures must be assessed to their ability to empower all of citizens’ interests and challenges, and we must not let one policy agenda, dominate, and marginalise other policy agendas. If we do, we loose both access to new possibilities for development because of a narrow and exclusive focus, but also important elements in what we would like to think of as a democratic society. Therefore is it important for us as a society to forcefully address the ‘democracy in development’ challenge.

### **Summary**

Some of the elements in a participatory understanding of democracy is summarised in the table below:

Tab. 3-8: *Some Features of Participatory Democracy, adaptation of Blatter (2002)*

<b>Conditions:</b>	<b>Participatory Democracy</b>
<b>Aim of policy and political institutions</b>	▪ Achieve efficiency understood as working well without waste, the measurement of input/output ratio. To realise the will of the people by the people.
<b>Criteria for Success</b>	▪ A predetermined goal is not the standard but evaluative efforts linked to the effort needed to reach that effect – efficiency.
<b>Perspective</b>	▪ Bottom-up.
<b>Necessary condition to implement the will of the people</b>	▪ Participation, learning, public discourse, recourses, and technical expertise.
<b>Participatory mechanism</b>	▪ Voice, Choice, Loyalty.
<b>Institutional structure</b>	▪ Decentralisation and fragmentation of power.
<b>Basis of collective action</b>	▪ Involvement commits individuals to collective action.

When we move the discourse on democracy to the societal level it is not however ideas related to participatory democracy that dominates the discourse. The central concepts here are indirect, adversary, representative, or competitive democracy.

### ***Competition***

Émile Durkheim (1858-1917) and Max Weber (1864-1920) were at the end of the 19<sup>th</sup> century dealing with the *modernisation* processes of society. Especially Max Weber can be said to have a rather cynical view on politics and modern democracy in particular. Weber (1990) is often regarded as the originator of the elitist understanding of democracy. When Weber argues in favour of elite democracy, he does this with the transition from the traditional rural society into the modern industrialised society in mind. Weber (1990) argues that for direct-democracy to work, there must be limits on how many who can participate, there should also be relatively small economic and social differentiation among citizens, the administrative functions of government should be relatively stable and predictable, and the participants should have a certain degree of objective judgment. Weber states that none of these conditions are present in modern society and that direct democracy therefore is impossible.

Since Weber concluded that the ideal of direct democracy was impossible, he develops a functionalist, not normative, set of arguments for the supremacy of an indirect form of democracy. Since politics in Weber's view primarily is a struggle for limited benefits, modern politics is a process where struggle for power and negotiation between interests, is preserved by professional politicians. Whoever is involved in politics strives for power, either as a mean, or as a goal in itself. Weber still sees functional benefits with this type of democracy, it brings forth leaders that can lead a nation, transparency secures that competitive points of view are put forth, indirect democracy secures forums, national assemblies, where compromises can be negotiated etc. (Weber 1990).

Joseph Schumpeter (1883-1950) continues Weber's elitist perspective on politics, and he lays the ground for an economic theory of democracy, which later is pursued by Anthony Downs, and the public choice tradition. Here politics is understood as a parallel to economics, and political actors act only out of self-interests (Monroe 1991)<sup>39</sup>. Democracy has here, as previously discussed, not any value in itself; it is only the mean

for decisions to be made legally and legitimately. Democracy is really only the choice between different political elites, not people's influence on important matters of society. Richard Swedberg, who has written an introduction to the 1994 edition of Schumpeter's *'Capitalism, Socialism and Democracy'*, notes that:

Through his splendid discussion of democracy, Schumpeter joins the small number of thinkers who have made seminal contributions to this theory. Granted this, the question must none the less be raised if Schumpeter does not overdo his attack on "the Classical Doctrine of Democracy", and end up with a far too negative, not to say cynical view of democracy" (Schumpeter 1994: xix).

The role of the people is not to produce decisions, but to produce government. Thus, deciding on the issues is secondary to deciding on the electorate (Schumpeter 1994: 269). He therefore defines democracy as:

The democratic method is that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote (Schumpeter 1994: 269).

Another significant feature of the elitist model of democracy is that it rejects proportional representation, because it may prevent efficient government. Whoever are elected, are elected, and with that they get majority vote. Schumpeter writes:

It is in fact obvious not only that proportional representation will offer opportunities for all sorts of idiosyncrasies to assert themselves but also that it may prevent democracy from producing efficient governments and thus prove a danger in a time of stress. [...] If acceptance of leadership is the true function of the electorate's vote, the case for proportional representation collapses because its premises are no longer binding. The principle of democracy then merely means that the reins of government should be handed to those who command more support than any of the competing individuals or teams. And this in turn seems to assure the standing of the majority system within the logic of the democratic method, although we might still condemn it on grounds that lie outside of that logic (Schumpeter 1994: 272-3).

### **Summary**

The table below summarises competitive democracy as a set of principles using the same criterions as for participatory democracy:

Tab. 3-9: *Some Features of Competitive Democracy, adaptation of Blatter (2002)*

<b>Conditions:</b>	<b>Competitive Democracy</b>
<b>Aim of policy and political institutions</b>	<ul style="list-style-type: none"> <li>▪ Achieve effectiveness understood as the ability or power to have a noticeable or desired effect in respect to intended, purposeful activities. To realise the will of the people for the people.</li> </ul>
<b>Success criteria</b>	<ul style="list-style-type: none"> <li>▪ The degree of which a predetermined goal is achieved – effectiveness.</li> </ul>
<b>Perspective</b>	<ul style="list-style-type: none"> <li>▪ Top-down</li> </ul>
<b>Necessary condition to implement the will of the people (majority)</b>	<ul style="list-style-type: none"> <li>▪ Political control, recourses, professionalism, and technical expertise.</li> </ul>
<b>Participatory mechanism</b>	<ul style="list-style-type: none"> <li>▪ Choice, Vote, Loyalty</li> </ul>
<b>Institutional structure</b>	<ul style="list-style-type: none"> <li>▪ Centralisation and consolidation of power</li> </ul>
<b>Basis of collective action</b>	<ul style="list-style-type: none"> <li>▪ Hierarchical order and majority vote</li> </ul>

Given the discussions and presentations of participatory and competitive democracy, I continue with a discussion of Robert A. Dahl’s work associated with ‘procedural democracy’. Dahl has as we have seen been involved in a wide range, if not all, aspects of democratic theory, he has as few others, set the standards for the modern discourse on democracy, always moving fluently and easily from participatory forms of democracy (economical democracy), to his discussions of representative forms of government (polyarchies), and back. In doing this Dahl, in my opinion, is in reality showing us that democracy and democratic theory is not two, three, five or ten different things but essentially one phenomenon that, yes, is manifested on many different practices and levels, but that democracy itself, in essence, through its inherent values is only ‘one’ thing.

***A Unifying Position?***

The basis of democracy is that we are born equal, and that those in power must accept this equality. The democratic value equality does not stop by an equal right to vote, it also requires an equal right to set the policy agenda. The reason systems that we ordinarily think of as democratic in practice and theory are not is because that these systems do not fulfil the basic democratic principle of equality<sup>40</sup>. Much has been achieved in the 20<sup>th</sup> century with respect to political equality like the right to organise and vote, but with respect to economic equality, much has actually been lost<sup>41</sup>, so, what then qualifies democracy?

We are living in a system with democratic features such as the right to organise and participate in political life, but that is not enough to characterise our political



systems as democratic. As long as preference is given narrow interest, equality cannot be obtained. Putnam argues that as long as associationalism is biased, as virtually every study suggests it is, basic egalitarian rights are still lacking (Putnam 1995; 2003). Putnam (2003: 159) also quotes Schattschneider (1960), who eloquently phrased this point as: “The flaw in the pluralist heaven is that the heavenly chorus sings with a strong upper-class accent”. This point is also been made famous by the Norwegian political scientist Stein Rokkan: In a book, edited by Robert Dahl, Rokkan wrote tellingly: *Votes count, resources decide* (Rokkan 1966). The dilemma of pluralistic democracy is therefore that “ideal democracy” requires equalitarian distribution of resources in order to realize the demand for political equality (Dahl 1982).

Robert A. Dahl is a stark critic of ideological certainty, disregarding if such certainties stem from socialism or capitalism. Dahl’s work has always represented critical, methodological, conscientious, and patient examinations of ideological claims, through careful documentation and research. However, Dahl is also a constructive social scientist, pointing to alternatives when identifying dilemmas and problems with modern democratic practices. Democracy is therefore an ideal for Dahl, something we as individuals and societies should work systematically and continuously to improve (Hagtveit 1992). Thus Dahl, as Michael Bailey and David Braybrooke notes, is not only a democratic theorist, as everybody realizes. He is an unremittingly radical democratic theorist who, like Dewey before him, believes that the cure to the problems of democracy is *more* democracy (Bailey & Braybrooke 2003: 116).

In *‘Democracy and Its Critics’* Dahl sets out to define democracy, to show why it is the best form of government, why there are no better alternatives and how democracy could be improved substantially (Dahl 1989). In Dahl’s terminology, representative democracy, as it is practiced in the industrialised world, is *polyarchy*, and he therefore reserves the concept of democracy for an ideal situation that we probably never fully can attain. To understand how Dahl thinks about democracy, it can be helpful to differentiate between two different epochs of his long career as democratic theorist. The early Dahl is often associated with pluralism or classical pluralism. These early writings of Dahl were much influenced by Schumpeter and others, Dahl sought to restore the tradition from political economy with scholars such as Adam Smith, David Ricardo and Karl Marx as its founders (Fabbrini 2003: 120). A central thought within classical

pluralists theory is that citizens through the election channel decides who the governing elite will be. These elites operate much as described by Weber and Schumpeter, but he differs from them when he states that citizens can influence the political system through other channels, e.g. through organising into different forms of interests groups etc. Politics is now regarded as a bargaining game, not only between different elites, but also between the political elites and civic organisations. The idea is that the different civic organisations outweigh and balance each other so that representative decisions are secured. That different interests will differ in their bargaining power is observed, but not criticised.

It is this version of pluralism that Carole Pateman criticises when she uses Schumpeter's elitist democracy as her "chopping block" and singles out Berelson, Dahl, Sartori and Eckstein as his followers (Pateman 1970). The 'later' Dahl is undeserving of Pateman's characterisation, and Dahl has vividly rejected that his pluralistic democracy theory could be paired with Schumpeter and that he then indirectly could be termed an elitist (Dahl 1966).

Neo-pluralism, which was briefly discussed earlier in relation to governance and regime theory, builds on the following central thesis in relation to democratic theory. Pluralism is a result of groups and individuals in society's wish to be autonomous of others whom they have an antagonistic relation to. Such tendencies can be suppressed and restrained by authoritarian regimes but not eliminated. Organizational pluralism is therefore a necessary condition for, but not an unproblematic consequence of democratic regimes. Organizational pluralism leads to two main problems: Inequality understood as unequal influence and thereby control over resource allocations in society. Secondly, the segmentation of inequality, where the balance of power between different organizations leads them to veto changes that could lead to a reduction of existing imbalances. This constraining relationship is demonstrated by the fact that although a democratic regime is safest in a capitalist market system, such market systems have nonetheless prevented democratic regimes from fully developing their potential. There has e.g. never been a democratic regime in the absence of a capitalist market system, but there have been several capitalist market systems that have not been associated with a democratic regime (Fabbrini 2003: 120).

Dahl sees several potential solutions to these problems. One is to gather society around a common interest. The problem with this approach is that what constitutes a common interest always will be controversial, and that in itself such an approach could have the effect of being dividing (pluralizing). Another is to centralize the decision-making process. The problem with this is that when underlying organizations give up power to a centre, the new and stronger centre can use this opportunity to gather power and resources on its own hands, which in turn can be the foundation of a new ruling class. A third possibility discussed by Dahl is to decentralize the decision-making process. However, this can in turn lead to increased social and economic injustice. Dahl therefore concludes that there do not exist any real solutions to the dilemma of pluralism (Dahl 1989).

Dahl says Democracy is an ideal that never can be fully attained, but he outlines what type of conditions that should be present in a system of governance in order for it to be labelled democratic. These conditions are formulated as five criteria of the ideal democratic procedure (Dahl 1985; 1986a; 1989). In the following these are used as a ‘benchmark’ of democratic regional governance. Robert A. Dahl writes:

Let me start by assuming that each of a number of persons has in mind the idea of forming an association for certain purposes, or changing an already existing association in order to adapt to conditions as they now understand them. [...] Suppose one believes that the following assumptions are valid:

(A.1.) There is a need among the members or putative members for *binding decisions* on at least some matters, and for a process that will evaluate in binding decisions on these matters. [...]

(A.2.) A process for making binding decisions ought to include at least two stages: setting the agenda and deciding the outcome. [...]

(A.3.) Binding decisions should be made only by members. [...]

(A.4.) Equally valid claims justify equal shares. [...]

(A.5.) The claims of a significant number of members as to the rules, politics etc., to be adopted by binding decisions are valid and equally valid, taken all around, and no member’s claims are, taken all around, superior or overriding in relation to the claims of this set by the members (Dahl 1986b: 191-4).

Dahl then writes that these issues are central to the problem of inclusion: what persons have a rightful claim to be included in the demos? If these assumptions are valid for the group in question, then it is reasonable to hold that the procedures by

which the demos are to arrive at its decisions ought to meet certain criteria, which Dahl calls the criteria of procedural democracy (Dahl 1986b: 195).

The first criterion outlined by Dahl is that of *voting equality*. In order to make binding decisions it must at the decisive stage be taken into account and equally into account, the expressed preferences of each member of the demos as to the outcome. If this criterion was not met would one or more of the assumptions above be broken (Dahl 1986b: 195-6).

The second criterion outlined by Dahl is that of *effective participation*. Through the process of making binding decisions, one must have an adequate opportunity, and an equal opportunity, for expressing his or her preferences as to the final outcome. This means that citizens must have an equal opportunity for placing questions on the agenda, and for expressing reasons for endorsing one outcome rather than another. If some citizens have less opportunity than others do, then their preferences as to the outcome are less likely to be taken equally into account. Not to take their preferences equally into account is to reject the criterion of voting equality, and thus to deny the condition of roughly equal qualification, taken all around (Dahl 1986b: 196-7).

The third criterion outlined by Dahl is that of *enlightened understanding*. In order to express his or her preferences accurately, each citizen ought to have adequate and equal opportunities for discovering and validating, in the time permitted by the need for a decision, what his or her preferences are on the matter to be decided. This criterion implies that alternative procedures for making decisions ought to be evaluated according to the opportunities they furnish citizens for acquiring an understanding of means and ends. Dahl therefore writes that it would be hard to justify procedures that cut off or suppressed information which, if available, might well cause citizens to arrive at a different decision (Dahl 1986b: 198-9).

The fourth criterion outlined by Dahl is that of *control of the agenda*. On this criterion Dahl writes: “let us imagine during the Nazi occupation of Norway, Hitler had allowed the Norwegians to use their democratic political institutions for one or two matters—driving speed for civilian traffic, let us say—but nothing else. If the Norwegians had gone along with this arrangement, we might conclude that while they had retained some nominal degree of “democracy”, in a broad sense they had lost it” (Dahl 1986b: 200-1). Final control of the agenda by the demos is therefore that: “The

demos must have the exclusive opportunity to make decisions that determine what matters are and are not to be decided by means of procedural democracy” (Dahl 1986b: 201).

The fifth and last criterion of procedural democracy outlined by Dahl is that of *inclusiveness*. It concerns the question of the demos. Who can participate, and what principles can we apply in making such decisions in a democracy? Dahl starts the discussion with outlining two more assumptions:

(A.5.1.) The full condition of equal qualification. With respect to all matters, citizens are qualified, and equally well qualified, taken all around, to decide which matters do or do not require binding decisions; of those that do, which matters the demos is qualified to decide for itself; and the terms on which the demos delegates authority (Dahl 1986b: 202).

(A.6) The good of each member is entitled to equal consideration, *and* each member is assumed to be the best judge of his or her own interests in the absence of a compelling showing to the contrary (Dahl 1986b: 222).

Based on this, he sets his fifth criterion of procedural democracy as: “The demos must include all adult members of the association except transients” (Dahl 1986b: 221).

Robert Dahl outlines what type of conditions should be present in system of governance in order for it to be labelled democratic in a procedural sense, and also that he does not expect to find these criterion met in any ‘real world’ system, but that they can be used to asses the democratic qualities of ‘real world’ systems:

At best any actual polity is likely to be something of an approximation to procedural democracy. [...] Instead, the criteria serve as standards against which one may compare alternative procedures in order to judge their relative merits according to the criteria of procedural democracy: to compare different systems in order to judge their relative approximations to procedural democracy; and to compare a given system over time in order to judge whether its trend, if any, is toward or away from procedural democracy. I do not hold that the criteria of procedural democracy fully define the notion of a good polity or good society. But to the extent that procedural democracy is worthwhile, then judgements of the sort I just mentioned bear directly on the relative worth or goodness of political arrangements (Dahl 1986b: 221-3)

Even if Dahl writes that it cannot be expected that all of the five criteria are fully being met in a ‘real world’ system, there are other standards that could be met. Dahl (1986b: 222) writes that if the two first criteria are met:

(C.1.) Voting equality

(C.2.) Effective participation

Then will also the system approach procedural democracy in a narrow sense. If in addition to this, also the fourth criterion is met:

(C.4) Final control of the agenda

Then will also the system approach full procedural democracy in relation to a demos. If in addition to the these three criteria also the third criterion is met:

(C.3.) Enlightened understanding

Then the system will approach full procedural democracy with respect to an agenda and in relation to a demos. Only if the fifth criterion, in addition to the four others also are met:

(C.5.) Inclusiveness

Does the system/association also approach full procedural democracy.

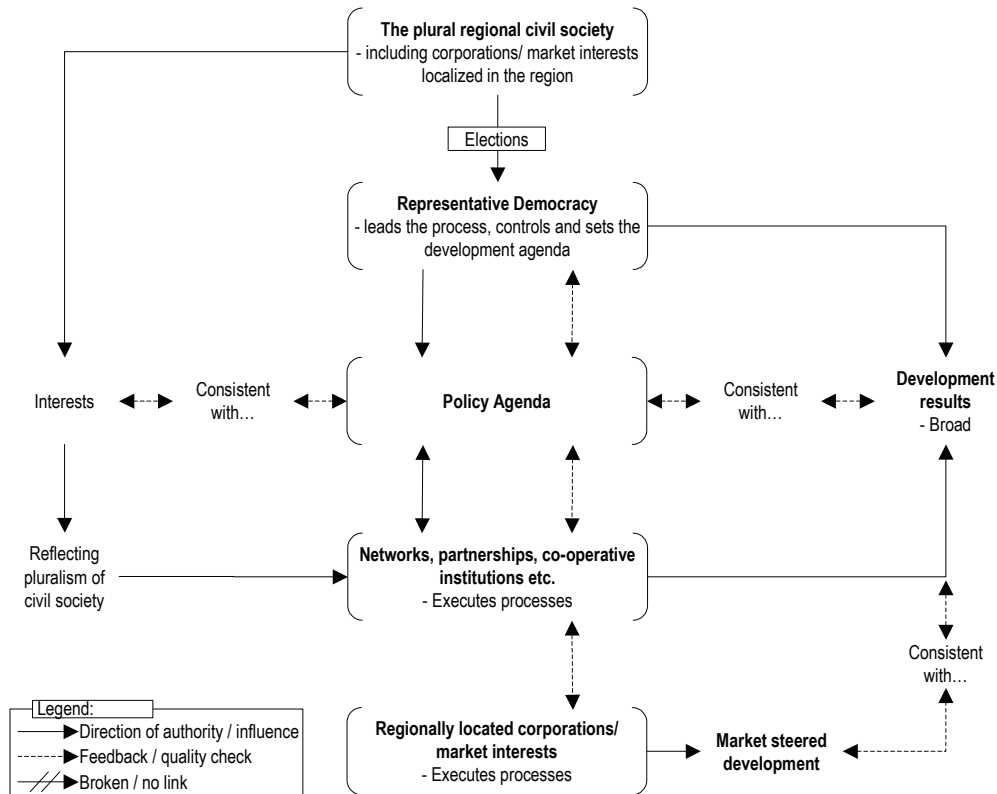
**Summary**

The table below summarises the main points of procedural democracy for further reference:

*Tab. 3-10: Some Features of Procedural Democracy*

<b>Conditions:</b>	<b>Procedural Democracy</b>
<b>Voting Equality</b>	<ul style="list-style-type: none"> <li>▪ In order to make binding decisions must it at the decisive stage be taken into account and equally into account, the expressed preferences of each member of the demos as to the outcome.</li> </ul>
<b>Effective participation</b>	<ul style="list-style-type: none"> <li>▪ Citizens must have an adequate and equal opportunity for expressing his or her preferences as to the outcome.</li> </ul>
<b>Enlightened Understanding</b>	<ul style="list-style-type: none"> <li>▪ Equal access to information, adequate and equal opportunity for discovering what his or her preferences are on the matter to be decided.</li> </ul>
<b>Control of the Agenda</b>	<ul style="list-style-type: none"> <li>▪ Demos must have the exclusive opportunity to make decisions that determine what matters are and are not to be decided by means of procedural democracy.</li> </ul>
<b>Inclusiveness</b>	<ul style="list-style-type: none"> <li>▪ Demos must include all adult members of the association except transients affected by binding-decisions.</li> </ul>

The figure below is meant to schematically model the relationship between the different spheres of society if pluralism and equality in regional development if some of the ideal conditions of procedural democracy were met in a regional governance systems. The model should be compared to the similar but believed to be more empirical accurate model in chapter 7.

Fig. 3-3: *The Networked Region – Plurality of Interests Addressed*

The discussions of the new regional narratives, the regional development concepts, the three perspectives on governance and regimes, and the three models of democracy represents the main components of the analytical framework that is used in order to address the research questions of this thesis.

### 3.7 – Research Questions

In chapter 1, I introduced the main research question of this thesis. This is an enquiry into the rationale behind, and my experience of, that, democracy as a value and practice seemingly having a less than influential presence in regional development discourses and practices. The contextual outline, presented in chapter 2, of the Agder region indicates ongoing institutional and conceptual changes and transformations in the Agder region in direction of what is meaningful to conceptualise as a regional system of governance, this point is addressed separately in chapter 7. In chapter 3, we have seen how different theoretical conceptualisations of governance also can constitute the basis for different interpretations of some of the properties of the regional governance

systems, and we have seen that discourses on democracy provides different standards on how democracy in a regional governance and development context shall be evaluated. The main research question of this thesis, read as follows:

*Main RQ: Why is democracy disappearing from regional development?*

The research question is in part a provocation, in part a critique of current practices, and in part a critique of current “mainstream” theoretical discourses on both development and democracy, as suggested in chapter 1. However, as the critical reader rightfully would note, I could also recognise that change and development in society is not dependent upon development processes being done in a particular democratic fashion. Many will argue that democracy just slows down such change processes, that democracy is an unnecessary step that obstructs the required changes or that democratic values and principles can be adhered to in other ways. My objection to such arguments is rooted in that I apply a different set of success criteria than those putting forward such arguments, that I have a different normative basis for my interpretations of practice. A development process based on democratic principles is as I see it fundamentally different from a change and development process based on for instance elitist pre-conceptualisations. I will in this thesis show examples of this, and argue that a development process rooted in democratic principles not only will be normatively preferable, but that they also can be more efficacious and substantially better in addressing many of the same goals as such elitist and instrumental views of society have. The main difference is that the democratic development process in addition to being different also challenges the goals of the development processes set out by the elitists.

The main research question of this thesis is complex to address directly. I therefore approach the main research question through discussions and analysis of three subsidiary questions, that when addressed support the process of discussing and reflecting on the main research question. These subsidiary and more operative research questions, are formulated in such a way that they can be addressed and are relevant for both for the context of this study, the regional governance system in the Agder region, and the general theoretical outline of this study.



The first research question relates to an analysis of the action research project that was supposed to develop and work within a regional development coalition. This institution is in this thesis conceptualised as a regional governance institution and therefore also a part of the regional governance system in the Agder region. Working with this institution for almost 5 years is in a way the backbone of this thesis. This was a project that went through many phases, see chapter 5. At one stage, the project got into a negative spiral of events and resulted in a conflict between the partners involved in the project. Such events can be personally disturbing when they unfold, but they can also be of special interest analytically when we analyse them in hindsight. This is because when conflicts emerge they teach us important lessons about rationality, institutional robustness, embedded power structures, perspectives on democratic processes, and more. Understanding the dynamics of this conflict is therefore the first stepping-stone in addressing the main research question of this thesis. The first subsidiary research question of this thesis is addressed in chapter 7, and it reads as follows:

*RQ1: Why did the Value Creation 2010 project at Agder result in a conflict?*

To understand why this happened and how it can be interpreted is important given the framing of the main research question. The question is if we can learn something from the Value Creation 2010 case that has any relevance for understanding the workings of the larger governance system in the Agder region. The second subsidiary research question addresses features of the governance system that is of a more systemic nature than the first question. The second subsidiary research question relates to the view that it would be difficult to understand a subsystem, the regional development coalition, without understanding the workings of the larger governance system it operated within. That is to say, a set of assumptions that recognises the impact of context, environment, the politico economical and institutional system, the Value Creation 2010 project at Agder aimed at influencing and changing, and it self was influenced and changed by.

The idea that governance networks are systems that are governed by meta steering processes is common to most theories about governance, and it is an idea that is common to the three perspectives used in this thesis. In this thesis, such meta steering

processes are conceptualised as regime processes, see discussion in chapter 7. Development coalitions, partnerships, networks, temporary organisations, etc. aimed at addressing specific development issues are almost by law of nature inclined towards achieving consensus. A certain level of consensus is almost a functional necessity for such institutions in order for them to move forward and act in a constructive manner. The basis for this consensus can have many sources, and some are discussed in this thesis. However, consensus can also have unwanted and repressive effects on creativity, the exploration of alternative development paths, alternative models of thought, etc. The inherent drive towards consensus in governance institutions means that they also have a strong disposition towards applying to predefined problem descriptions and solutions, for instance those inherent in the regional development concepts, such as cluster thinking, creative class, learning regions, triple-helix etc. Such predefined concepts and ideas should not be interpreted as “empty shells” that can be filled at will with new meaning when placed in a new context. These concepts are often inclined to specific understandings of society, the direction of societal development, and what must be done in order for society to move in the wanted direction. They represent in this sense normative and highly politicised conceptual understandings of development, economics, and society. Nonetheless, they are also very attractive for consensus-seeking institutions, because they represent a focal point for attention in what otherwise, can be a complex, and diffuse institutional landscape. These are insights that could lead us to getting a broader and more complex view on the relationship between a meta steered regional governance systems, democratic values, system efficiency and effectiveness. The second subsidiary research question of this thesis, is as the first addressed in chapter 7, and reads as follows:

*RQ2: What are the central characteristics of the regional regime and governance system in the Agder region?*

The composition and analysis of this research questions using three theoretical perspectives then provide an additional component of the analysis and address of the main research question. The central concepts inherent in this research question are regional governance and regional regime. Thinking of these questions in terms of

methods and data means that we also should have a strategy to determine if, and in what sense such concepts are meaningful to apply on the time and place of this study. The following questions therefore also need to be addressed and answered:

1) *How do we, or can we know that the politico economical steering and development system in the Agder region can meaningfully be characterised as a governance system?* The answer to this question is much determined by how we theoretically have chosen to define and conceptualise governance. This thesis has introduced three such understandings, and if we look at the commonalities in these definitions, we can narrow it down to that governance is societal steering in a particular policy area that to varying degrees are disintegrated from representative democracy and/or the market. We should therefore focus on how our data reflects on the following three questions: a) Which policy areas are subjugated to governance process and control? b) Where are political decisions made? And c) Which and what type of actors have access to participating in making these decisions? This topic and questions are addressed in the beginning of chapter 7.

The second question I need to address in relation to this is: 2) *How do we, or can we know that the governance system or parts of it is meta steered by a regional regime?* The answer to this question is also much determined on how we theoretically have chosen to define the concept in question. The use of the regime concept has, as discussed, been criticised for being too descriptive, see for instance (Dowding, Dunleavy, King, Margetts, & Rydin 1999; Dowding 2001; Davies 2002; 2003). The problem according to Dowding (2001: 7) is that the “regime” label is being applied to any coalition of forces around a local government and becomes merely descriptive of the ideology or, less grandly, the policy preferences of that government. Dowding therefore suggest a strategy on how the regime concept can be “revitalised”. Namely to focus on the underlying explanatory factors which can make it powerful and which can be used to explain why regimes sometimes fail to maintain themselves, or to form in the first place (Dowding 2001: 7). Keith Dowding (2001: 14) therefore, in an effort to revitalise Stone’s (1989) use of the regime concept, builds on Dowding *et al.* (1999) when he identify eight particularly relevant components of the regime concept:

In order to identify a particular local government coalition as a regime, all or most of these eight characteristics need to be present. They are: (1) a distinctive policy agenda,

which is (2) relatively long-lived and (3) sustained by coalitions of interests or personnel not formally or fully specified in institutional structures, often in the form of a ‘grand coalition’ or large-majority coalition of interests, and often with (4) cross-sectoral or institutional boundaries. The policy agenda should also (5) survive personnel and leadership changes or political successions, reflecting a specific ideology or agreement over fundamental values for members of the coalition, which allows continued electoral success. It should also (6) primarily involve the mobilization of external resources, creating a positive-sum game within the polity and the formation of public-private partnerships, often transcending partisan divisions, (7) be associated with strong or exceptional leadership, capable of entrepreneurially assembling an unusual coalition and linking it with a distinctive political vision, and (8) tend to bridge institutions and community interests by creating ‘partnership’ forms, especially, in European contexts, spanning the public-private-sector divide (Dowding 2001: 14).

Dowding writes that not all of these eight characteristics are necessary in order for us to label a particular coalition as a ‘regime’, but that some subsets are required. Among these is probably the identification of a distinctive policy agenda / ideology the most important since this is what gives the regime purpose. Dowding describes elements 6-8 as empirical regularities often associated with regimes but not strictly necessary in order to label the coalition a regime. The long-lived nature (5) is neither a necessary criterion since it in theory has no particular reason for why regimes should not also be short lived. This is more likely a practical result of the epistemological problems associated with observing short-term regimes, Dowding writes. Dowding’s eight criteria (1999; 2001) are discussed and analysed in the beginning of chapter 7, based on data presentations in chapter 5 and 6. The goal of this approach to data analysis is to do as expressed by Czarniawska-Joerges in the following sentence:

”...to look at the narratives from the field, to compare them with one another and with the narratives from academia, in order to see what they say and what they do, what effect they make and how this effect is achieved” (Czarniawska-Joerges 1997: 72)<sup>42</sup>.

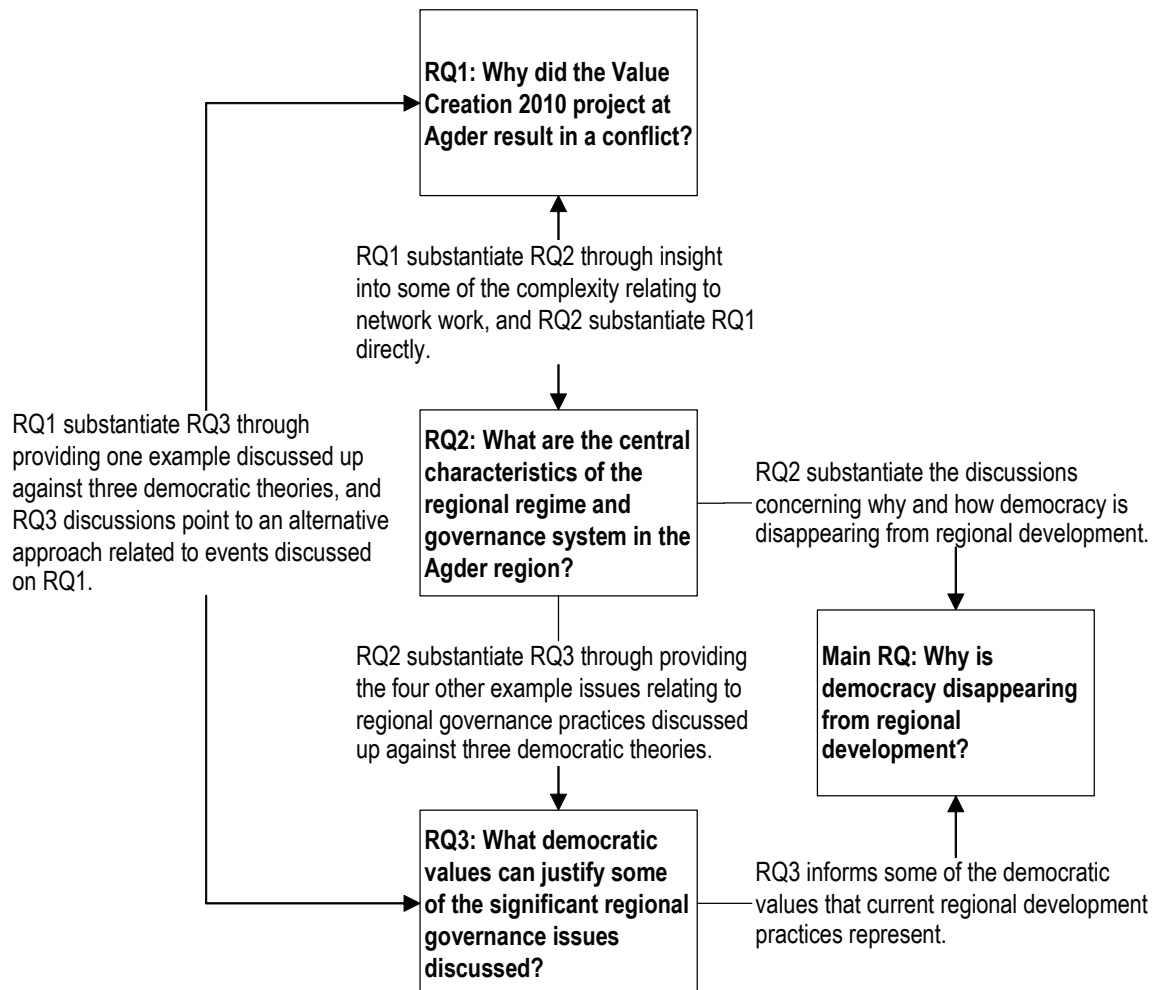
The main research questions also signal an assumption relating to democracy somehow being less “there” than it ideally should be. The third research question addresses this question directly as it seeks to investigate into how regional governance practices compares to the three introduced conceptualisations of democracy. Some of the most significant and critical events and issues relating to the development of a regional system of governance in the Agder region, are therefore in chapter 7 discussed against three different conceptualisations of democracy. This in order to seek some explanation into what type of democratic values that current regional development and

governance practices represent, and what democratic values they do not represent. The third and last subsidiary research question of this thesis, is as the two first addressed in chapter 7, reads as follows:

*RQ3: What democratic values can justify some of the significant regional governance issues discussed?*

The figure below aims at depicting some of the linkages between the subsidiary research questions and the main research question.

Fig. 3-4: Model of Some of the Relations and Links between the Research Questions



All of the three subsidiary research questions presented are affiliated in that they all directly and indirectly aim at informing the main research question of this thesis. There are also connections between the three subsidiary research questions. As

discussions of one question can build on discussions and analysis conducted on another question.

### 3.8 – Summary

The theoretical perspectives of this thesis could individually be considered as ideal type models, where the different elements within the perspectives to some extent are purified and over emphasised. Thus implying that finding a perfect match between the perspectives and the “regional reality” could not be expected. My ambition is therefore not so much to *test* the perspectives, but to use them as analytical tools that could complement, enrich, and give a broader understanding of the regional system of governance than if just one view or perspective were to be used. In those instances where the perspectives are not complementary, I will present different interpretations that emerge when the perspectives are used on the available data, and argue in favour for those interpretations I find most probable thus, I also leave the text open for other interpretations.

What the theoretical models and perspectives then do is to provide us with “glasses” to use when the research questions are to be discussed and analysed. Given this it is also obvious that in some instances it is impossible for all of the perspectives to be “true” simultaneously. They are in some important instances in clear competition. This challenge is in this thesis approached through presentation and analysis of empirical data, thus the idea is to let the available data determine the strengths of the perspectives that are presented.

This is also one of the subjects discussed in the next chapter where I clarify and reason methods that are applied in order to address the research questions, what type of data that were available, explain how the field work was conducted, and give an account for my position on theory of science.

## Notes

<sup>1</sup> Quote is from Bish & Ostrom (1973), also referred in Blatter (2002).

<sup>2</sup> For an extended discussion of the phenomena I refer to Brunsson (1989) and Røvik (1998).

<sup>3</sup> In 1994, *The Economist* selected him one of five top management gurus in the world. As an author, he has published over 100 books, most in Japanese but those in English have been influential, many of which are devoted to business and socio-political analyses. He was a partner at McKinsey & Company, Inc., the international management-consulting firm for 23 years, and co-founded their strategic management practice. His special area of expertise is formulating creative strategies and developing the organizational concepts to implement them both for private and public sectors. His counselling is also much in demand among Asian, European and North American-based multinational and governmental institutions. He has also played a vital role in assisting Asian Governments to develop future oriented-regional strategies. Source: <http://www.ohmae-report.com/pro/bioe.html>

<sup>4</sup> Massachusetts Institute of Technology.

<sup>5</sup> Referred in Isaksen (1997: 60).

<sup>6</sup> Referred in Isaksen (1997: 61).

<sup>7</sup> This is of course a paradox seen in light of the regime practices in the Agder region where one consequence is that knowledge production is sought steered in specific directions, see discussion chapter 6 and the subchapter on regional meta governance.

<sup>8</sup> On January 17 1961, in his farewell speech to the nation, US President Dwight Eisenhower issued a caveat to the American people that “unwarranted influence” was being acquired by “a permanent arms industry of vast proportions”. Calling it the American military-industrial complex, Eisenhower sounded a solemn alarm. Today this American military-industrial complex has untold power. Defence spending in the US is the highest in American history - \$396 billion - and it is more than the total sum allocated to all other spending sectors (Jarecki 2005).

<sup>9</sup> A joint statement from Global Colloquium of University Presidents in 2005 defines academic freedom as: “the freedom to conduct research, teach, speak, and publish, subject to the norms and standards of scholarly inquiry, without interference or penalty, wherever the search for truth and understanding may lead” (NOU 2006:19: 12).

<sup>10</sup> Ongoing in September 2006.

<sup>11</sup> Some examples are triple-helix in 1997 (Etzkowitz & Leydesdorff 1997b), learning region in 1995 (Florida 1995), creative class in 2002 (Florida 2002), Porter’s use of regional clusters in 1998 (Porter 1998b).

<sup>12</sup> Referred in Frederickson (2004).

<sup>13</sup> Referred in Frederickson (2004).

<sup>14</sup> All of the different conceptualisations of governance is referred from Frederickson (2004).

<sup>15</sup> Referred in Frederickson (2004).

<sup>16</sup> Presentation of perspectives in Kickert *et al.* (1997) follows that of Jensen and Sørensen (2003).

<sup>17</sup> The table is based on discussions found in Jensen and Sørensen (2003), and in Sørensen and Torfing (2005).

<sup>18</sup> The main implication of this compared to Sørensen and Torfing (2005) is that instead of two instrumental perspectives I use one.

<sup>19</sup> The system of indirect rule adopted by British authorities to administer their colonies in Africa. According to Frederick Lugard, architect of the policy, indirect rule was cost effective because it reduced the number of European officials in the field. By allowing local rulers to exercise direct administrative control over their people, opposition to European rule from the local population would be minimized. The chiefs, however, were to take instructions from their European supervisors. The plan, according to Lugard, had the further advantage of civilizing the natives, because it exposed traditional rulers to the benefits of European political organization and values. This “civilizing” process notwithstanding, indirect rule had the ultimate advantage of guaranteeing the maintenance of law and order (Countrystudies n.d.).

<sup>20</sup> Referred in Lukes (2005: 4).

<sup>21</sup> Referred in Lukes (2005: 6).

<sup>22</sup> Referred in Lukes (2005: 7).

<sup>23</sup> Referred in Lukes (2005: 23).

<sup>24</sup> Referred in Lukes (2005: 7).

<sup>25</sup> Referred in Lukes (2005: 9).

<sup>26</sup> Referred in Lukes (2005: 10-1).

<sup>27</sup> The reader should note that Lukes conceptualisation of the third dimension of power and Foucault’s use of power in his Governmentability theory shares many similarities, but are not overlapping. However for the more general use I make of these concepts in this thesis it is meaningful to treat them as consistent conceptualisations of power. Interested readers are referred to Lukes (2005) for a discussion of the relationship between Foucault’s conceptualisation of power and Lukes third dimension of power.

<sup>28</sup> Elite democracy as discussed here is a theoretical model of democracy, it is not a representation of current representative democratic practices in Norwegian society. If the aim was to give such would a discussion of Robert A. Dahl’s concept of ‘polyarchies’ have been more precise, as Dahl uses the term polyarchy, to describe the western parliamentary system (Dahl 1961; 1979; 1982; 1985; 1989). The idea behind discussing the elitist conceptualisation of democracy is of course that it represents an interesting counterpart to some of the practices discussed in this thesis.



<sup>29</sup> Bjørn Gustavsen discusses the following set of principles: 1) the dialogue is a process of exchange: ideas and arguments move to and fro between the participants. 2) It must be possible for all concerned to participate. 3) This possibility for participation is however not enough. Everybody should also be active. Consequently each participant has an obligation not only to put forth his or her own ideas, but also to help others to contribute their ideas. 4) All participants are equal. 5) Work experience is the basis for participation. This is the only type of experience which, by definition, all participants have. 6) At least some of the experience which each participant has when entering the dialogue must be considered legitimate. 7) It must be possible for everybody to develop an understanding of the issues at stake. 8) All arguments which pertain to the issues under discussion are legitimate. No argument should be rejected on the ground that it emerges from an illegitimate source. 9) The points, arguments, etc., which are to enter the dialogue must be made by a participating actor. Nobody can participate “on paper only”. 10) Each participant must accept that other participants can have better arguments. 11) The work role, authority, etc. of all the participants can be made subject to discussion – no participant is exempt in this respect. 12) The participant should be able to tolerate an increasing degree of difference of opinion. 13) The dialogue must continuously produce agreements which can provide platforms for practical action. Note that there is no contradiction between this criterion and the previous one. The major strength of a democratic system compared to all others is that it has the benefit of drawing upon a broad range of opinion and ideas which inform practice, while at the same time being able to make decisions which gain the support of all participants (Gustavsen 1992: 3). Rules of this kind are also developed by others, but the basic characteristics seem to be similar, the goal is to have a discourse that is as free, open, and transparent as possible, see for instance also Barber (1984: 261pp) referred in Eriksen (1993: 255-6), and the discussion of procedural democracy has also relevance to this.

<sup>30</sup> This theory of democracy represents a continuance of Schumpeter’s competitive democracy, it introduces rational actors that are rational in choosing representatives.

<sup>31</sup> Referred in Mayer (2001b).

<sup>32</sup> Referred in Mayer (2001b).

<sup>33</sup> Referred in Mayer (2001b).

<sup>34</sup> Referred in Mayer (2001b).

<sup>35</sup> Norwegian term: “Samarbeidsforsøkene”.

<sup>36</sup> Referred in Greenwood and Levin (1998: 24).

<sup>37</sup> Philip Herbst argument; democracy at work creates democratic participants in society (ref).

<sup>38</sup> Referred in Pateman (2003).

<sup>39</sup> Note that Schumpeter does not view “the people” as rational. As he, Schumpeter, identifies this as one of the chief problems of the classical doctrine of democracy (Schumpeter 1994: 269). People are in a sense not enlightened enough to participate.

<sup>40</sup> The first time equality is expressed as a general democratic value was in 1381 in Britain during the *peasants revolts* (Benn 2005). There was then an uprising against the King, Richard II, who had imposed a poll (fixed) tax to finance his war against the French. This led the peasants to march on London and occupy the city. The King promised to fulfil all the peasants' demands, but when the peasants had withdrawn from the city, the king sent his armies out and thousands of the peasants were slaughtered. The Hedgerow priest John Ball is famous for articulating the argument that the peasants were trying to put forward. Ball was so controversial that no bishop would give him a parish, thereby he preached in the hedgerows. An example was made of John Ball after the Peasant revolts were knocked down; he was hanged, drawn, and quartered in the presence of Richard II on 15 July 1381. To be hanged, drawn, and quartered was the penalty once ordained in England for treason committed by men, women found guilty of treason against the King were burnt at the stake. John Ball intelligently cited God as the grounds for his campaign for freedom: "In the beginning we were all created equal. If God willed that there should be serfs, he would have said so at the beginning of the world. We were formed in Christ's likeness and they treat us like animals. Matters cannot go in well until all things are held in common" (Benn 2005). The revolts might have been victoriously shattered by the King, but the ideas put forward and articulated by Ball lived on and came to play a significant role in later developments, like; the French revolution, constitutionalism, chartists and suffragette movements, trade unionism etc. These are the right to freely organise, the equal right to vote, and the equal right to represent.

<sup>41</sup> George Monbiot of *The Guardian* asserts that the economic disparities have increased since the French Revolution notwithstanding all talk of equality (Mishra 2003).

<sup>42</sup> Referred in Kvåle (2001: 90).

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## Chapter 4 – Method

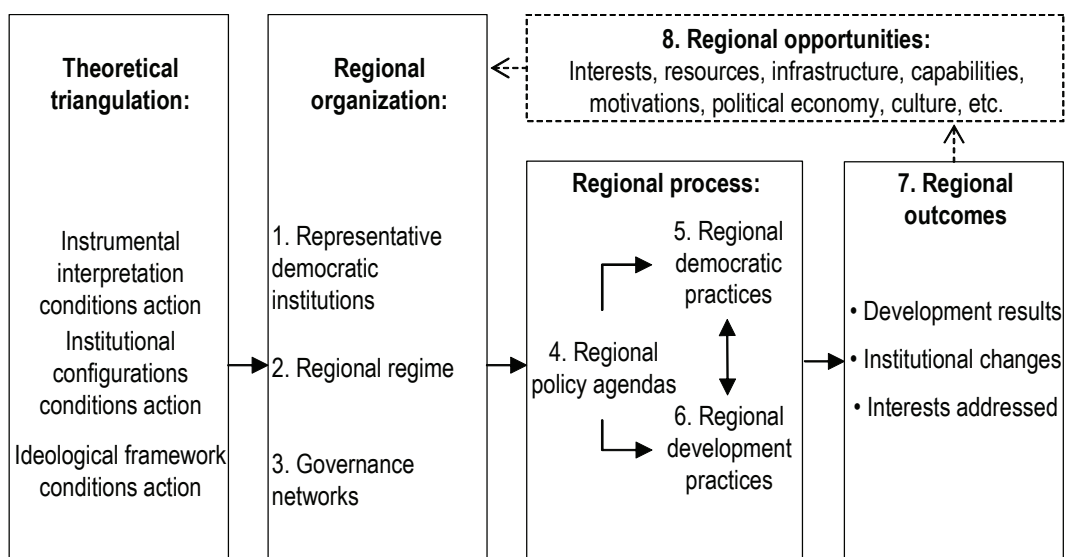
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In this chapter, I argue what the relationship between study objects, theory, data, analysis, and conclusions are. This relationship between the methods, will alongside my ontological and epistemological position, show how I have gathered data, what type of data that has been available to me, how I have approached the task of analyzing this data, and what the relationship between the research question and methods are in the following discussed and clarified. I end this chapter with some considerations concerning causality, credibility, and address issues relating to generalisability of conclusions.

### 4.1 – Conceptual Framework

The bounds of this thesis have yet to be explicitly defined. I seek to study how *regional organization* and *regional process* influences *regional outcomes*. These three elements constitute the main three basics of the conceptual framework of this thesis. The rationale for building a conceptual framework is to be clear on my theoretical preconceptions, and support the process of better knowing what data elements go in what “bin” and what the relationship between the different “bins” are (Miles & Huberman 1994: 18-22).

Fig. 4-1: Conceptual Framework



*Regional organization*, (numbers in brackets refers to the figure above), is to be understood as current interactions in and between (1) representative democratic institutions, primarily but not exclusively, the county level, (2) governance networks, primarily those aimed at regional development in general and on regional industrial development in particular, and (3) regional regime, the informal coordination and meta steering level. The interactions in and between these three spheres of regional organization are in this thesis conceptualized as *regional process*. With regional process I mean, (4) regional policy agendas, which are the current policy directives and strategies of regional development work in the Agder region, (5) regional democratic practices, which are the normative ways and means of regional development work conducted within regional organization. Regional democratic practices are assumed (ref. main research question of this thesis) to influence and be influenced by (6) regional development practices, which can be viewed as the mechanics of development.

Seen together, the regional processes are: policy agendas, democratic practices, and development practices, the *strategies, mechanics, and normative framework* of regional organization. These elements, regional organization, and process work jointly in influencing the (7) regional outcomes. This can be everything from concrete development results, or lack thereof, institutional changes and developments, and regional interests that have been addressed or not addressed through the regional development process. Analysis of (8) regional opportunities is not explicitly part of the data analyses of this thesis. Chapter 2 on context, can however be viewed as an introduction to some of the elements necessary to such considerations. It is however good reason to believe that regional outcomes in some form or another also influence regional opportunities and that this again gives input to regional organization and process. These linkages are however not part of analysis conducted in this thesis.

In chapter 3, three theoretical perspectives were outlined in order to provide the possibility for obtaining a better and more substantiated picture of the field, and to provide a richer and more complete set of interpretations of the phenomenon studied (Berg 1995). This approach is by some called theoretical triangulation (Denzin 1978; Berg 1995). Denzin states that theory triangulation consists of using multiple rather than single perspectives in relation to the same set of objects (Denzin 1978: 295)<sup>1</sup>. The goal

of the theoretical triangulation process is to strengthen conceptual linkages and to address credibility issues (see also discussion below). The three theoretical perspectives, *instrumental*, *institutional*, and *ideological* provide us with different grounds for interpreting and understanding what condition actions in the regional system. These perspectives also provide different possibilities for interpreting normative and efficiency issues in the system, what the nature of the system is, workability of the system, and consequently what the role of democracy in regional development really is about.

Such an eclectic approach to theory has both strengths and weaknesses. In those instances where the perspectives do not contradict each other, we can say that they are complimentary and enriching, and that they provide depth and width to the analysis. In some important instances however, the perspectives are in clear competition. This is most clearly the case if we compare the types of rationalities inherent in the perspectives, and it should be clear that network actors cannot be rational and utility maximizing with predefined interests, and socially constructed collectively oriented individuals simultaneously (Sørensen & Torfing 2005: 177-8). How I have addressed the challenge this represents is discussed more in the following.

## 4.2 – Questions Concerning the Knowable

It does not make much sense to operate with more than one ontology or epistemology. However if we compare the three perspectives in this thesis we see that they express competing ontological beliefs, for instance in the instrumental perspective there is a belief that human action is fundamentally rational in an instrumental sense. The other two perspectives are, as I have interpreted them, human action best understood as bounded rational. It should be clear that humans cannot be both, this is as I see it a philosophical question that needs clarification, and it is therefore discussed below. On the other hand, the perspectives are also to an extent in competition on other issues concerning governance system actors. Are they for instance basically interdependent, or are they autonomous, do they act collectively or individually, what is the nature and purpose of the regional regime etc.? Such question is in this thesis regarded as more empirical than philosophical questions, and clarification of these issues will consequently be integrated in data analysis and discussions.

If we examine the three perspectives in a theory of science context, we could argue that the perspectives of this thesis belongs to different paradigms (Guba 1990b; Gephart 2004). If we by paradigm mean a set of basic beliefs that guides action, notably those paradigms that guides disciplined inquiry (Guba 1990a: 17-8). Paradigms can be characterized by the way their proponents respond to three basic questions, which can be characterized as the *ontological*, the *epistemological*, and the *methodological* questions:

- (1) *Ontological*: what is the nature of the “knowable“? Or, what is the nature of reality?
- (2) *Epistemological*: What is the nature of the relationship between the knower (the inquirer) and the known (or knowable)?
- (3) *Methodological*: How should the inquirer go about finding out knowledge (Guba 1990a: 18)?

Based on the answers to these question Guba (1990b: 17-27), three paradigms that have emerged to challenge some of the fundamental and basic beliefs of positivism are outlined, these are post positivism, constructivism, and critical theory. Three paradigms that, not coincidentally, match central features with the theoretical perspectives that I use and have constructed for the purpose of this thesis.

The instrumental, and to some extent the institutional perceptive, belong within what is best labelled a post positivistic research tradition or paradigm. Ontologically post positivism moves away from a naïve realist (positivist) posture of discovering the objective reality, but are critical realist in the sense that reality exists and are driven by natural laws that only can be incompletely understood. Post positivists widely accept the notion that social science is about the study of a reality that is social in nature and that this nature also is socially invented. Post positivists also recognize the widely accepted notion that people and different societies have different views about what is real, or what is correct. What differentiates post positivists from constructivists, is that if a post positivist observes that one social group believes that “X is the case” and another believes that “X not is the case” then the realist believes that both cannot be correct, since it exists some undiscovered reality, while the relativist must believe in the position of multiple realities and that in fact both groups can be correct (Phillips 1990: 41). Post positivists are epistemology modified objectivist, objectivity remains a regulatory ideal but it can only be approximated through the aide of critical guardians such as a critical

research community (Guba 1990a: 23). The notion of objectivity is a regulatory ideal that underlies all inquiry. Philips argues that if we abandon such notions, it is not sensible to make inquiries at all, because then a sloppy inquiry would be just as valid as a careful one (Phillips 1990: 43). Methodological post positivists emphasize critical multiplism. Redress imbalances by doing inquiry in more natural setting, using more qualitative methods, depending more on grounded theory, and reintroducing discovery into the inquiry process (Guba 1990a). Methodical and theoretical triangulation (Denzin 1978) is therefore central in post positivistic knowledge acquisition (Guba 1990a: 21). Post positivism requires methods of collecting and analyzing factual depictions of the world that reveal singular truths or realities and that can be used to falsify hypotheses (Gephart 2004: 457).

The institutional perspective can arguably be placed within an interpretative research tradition, and the interpretive research tradition here belongs within the constructive paradigm. The basic ontological idea of constructivism is relativism, meaning that “reality” is constructed local intersubjective realities composed of subjective and objective meanings (Gephart 2004). Here research means to produce descriptions of member’s understandings and definitions of situations, and to understand how reality is constructed. The research process consists of unveiling and understanding situated meanings, and to identify systematic divergences in meaning (Gephart 2004). Constructivists have a subjectivist epistemology, where the inquirer and the inquired are fused into a single (monistic) entity. Findings are literally the creation of the process of interaction between the two. Methodical constructivists aim at generating one or a few constructions on which there is substantial consensus (Guba 1990a: 27). Similarly interpretative research uncovers, describes and theoretically interprets actual meanings that people use in real settings (Gephart 2004: 457).

In their book *The Social Construction of reality*, Berger and Luckmann analyse three processes: “Society as a man made product. Society as an objective reality. Man as a social product.” Very simplified Berger and Luckmann’s argument is that the elements of society become an objective reality through the following steps; habits become institutionalised then institutions are objectified and at last legitimised, and gain an objective ontological status. Berger and Luckmann’s (2000) argument consists of a discussion around three concepts, *externalisation*, *objectivation*, and *internalisation* that

are in a continuous dialectic relationship with each other. Berger and Luckmann's argument is in short as follows: *All human activity is subject to habit, and humans are creatures of habit.* This means that any action that is repeated often is tailored to a pattern that later can be reproduced without much effort. Habits are necessary because they make it unnecessary to define each situation from scratch, step by step, each time it occurs. Even if there are thousands of different ways to do a specific task, human action tends to fall into a pattern of repetitive habit. Habits make it possible for the individual to predict what actions to be taken in a given situation without embracing all of a situation's potential complexity every time (Berger & Luckmann 2000). These are the basic elements in the constructive paradigm.

Last, the ideological perspective can be located within a critical research tradition. The basic belief shared by critical theorists is that they reject the notion of or ideal of value freedom held by post positivists. When values enter into inquiry the question of what values and whose values shall govern inquiry arises. The choice of a particular value system tends to empower some and disempower others. Inquiry thereby becomes a political act. Since the goal of much critical theory is to uncover injustice and false consciousness, there must also exist a true real reality and a real consciousness out there. Critical theorist ontology is therefore critical realists in the post positivistic sense. Epistemologically critical theorists share much of their position with constructivists in that they hold a subjectivist position, in the sense that values mediate inquiry. Inquiry acts are intimately related to the values of the inquirer. Methodological critical theorists are focused on methods that are dialogic and transformative, and the goal of the methodological process is to eliminate false consciousness and energize and facilitate transformations (Guba 1990a: 23-5). Critical theory sees material and/or symbolic reality as something shaped by values and that it crystallizes over time. The prime research task is to uncover hidden interests and contradictions. Research is to be liberating and to develop structural or historical insights that reveal contradictions and allow emancipation, and spaces for silenced voices. The research process will focus on critical incidents, signs and symbols through understanding of the historical evolution of meanings, material practices, contradictions and inequalities (Gephart 2004).



***My Position***

An eclectic approach to theory requires clarification and explanation. Sørensen and Torfing write that theories with different analytical premises must not stop mutual enrichment between theories, something in which I concur. To walk with blinkers and be blind to other theories contribution to the job of answering research questions is to me just as problematic as an eclectic combination of theories that builds on different ontological and epistemological assumptions. The solution to this dilemma is to choose a theoretical starting point, let oneself be inspired by of arguments and insights from other theories and positions and thereafter try to adapt and reformulate these so that they become meaningful within the framework of your own theoretical starting point. In such a way you can avoid the dangers of eclectic combination of incompatible theory fragments, at the same time as you make a contribution to the development of new theoretical and practical understandings and explanations (Sørensen & Torfing 2005: 178).

The justifications of the eclectic approach are in my case based on preliminary data analysis and close interactions with practice. I have first handed experienced that regional actors have very different understandings and interpretations of governance, regional development work, and democracy, something that I have documented through a series of interviews with regional stakeholders. Being personally involved over a period of several years in regional development projects have also made me realise that my own ideas and understandings of the system and its characteristics have matured and changed over the years. In the beginning, I had something that probably is best understood as an instrumental interpretation of the system and systemic events. Somehow, I believed that it was almost possible to instrumentally predict what would be the outcome of initiated events. I have also experienced how powerful the post-rationalisations of events were, and that this post rationalisation, meaning construction, and interpretative process were some of the more interesting features of the regional development and governance system. Because this insight led me to understand that the apparent instrumentality of the system as something socially constructed, that meaning was intersubjective and forged in interplay between actor's institutions and overreaching rationalities. This led me to realise that interpreting the system through

only an instrumental, institutional, or ideological perspective or theory would provide less fruitful analysis than an eclectic approach.

I have come to see myself as most affiliated with the constructivist position, but not as a relativist in the strictest sense of the word. I also share basic views with critical theory for instance the important task of social research in challenging unjust hegemonies. I do for instance believe that concepts such as democracy, pluralism, and equality have a superior position to other beliefs, such as autocracy and inequality. Just as most people would agree that it is better not to steal, not to murder, not to lie than to lie, murder, and steal. The question if such values are rooted in an existential ontological reality or just products of human interactions through times *I simply do not know the answer to*. However, I do not view the ontological status of moral beliefs as a decisive question. Personally, I consider some fundamental moral beliefs to be independent of religion and culture, as I perceive them as cornerstones of the very idea of society itself. I believe that democratic values such as equality and plurality of interests are such moral cornerstones of society, and that we also can use them with rigour in scientific analysis and as benchmark of practices in modern society. Thus, I see affiliation with a statement made by John Dewey some 80 years ago, where he says : “Regarded as an idea, democracy is not an alternative to other principles of associated life. It is the idea of community life itself” (Dewey 1991 [1927]: 148).

I do however recognise that there are empirical indications of the existence of other “realities” in a critical realist meaning of the word, which deserves more consideration than flat out refutation. One possible candidate is as I see it Chomsky’s theory of natural language and universal grammar which is based on the empirical fact that children learn language with limited stimuli, and that the learning during the natural language acquisition cannot be accounted for by learning mechanisms only (Chomsky 1968; 1986). Chomsky argues that knowledge of language is normally attained through brief exposure, and the character of the acquired knowledge may be largely predetermined (Chomsky 1968). If this is true, then the question is if this is a theory of the mind, some deep structure in society, or both. This question is and has been widely debated within the scientific community, and the answer is that we simply do not know what the answer to this question is.

Speaking in terms of epistemology, this means that I take a subjectivist position. To inquire into the objective is in this sense a “meaningless” idea, since if it exists it is very little we can know about it, so little that it becomes almost irrelevant for social analysis. The only thing that is stable and can be compared to the results of inquiry is our own moral beliefs and normative preconceptions, which we as researchers into the social have an obligation to clearly communicate to our readers. Thus, I do not necessarily think that such beliefs are universal but that some of them, such as democracy, should be. Fortunately, this is always up to the reader and not the writer to decide.

However, to me social science’s most important task is to challenge societal belief systems that are either ineffective or morally unjust. My ontological grounding for such a position is not based on them being grounded in any ontological reality that exists outside society. It is based on a normative position and the moral belief that society and human action are better if it is governed by values that are supportive of society than by values that are not. The question is then if the answer to the ontological question is that important, if what we study are societies and human actions and interactions within man-made structures are not, are the presence of deep level structures crucial to our inquiry? If the inquirer makes his/her position clear, it should also provide the reader with ample opportunity to make up her/his own mind up, and in the end that is what matters. Then I state a pragmatic position to ontology. Stating that I do not know what the true nature of reality is or if any true nature of reality exists. I think the best we can do is to describe and communicate how we understand and immediately interpret the world, and that this in “reality” is the most basic relationship we can have to the world and our surroundings. The goal of the scientific inquiry for me is then not to uncover the true meaning of the world, because I cannot know what it is, but to uncover how I and others interpret the world, and to compare such findings to my own or widely shared normative belief systems, and in the end let incompatibilities between the two be the basis of social change and further actions. In this sense theoretical and methodological triangulation are not expressions of post positivistic ontology, but attempts of securing that the interpretations of social systems are as sophisticated and convincing as possible.

The goal of research is as I see it not to uncover “false” consciousness in a critical theory sense of the word, but to argue for my interpretations of the social phenomenon I

study and to compare them to widely held and accepted normative standards. Respect for informants and their beliefs should not hamper us from putting their experiences into a wider context, even if we could risk that portrayal of their experiences and interpretations of the world in conflict with such standards. How to address such issues *should* be a central issue in a research tradition widely recognised as Action Research (AR).

### ***Action Research***

AR is an interpretative research tradition, and is therefore in kinship with other interpretative research traditions such as social anthropology and ethnography. All interpretative research traditions discuss the role of the researcher as a central component in their epistemology. The research role is discussed with respect to subjectivity, objectivity, influence, tampering etc. Central to AR is that it is explicit here. The action researcher is a part of practice and at the same time s/he reflects upon what this means for practice, and the knowledge generating process. In ethnography, there is also researcher participation through methods such as direct observation, interviews etc. However, this is often understood somewhat different from within AR. In ethnographical studies, you can often find discussions that stress how the researcher in the end of the research project becomes invisible. In other words, “The Hawthorne effect” became smaller and smaller and in the end not even there (Berg 1995). The respondents, the study objects were in the end so used to seeing the researcher(s) that their behaviour cannot be said to have been influenced by the presence of the researcher. Similar discussions are also found within the other social sciences. The researcher is understood as an alien, an element that does not naturally belong in the practice field. To put to the point; the researcher is really an interruptive element that corrupts data.

A central point of AR is that the researcher shall and should have a role as a participant in practice. The central point of AR is not to mineralise the role of the researcher but to maximise it in the knowledge generating process. I believe that to what extent you can speak of a shared epistemological position within AR relates to just this aspect. The “goals” of AR, to co-generate social learning, change, and action is closely

interwoven with this epistemology. AR is defined as the connection between the three elements: research, action, and participation.

Another central point of AR is that one rebuts the distinction between thought and action, a central point from Dewey. Valid social knowledge, valid theories, works in practice. Greenwood and Levin (1998), that here follows Dewey, argue that this is the only validation criterion that is important in AR. AR rejects methodological hegemony and rejects the widespread notion that AR is e.g. only qualitative in nature (Greenwood & Levin 1998). The point is that in AR it is the reflection over practice that is the core, what you as a researcher do methodically to reach this reflection is subordinate<sup>2</sup>. Action research studies therefore consist of layer by layer of spirals of planning, actions, observations, and reflections (Carr & Kemmis 1986). Where new spirals build on knowledge from previous spirals and thereby cumulative increases the amount of knowledge generated. One definition of AR, which makes a lot of sense to me, is this:

In action research, the actionable knowledge produced is co-generated by the researchers, who bring external expertise, and the participants, who hold local knowledge (A. W. Martin 2004: 1)<sup>3</sup>.

I like this definition because it is explicit on what an action researcher is and what s/he brings to the table, but I also see it as meaningful to supplement it with the definition offered by Greenwood and Levin (1998):

AR is social research carried out by a team encompassing a professional action researcher and members of an organisation or community seeking to improve their situation. AR promotes broad participation in the research process and supports action leading to a more just or satisfying situation for the stakeholders. Together, the professional researcher and the stakeholders define the problems to be examined, cogenerate relevant knowledge about them, learn and execute social research techniques, take actions, and interpret the results of actions based on what they have learned. AR rests on the belief and experience that all people – professional action researchers included – accumulate, organize, and use complex knowledge constantly in everyday life. This belief is visible in any AR project because the first step professional action researchers and members of a community or organisation take is to define a problem that they seek to resolve. They begin by pooling their knowledge. AR democratizes the relationship between the professional researcher and the local interested parties. Because it is a research practice with a social change agenda, AR involves a critique of conventional academic practices and organisations that study social problems without trying to resolve them (Greenwood & Levin 1998: 4).

Both definitions state that knowledge is co-generated between the researcher and the participants, but Greenwood and Levin's definition is less explicit on that this

practice means that it is two different types of knowledge that is woven together. Martin's definition is explicit on that it is the 'external expertise' of the action researcher and the 'local knowledge' of the participants that are co-generated into new knowledge in the action research process. Greenwood and Levin's definition so strongly emphasizes the equality and democratic aspects of the research and the co-generative process that they lose Martin's aspect in their definition. I therefore think that the combination of Martin's and Greenwood and Levin's definition gives a better understanding and a better definition of what AR is or should be, at least it does to me. However, this opens new and interesting discussions e.g. - what is technical knowledge? What does technical knowledge mean in practice - Is it methodological and theoretical skills? Personal abilities? Alternatively, is it deep contextual knowledge that can match that of the participants? All of the above factors, just a few of them, or something else? In addition, what can we require from the participants and their local knowledge, do they just need to show up, or are they also required to contribute some specific attributes and skills?

In the field of AR, the researcher must face the challenge and inspiration inherent in the process of meeting real people, with real interests and real actions. An implication of this is that research in this perspective must be relevant where people are and where people act together to solve problems. The core idea of AR is that researchers are supportive in such problem solving activities. Precisely how this support is done in practice, will diverge much between different research milieus, between different varieties of AR, between capabilities of the different researchers, between different contexts and politico economical systems, etc. The main and shared issue of AR, as I see it, is however to contribute in a way that is relevant both for development processes and for the larger systems context of development. I view this last point as a particularly important task of AR, if set in politicised development and governance contexts. In this sense AR should not be afraid to challenge both concepts in use, and the existing ideas and understandings of the system that development operates within. I believe this is important based on particularly two insights gained from 5 years of work with the Value Creation 2010 project at Agder.

In settings as those discussed here, the engaged action researcher and programmes such as Value Creation 2010 can choose to do one of three things: (1) Abide to the

discursive framework, accept it as a given entity that is impossible to change, and work within it, (the job secure approach to the problem). (2) Be fundamentally critical, and risk placing yourself on the outside of development processes, (this approach can probably help to give the engaged researcher a good consciousness, but would probably do nothing to the researchers practical influence in the field). (3) The last approach is a mediating one, where a critical stance is preserved but where the possibilities for democratic change also are explored. This last approach requires that researchers somehow are able to combine their criticisms of practice with constructive solutions and to systematically work to find a way forward. This is in the end a question of finding the balance between constructive conflicts and collaboration. I do not believe there has been published a book on methods or AR methodology yet that provides a finite solution to this fundamental challenge of AR. The researcher, the research team, and research institutions they belong to are still left to figure this out anew for every new participatory project they engage themselves in. We have however come to believe that a crucial component to succeed with such efforts is that research is placed and anchored within stable institutional settings that are supportive of such approaches (H. C. G. Johnsen & Normann 2004b).

### 4.3 – The Research Process

The Value Creation 2010 project was when it was initiated rooted in the Scandinavian tradition of workplace co-operation. Johnsen writes that this tradition has emphasized the asymmetry of power and formal authority at the workplace. And that one major goal of this tradition has been to make this power and formal authority more evenly distributed. One of the main motives for introducing the Enterprise Development 2000 and the Value Creation 2010 change programme, based on the Scandinavian tradition, was to supplement traditional processes of negotiations with broader co-action through communication (H. C. G. Johnsen 2001).

One of the new features of Value Creation 2010 compared to the preceding programme Enterprise Development 2000, was that establishment of what was then labelled regional development coalitions. This became one of the central methodological actions in the Value Creation 2010 project in the Agder region. Value

Creation 2010 Agder resulted in two such regional development coalitions that sustained activity over a period of several years. These are Development Coalition Vennesla and the Value Creation Alliance (H. C. G. Johnsen, Normann, & Fosse 2005). Development Coalition Vennesla is a municipal based development project. This Value Creation 2010 project is described and analyzed in a forthcoming thesis by Jens Kristian Fosse where he shows how the formation of a development coalition in the municipality of Vennesla have contributed to learning and change processes in the context of major economic restructuring in the manufacturing industry (Fosse 2007).

Regional development coalitions are based on ideas developed within the framework of industrial companies being practiced and further developed at a regional, cross-organizational, level. The Norwegian endowers to establish regional development coalitions emerge from the industrial democracy tradition that links back to the works of John Dewey, Kurt Lewin, Carole Pateman and Eric Trist. Arguments for this development have been referring to both social change and economic development, but there has also been an argument referring to democracy. Regional development coalitions and regional partnerships refer roughly to the same phenomenon. The main distinction between these two terms is that they relate to different bodies of literature, and have different normative basis and different notions of democracy (H. C. G. Johnsen & Normann 2004a).

The Value Creation 2010 project in the Agder region was initially designed with regional development coalitions as the core component, where the idea was that Value Creation 2010 should be a Mode-2 type of research project (Gibbons *et al.* 1994). An AR project with the aim to improve innovation practices in the region through a regional development coalition, in co-operation between research, regional government authorities, businesses, and social partners are based on ideas developed within the framework of industrial companies and industrial democracy being practiced and further developed at a regional, cross-organizational, level. Ennals and Gustavsen (1999) write that development coalitions should constitute an arena for democratic dialogue. Dialogue represents for them a key feature for understanding processes of change, learning, and knowledge transfer. They define dialogue as conversations, or discussions between equal partners, characterized by openness, willingness to listen to each other, to accept good arguments and generally to learn from each other. Dialogue is in this sense



the one core element in the establishment and evolution of regional development coalitions. “This is because only through dialogue will it be possible for all participants to really learn, because dialogue is the only kind of communication that allows for learning through linking one’s own experiences to those of others, and in such a way that no initial preference is given to any of the experiences as being more valuable or superior than the others” (Ennals & Gustavsen 1999). Thus we regarded regional development coalitions as good examples of a practical attempt to create an *Agora: a democratic forum for development through communicative action and collaboration* (H. C. G. Johnsen *et al.* 2005).

The formal start-up of the Value Creation 2010 project in the Agder region came when we got signals that the application to the Norwegian Research Council was accepted in early summer of 2001. In this application we write:

The goal [of Value Creation 2010] is to succeed with value creation and welfare developments in the Agder region through increased innovation, based on broad participation through the establishment of development coalitions between enterprises, industrial networks, and the public sector (H. C. G. Johnsen & Normann 2001c: 4).

The work that was done in the Value Creation 2010 project concerning the Value Creation Alliance is discussed in the next chapter 5. But what we did in the initial phase of the Value Creation 2010 Agder project was to take a lot of initiatives and explore possibilities for development projects, collaborations, and initiatives. Even though we had a relatively clear idea about the goals of the project and the main methods we would apply to, we did not have a firm grip on the actual contents of the processes. This was not problematic in this early phase of the project, because in the AR design of the project such issues would be integrated into the collaborative development efforts. The project was in this sense very much explorative in nature; we sought possibilities and seized them actively as they arrived. This also had the implication that we as a project did not have a profile that was as clear and communicative as it ought to. In order to gain access in those forums that we considered being important to enter into, we familiarized ourselves with the regional development concepts, such as triple-helix, learning regions, regional clusters etc, and used them instrumentally in order to communicate with regional stakeholders. It is probably not an overstatement to argue that the Value Creation 2010 project in Agder is responsible for the rapid diffusion of

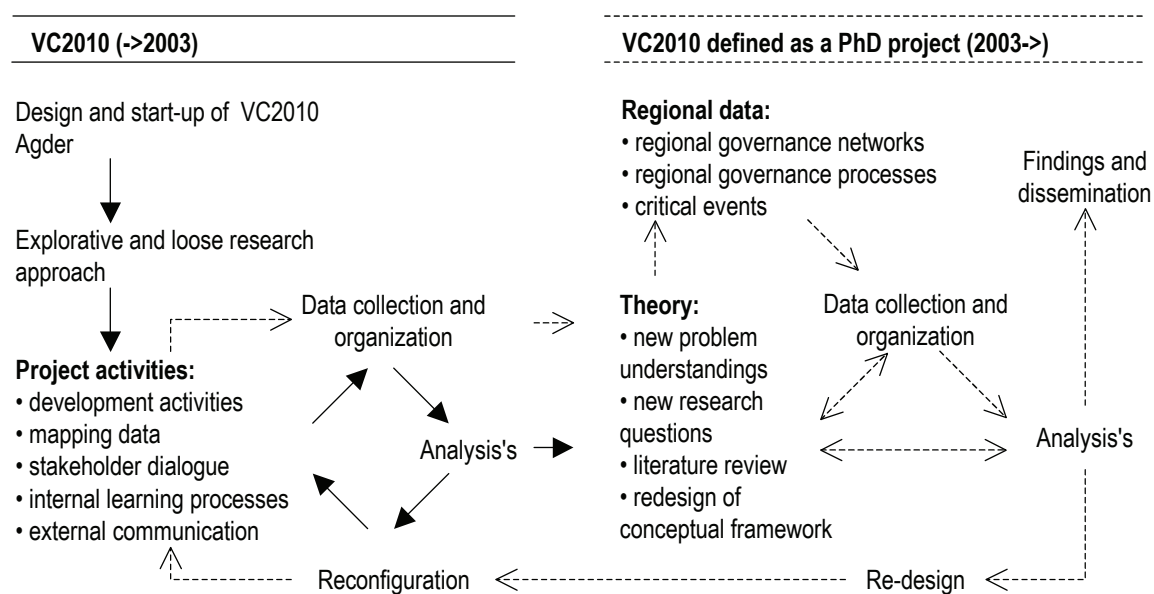
many of the regional development concepts in the region. Because our lack of conceptual, systemic, and theoretical understating of the concepts and the regional governance system we did not foresee what the effects of this could be. The fact that we only thought of them as an efficient way of entering into the dialogue, and that we only wanted to use them as a starting point for dialogue, is no excuse for this.

After a couple of years of work where we more or less were in this mode, we started to focus on more clearly defining our academic research ambitions with the project. We made research notes systematically and carefully through the project with this in mind, but without any clear idea about what our research focus and interests where outside the more general themes of the project. One result of this early analysis of our experiences was that we wanted to focus on some of the democratic aspects of the regional development coalitions. Based on this early analysis we brought our reflections and ideas back to the Value Creation Alliance. At this point two significant events happened. First, a dramatic conflict occurs that stalls the development work in the project (see next chapter 5), second does the EDWOR Ph.D. programme start up. I entered into EDWOR as a Ph.D. student and was given the task of designing a Ph.D. project based on the Value Creation 2010 project in the Agder region.

I now continue to work with the regional development coalition, where I participate in the meetings, discussions, and contribute to the redesign of the project. I also do literature reviews where I seek literature, theories and concepts that will be useful for understanding and interpreting my experiences with the Value Creation 2010 project. The main research question of this thesis and the systemic regional focus emerges in this period. Based on this I initiate new series of systematic data collection, interviews with regional stakeholders, which I adapt, organize, and feed back to the members of the Value Creation Alliance. This is done on two separate occasions. Both these feedbacks emphasized the role of democratic process in development. What the effects of these semi-interventions have been are difficult to say precisely. The reminiscences of a debate about governance institutions in the region in the largest regional newspaper *Fædrelandsvennen* in the spring of 2003 also contributes significantly (see chapter 6). But probably supported by other developments an increased focus from actors in the development coalitions on the special role held by representative democratic institutions (the counties) in regional development work has

been observed after this. One of the best concrete examples of this is probably that the counties, in the VRI<sup>4</sup> process in the Agder region, by more people than I personally had expected, pointed to the counties as the natural regional leaders in this process. The research process of this thesis is symbolically illustrated by the figure below.

Fig. 4-2: The Research Process Depicted



When I started to work on designing a Ph.D. project based on the Value Creation 2010 project at Agder, it became evident to me that it was impossible to understand the work of the Value Creation Alliance or the Value Creation 2010 project without also understanding the context, system, and discursive framework these institutions and projects operated within. I have therefore integrated the AR project and the regional analysis into one conceptual framework. One could based on this argue that this thesis is dual in the sense that one part of it has the hallmarks of an action research project while the other part is more “conventional” social science. This means that a lot of data that originate from secondary sources also are used as basis for the analysis and conclusions of this thesis. What type of data I have, and how I have approached the job of analyzing these data is discussed more in the following.

#### 4.4 – Data and Data Analysis

The data of this thesis are mostly qualitative in nature<sup>5</sup>. The difference between qualitative and quantitative is not distinct (Berg 1995: 2). In some senses are all data qualitative as they refer to essences of people, objects, and situations (Miles & Huberman 1994: 9). Berg suggests that that the notion of quality is essential to the nature of things, and that quantity is elementally an amount of something. Quality refers to the what, how, when, and where of a thing– in essence and ambience. Qualitative research thus refers to the meanings, concepts, definitions, characteristics, metaphors, symbols, and descriptions of things. In contrast, quantitative research refers to counts and measures of things (Berg 1995: 3). Qualitative researchers are then most often engaged in, and interested in, human arrangements, their settings, and how inhabitants of these settings make sense of their surroundings through symbols, rituals, social structures, social roles and so forth (Berg 1995: 7). Denzin and Lincoln argue that qualitative researchers stress the socially constructed nature of reality, the intimate relationship between the researcher and what is studied, and the situational constraints that shape inquiry. Qualitative researchers emphasise the value-laden nature of inquiry and seek answers to questions that stress how social experience is created and given meaning (Denzin & Lincoln 2000a: 8).

Thus, the central question of qualitative data analysis is how we can draw valid meaning from qualitative data, and what method and approach to analysis that will get us knowledge that is practical, communicable and that others can rely on. Miles and Huberman argue that qualitative data can provide this because it gives us the opportunity to preserve chronological flow, see precisely which events led to which consequences, and derive fruitful explanations based on this (Miles & Huberman 1994: 1). Miles and Huberman thus sum up the advantages of qualitative data and research in the following way:

One major feature is that they focus on *naturally occurring, ordinary events in natural settings*, so that we have a strong handle what “real life” is like. That confidence is buttressed by *local groundedness*, the fact that the data were collected in close proximity to a specific situation, rather than through the mail or over the phone. The emphasis is on a specific *case*, a focused and bounded phenomenon embedded in its context. The influences of the local context are not stripped away, but are taken into account. The possibility for understanding latent, underlying, or nonobvious issues is strong. Another feature of qualitative data is their richness and holism, with strong potential for revealing

complexity; such data provide “thick descriptions” that are vivid, nested in a real context, and have a ring of truth that has strong impact to the reader. Furthermore, the fact that such data are typically collected over a *sustained period* makes them powerful for studying any process (including history); we can go far beyond “snapshots” of “what?” or “how many?” to just how and why things happens as they do—and even assess *causality* as it actually plays out in a particular setting. And the inherent *flexibility* of qualitative studies (data collection times and methods can be varied as a study proceeds) gives further confidence that we’ve really understood what was going on (Miles & Huberman 1994: 10).

### ***Analyzing Democratic Governance***

Three main groups of qualitative data are available to this thesis work, interview data, document data, and process data.

*Firstly*, who was selected for interview was based on my knowledge of the regional governance system and who the central actors were. In addition, the selection of respondents match some criterions that I had laid out in advance. I wanted to do face to face interviews with everyone that was and had been a participant in the Value Creation Alliance. I wanted to interview regional actors originating from as many different institutions as possible, and I wanted to cover both of the counties in the Agder region. In addition, I also wanted to interview persons that I knew were opinionated about the regional governance system or about regional development processes but who were not directly involved in such processes themselves, to demonstrate the plurality of regional interests. Such individuals where identified through newspapers and the media. This has become a supplement to governance participant’s self-assessments of the system and important in order to highlight different interpretations of the system. In addition to this, I have also done semi-structured interviews with other researchers involved in the Value Creation 2010 project in the Agder region. This approach to regional stakeholder identification has provided me with a group of individuals that have different roles, institutional placing, centrality, and understanding of what the regional development system is and how it functions. The names of those interviewed are not disclosed directly in this text, because of the agreement made at the interview, see interview guide. Some are however identified because it would be impossible to conceal their identify and still preserve the content of the interview. The interviews were conducted from 27 February to 18 May 2006, 25 interviews were carried out using the interview guide. The interviews averaged about an hour in length, two thirds of the interviews lasted between 50 and 70 minutes, two of the interviews were only about half

an hour in length, four interviews lasted more than eighty minutes, and one interview was done over two sessions (days) and lasted 115 minutes. In total do the interview data represent about 26 hours of conversation over the topics in the interview guide (enclosed in appendix). Most of the interviews were transcribed, some in full, however as an hours interview constitutes about 17-18 pages of text, were some of the interviews only partially transcribed in order to save time, and from some interviews are only some of the more general views and perspectives used into the final text. However, all of the interviews have contributed significantly to my thinking, the presentation of data, and the analysis conducted in this thesis.

All of the respondents work and live in the Agder region. The interviews were mainly conducted in the cities Kristiansand and Arendal. All of the current members and some of the past members in the Value Creation Alliance were interviewed. The interviewees were primarily chosen because they filled a role in the region that was of particular interest to the research topic in this thesis. These roles were as follows: Current or previous member of the Value Creation Alliance, politician county-level, administrator county-level, network consultant/facilitator, company representative management-level, company representative employee-level, interest organization representative, region-state institution representative, R&D milieus involved in networks/partnerships at Agder, network and partnership participants.

In addition to this were the interviewees chosen as respondents because they filled multiple roles in the regional governance-system. This choice was partly done to save time and partly to illustrate a typical characteristic of participants in governance networks – they tend to hold multiple roles. Except for some of the network consultants working full time on network facilitation, all of the governance network participants had multiple roles. The table below illustrates this:

*Tab. 4-1: Typology Interviewee Roles*

<b>Typologies:</b>	<b>Number:</b>
Company – Management level	7
Company - Employee	4
Interest organisations - The Norwegian Confederation of Trade Unions (LO)	3
Interest organisations - Confederation of Norwegian Enterprise (NHO)	2
Interest organisations - Civil	1
R&D (works in an institution with academic credentials)	7
Consultancy	8

Typologies:	Number:
County-level politicians	4
Municipality-level politicians	5
County-level administrators	3
Region state administrators (state policy instruments in the region)	5
Partnership participant	14
Network involvement	24
Currently or previously a member of the Value Creation Alliance	11
Organisational leadership position (public and private)	20

Network and partnership participants most often (always) represent an organization into governance networks, they also tend to hold a leadership or another trusted positions in these organizations. The consequence of this is that the age of governance network participants in most cases is closer to 50 than 25. In addition is the gender profile in the governance networks skewed, I cannot give a precise number but if should make a qualified guess, based on a rough count of some membership lists from a sample of governance institutions at Agder, I would guess in the area of two thirds to three quarters male dominance. Ethnic-minority groups are also almost non-existent in these governance-networks, even though there are a couple of examples of persons participating with a minority background, is the fairest description at a system-level that minorities are not included.

The *second* important source of data has been different types of document data. For instance the rationale of the current regional institutional configuration, official strategies, goals, work methods etc. Available publications and other documents such as media records were also important sources of information in order to form an analysis of the regional system; these sources are described as they are used in the text.

The *third* main data type is my own experiences, which is based on direct participation and observation of what I would describe as a governance institution the Value Creation 2010 project in the Agder region which is the AR project underlying this thesis work. The research team involved in the Value Creation 2010 project in the Agder region continuously produced documentation, notes, meeting memos, reports on the activities that they were involved in. This data has supplemented my own notes and reflections on the Value Creation 2010 processes, this set of data is accounted for in the

next chapter. The three types of data available to this thesis is summarised in the table below.

Tab. 4-2: Available Data

Data type:	Short description:
<b>Interview data</b>	<ul style="list-style-type: none"> <li>▪ This is data from a round of systematised interviews with regional stakeholders. Conducted in the spring of 2006<sup>6</sup>.</li> </ul>
<b>Document data</b>	<ul style="list-style-type: none"> <li>▪ This data is publicly available data concerning different partnerships, development coalitions, private networks, public networks, public-private networks, etc. Particularly data on the networks and partnerships strategy plans, meeting memos, action plans, and reports, etc.</li> <li>▪ Government whitepapers and budget dispositions.</li> <li>▪ Media and newspaper articles covering critical events relating to the governance system in the region.</li> <li>▪ Research report and other research publications covering relevant features of the regional governance system.</li> </ul>
<b>Process data</b>	<ul style="list-style-type: none"> <li>▪ This is mainly data from the development of the Value Creation Alliance where I and other researchers have been involved in an action research design in facilitating the development of this partnership for a period of five years (2001-2005).</li> </ul>

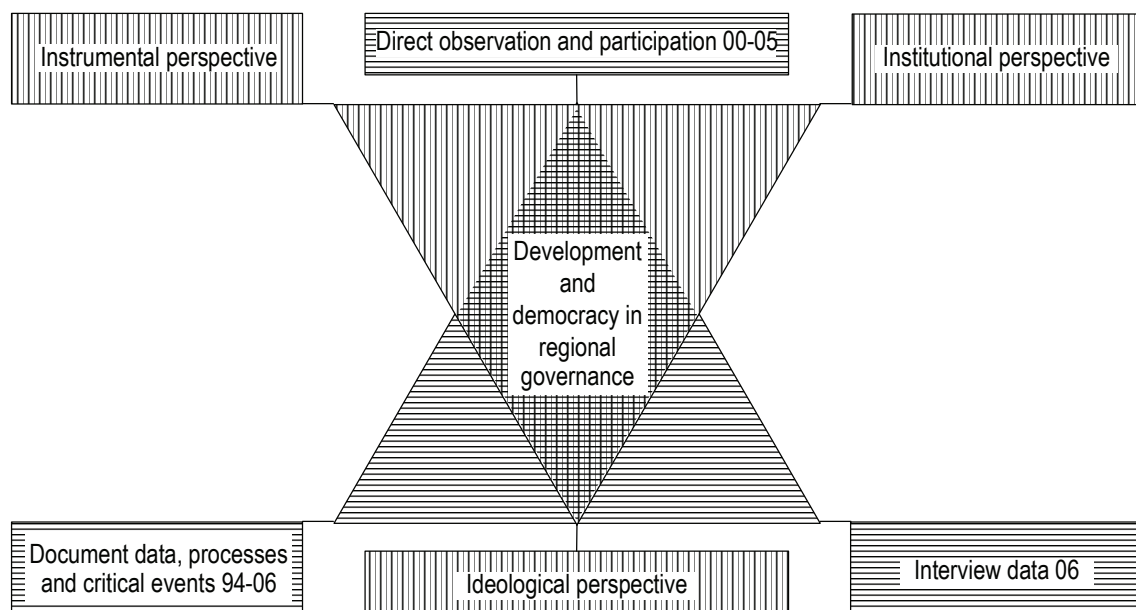
The combination of different methods to analyze one phenomenon is known as methodical triangulation. The goal of methodical triangulation is to increase the credibility of analysis and results. The idea is if you can approximate the same interpretations of praxis based on different methodological approaches maybe you are close to an interpretation of praxis that others in essence can support. Another view is that different approaches to methods give the opportunity to communicate the same idea through using different kinds of stories (Denzin & Lincoln 2000a: 10). This thesis applies both methodological and theoretical triangulation. When applied systematically together they are intent to make the *triangle of error* as small as possible (Berg 1995: 5).

I therefore disagree with Guba (1990a: 21) if he is right in being interpreted as to see methodical and/or theoretical triangulation as an expression of a post positivistic research agenda or as an expression of researchers' belief in the existence of a final objective reality, whether it can be uncovered or not. I see methodical and theoretical triangulation not as attempts to investigate the objective nature of reality, but as important tools in the process of researching and get a firmer grip on the unclear, the diffuse, and the complex systems that society and societal processes are. If the goal of scientific inquiry is to produce elaborate constructions into societal processes, we as researchers also have the responsibility to tell more than our own story. In doing this,



we should also do what we can to secure that our writings also include perspectives, interpretations, and views that not necessarily corresponds researcher bias, so that we can give our readers the opportunity to draw his/her own conclusions based on what we have written. I believe that it is in this perspective theoretical and methodological triangulation should be interpreted. This thesis' combination of methodological and theoretical triangulation is depicted in the figure below.

Fig. 4-3: *Triangle of Error*



The research scheme presented here is influenced by system theory thinking. System theory envisions institutions, organisations, and the people there as open to and influenced by their environments. It is assumed that organisations gather input from their environments and transform them into output. Environmental forces that affect input and output are the perceived value of the organisation's mission or product demand. External political, legal, social, economical, technological, and social forces also play their part. The principal idea in system thinking is that organisations and the people in them exist not in a vacuum but in an organic world and they have to change and adapt to contingencies in their operating domains (Carnevale 2003).

Systems thinking emerged through a critique of reductionism. Reductionism generates knowledge and understanding of phenomena by breaking them down into constituent parts and then studying these simple elements in terms of cause and effect.

In systems thinking the belief is that the world is systemic, which means that phenomena are understood to be an emergent property of an interrelated whole. Robert Louis Flood (2001) states that emergence and interrelatedness are the fundamental ideas in system thinking. An emergent property of a whole is said to arise where a phenomenon cannot be fully comprehended in terms of only properties of constituent parts. Therefore by applying the perspective of systems thinking you also argue that valid knowledge and meaningful understanding come from building up whole pictures of phenomena, not by breaking them into parts (Flood 2001: 133).

One way of distinguishing *soft* system thinking (systemic), from systems thinking is that the latter takes on an objective stance while the former assumes a subjective position. Systems thinking are objective in the sense that there is a belief that there are systems in the world that can be identified and improved. In soft systems thinking reality is understood as the creative construction of human beings, and social reality as the construction of people's interpretation of their experiences. Thereby also linked to interpretative theory (Flood 2001: 137). Flood describes the intellectual framework of soft systems thinking in the following way:

People have intentions that lie behind each action that they perform. Neither observation nor theory provides sufficient understanding to be sure of those intentions, that is, what is happening. [...] Soft systems thinking argues that a specific action concept becomes transparent only in the deeper context of a certain set of social rules. It is in these terms an actor can be said to be doing some particular thing. Social rules lead to social practice, that is, ways in which people live and work together. Lying behind social practice is constitutive meaning. Constitutive meaning 'puts in' meaning to the social practice, since it is the fundamental assumption that underlies what is done and what makes it meaningful. An 'authentic' understanding of people's actions may be constructed this way (Flood 2001: 137-8).

Systemic thinking makes us painstakingly aware of (knowing) all the things we do not know and is a mode of thinking that keeps people in touch with the wholeness of our existence. It recognises the futility and hostility of traditional forms of practice based on prediction and control, prominent of today's social organisational arrangements. Futile because any social dynamic will always remain beyond control, and hostile because it attacks people's spiritual well-being by isolating us and treating us as separate objects, rather than appreciating patterns of relationship that joins us all together in one dynamic (Flood 2001: 143).

Studying other institutions and their responses to environmental demands does therefore not only tell us something about the institutions themselves but also about the characteristics of the system they operate within, and thereby gives us a tool to interpret why and how change processes occur and consequently what actions are possible to take within the framework of that system.

#### 4.5 – Can We Trust Research?

How can we as researchers then be sure that we have an authentic picture of what we are looking at, how can we know that what we present as our research results have firmer warrants than that of common sense, and what is the legitimacy of the research that has been executed? Holding a constructivist position is not the same as saying that every interpretation of social events can have an equal status. It is however also an obvious fact that some accounts of practice are better than others. See for instance the discussion by Davydd Greenwood (2002) for a critical discussion of the “scientific standards” of research into the social, where he puts forward legitimate criticisms of what he sees as troublesome aspects of some AR research practices. Thus, we should as researchers into the social, not hope to get it completely right, but we should seek to not get it completely wrong either as Miles and Huberman humorously note in a remark (1994: 277). So, how can we ensure that our qualitative research efforts are more than common sense, and that what we present in the end represents reasonable and meaningful constructs and simplifications of local practices?

In applying a constructivist perspective it has been suggested that terms such as credibility, transferability, dependability, and confirmability replace the usual positivist criteria of internal and external validity, reliability, and objectivity (Denzin & Lincoln 2000b). So, how can confirmability, dependability, credibility, generalisability, and action orientation be addressed, without applying logical falsification schemes? Miles and Huberman (1994: 278-80) list a set of strategies, that in the following is commented on in relation to this work.

### ***Confirmability***

The central question concerning *objectivity/confirmability* is whether “the conclusions depend on the subjects and conditions of the inquiry, rather than on the inquirer” (Guba & Lincoln 1981)<sup>7</sup>.

Given the nature of an AR project it is impossible to retain objectivity through letting peers redo analysis and/or experiments. I have chosen to address this as a confirmability issue through a relatively detailed depiction of the research process and my own thinking processes in relationship to this. Another event is that “audit trails” and detailed documentation of almost every event that has taken place in the project Value Creation 2010 project in the Agder region can be found. These records are open and can be accessed by anyone who is interested. Through preserving chronological flow of events, I have tried to make data as transparent as possible and thus opening data up for alternative interpretations than those I present and argue for, this is particularly the case for my description of the case of the Value Creation Alliance in the next chapter 5.

Every text ever produced represents in essence synthesised thinking, reduction of data, and the writer’s bias, and this is also the case with this text. What I can say is that it is my honest interpretation of the events, structures, and relations that exist and work in the context I have studied. I have not deliberately left out anything I thought might inform this analysis. There are and will always exist data and information I do not have, data and information that potentially could have changed my interpretations. I am open to such views. That being said, I feel comfortable with my perspectives and views as they are articulated through this thesis. To compensate for my own bias I have tried to give honest and thick representations of alternative interpretations in order to present other voices than those I happen to agree with. In addition, I believe I present enough data so that the readers can make their own conclusion just by reading this text. The first research question concerning the conflict is an example of this (chapter 7). Here I present many different interpretations that all have some merit to them, in the sense that I have heard them articulated by individuals involved in the events at some stage. This should be read as an attempt to address confirmability issues, when competing assumptions are discussed and argued for.

**Dependability**

The central question concerning *reliability/dependability* is not if the “thermometer is working properly”, but if research has been done with reasonable care. Whether research and methods are dependable are the essential questions here (Miles & Huberman 1994: 278).

One way of assessing the question of dependability is whether findings show meaningful parallelism. That is to say if other studies of other similar contexts have come to similar conclusions as you have. In chapter 3, I point some to such studies. Another feature of dependability is if the research questions, basic paradigms, and theoretical constructs etc. are meaningfully applied to the concrete practice in question. In other words is there a reasonable link between theory and practice in the final text. I will let others be the judge of this.

However, one of the most important factors I have benefited from in order to secure dependability is that I through the period of working with the Value Creation 2010 project and the Ph.D. have been part of a critical peer community. This group of researchers and consultants knew the context, have read parts of what I have written. I have benefited from writing and publishing together with this group, and it has been supportive and provided corrections and guidance when I have gotten astray. This is not the same as saying that we always agreed, but it has provided me with a continuous possibility for quality check of my own theoretical constructs and interpretations of practice.

**Credibility**

The central question concerning *internal validity/credibility* is truth value, do the findings make any sense, is the output credible to the readers and those involved (Miles & Huberman 1994: 278). As previously discussed, this thesis work does not apply to stringent post-positivistic language of validity, if we ask whether a result of a research project is valid or not, we are in reality really asking if it is true or not. The central questions then remain true for whom and when and in what sense. Using internal validity as a measurement of instrumental correspondence between our research instruments, our findings, and the “real world” is in this sense not a viable strategy. Because this type of validity requires that the researcher is able to logically falsify

competing hypotheses, something that only is possible if there exists a finalized answer to such questions, in other words the presence of an objective ontology.

I therefore seek clarity without applying to stringent positivistic/post-positivistic falsification, and I use the term assumption instead of the more familiar term hypotheses. To Karl Popper a basic demand to science was that a researcher rejects a theory when it is demonstrated empirical evidence that are in defiance of the terms in the theory. Popper, concerned with the problem of *demarcation*, the idea of finding a criterion to distinguish scientific from non-scientific theories, proposed that a scientific theory must be falsifiable, in the sense that the theory must be incompatible with certain possible results of observation. Genuine scientific theories must therefore make risky predictions that might turn out to be false (Popper 1963)<sup>8</sup>. Using the terminology of hypothesis testing is strongly connected to Popperian falsification. The idea that experiences of social phenomena can be falsified in a stringent manner is problematic in social science, maybe an ideal to some, but a difficult/impossible ideal to follow in practice. By using the terminology of *assumptions* and *credibility*, I offer less stringency but more realism in the sense that I discuss to what degree empirical data offers support to my assumptions.

One of the central methodological steps taken in this thesis in order to address credibility issues is to open analysis up to alternative interpretations of data and through having an eclectic theoretical approach. Methodological and theoretical triangulation efforts are central in this. I do not use theoretical triangulation as a mean to test the theories to find out which best fits data (Lincoln & Guba 1985: 307), but as a mean for filling in the blanks. I therefore provide explanations, theoretical and/or empirical in data analysis when triangulation efforts produce diverging results in order to address just credibility issues. I also provide explanations for when, why, and how my interpretations are divergent from informants and I provide the readers with ample examples of this and why it is so. I also seek to be clear on what I can say something about and what I cannot say something about given the nature of the data available to this thesis. Credibility is also in the same way as confirmability issues addressed by relatively thick case descriptions.

**Generalisability**

The central question concerning *external validity/generalisability* is whether the conclusions of a study have any larger import, are they transferable to other contexts, how far can they be generalized (Miles & Huberman 1994: 279)? Internal validity, in a post-positivistic sense, is about approximating a final truth of propositions, inferences, and conclusions. External validity is in a post-positivistic sense to approximate such truths into other contexts than those of the original context, meaning that internal validity are juxtaposed into different contexts. An example of such views on external validity is discussed in chapter 3 in relationship to the generalization claims, diffusion, and marketing of Michael Porter's cluster theory, and Richard Florida's creative class theory.

My position on generalization of social research is not congruent with such views. However, it is more compatible with views on generalization as those expressed by Noblit and Hare (1988)<sup>9</sup>. They write that the generalization process should be viewed more like a translating, refuting, or synthesizing process of two or more studies of similar phenomena. Generalization is in this sense careful interpretation, not just "adding up".

Such a view on generalization is also discussed by Greenwood and Levin (1998) in relationship to AR. It is only natural that most social scientists want the results of their research and reflections to be accessible to a wider audience, and thereby make an impact in other places than in the concrete context in which the research took place. Toulmin and Gustavsen (1996) mention critique of AR as social research that often builds on it being contextually bound and that one therefore should not generalise on basis of the research results. The discoveries and reflections made are only valid among those where the study was conducted. Generalisation is therefore not recommended or possible.

In this sense, AR becomes a collection of more or less interesting stories from different local contexts that "the others" does not really have to pay any attention to. AR research projects, as well as other social research projects take place in unique contexts. Context, actions, words, and thoughts within this context meld the interplay between researcher, actions, and reflections that lead to new insights of the essence of AR. Kurt Lewin, originator of the AR concept, argued strongly that it was just through the context

bound case that one could understand the dynamics of social interaction. In other words, rather than through stylised sampling or controlled cases we should give as good a recapitulation as possible of “the nature” of the concrete case (A. W. Martin 2000).

Greenwood and Levin (1998) use the following example to illustrate this point. Max Weber worked in his book ‘The City’ after principles that have parallels to this way of thinking in AR. Weber’s method was to develop ideal models of e.g. bureaucracy, charisma, legitimacy, authority, religion, urbanisation and so on. On basis of his historical cases, he abstracted a list of trans-contextual characteristics. Thereafter he used these characteristics to develop explanatory strategies that he then tested against different contexts.

”He [Weber] gathered all the evidence he could from all over the world about the phenomenon of cities. On the basis of this broad reading, he developed a synthesis of the traits he found in each major example of cities in different places. He then took this list of traits and arrayed the traits together until he had a list of all the major features that he could find in the cities of the world. The total list of major traits made up the basis of his ideal type of city. This was only the beginning however. Armed with this list, Weber returned to each world area, to each context, to examine what traits were present or absent in each situation. When he found particular complexes of traits present or absent in a location, he re-examined the history of that place to explain the presence or the absence. Gradually, he developed what he calls a “casual interpretation of history” that helped him to understand why particular features were present or absent in particular situations, built over the backdrop of a general knowledge of the phenomenon of urbanization” (Greenwood & Levin 1998: 84).

Greenwood and Levin (1998) therefore state that knowledge developed in one context can be transferred and be valid in other contexts and situations. In AR, one does not generalise on basis of abstraction with a consequent loss of history and context. Meaning and knowledge developed in one context must be studied with reference to its credibility in another context, through a conscious reflection of dissimilarities related to contextual and historical factors. Only through a historical and contextual analysis can or should one apply knowledge generated in one context to another. Therefore it is the context bound construction of meaning that determines the relevance, at the same time as being the process that gives us opportunity to speak and communicate our results to a wider audience.

In order to address generalisation issues is it therefore important that writers provide descriptions that are thick and detailed enough for context unaware readers to relate. Certain findings should also be made into more generic statements and



assumptions than other interested parties can integrate in their own analysis and check for complementariness.

### ***Action Orientation***

The central question concerning *utilization/action orientation* is what the study does for participants, both researcher and “researched”, and for its “consumers” (Miles & Huberman 1994). In AR this is explicit since intervention is an integral and central aspect of research.

To produce knowledge that is actionable is an ideal I affiliate with. If the knowledge that is produced through for instance a Ph.D. thesis work is actionable, it also is a qualitative check on the other issues previously discussed such as confirmability, dependability, and credibility. The action orientation of the Value Creation 2010 project is relatively straight forward, we, the research group, initiated together with local participants a long range of projects spanning several years. The build-up of the Value Creation Alliance is described in more detail in the next chapter, and two other Ph.D. thesis works from the Agder region address parallel action oriented issues (Fosse 2007; Karlsen 2007). What is the issue here is if and in what way or form conclusions and recommendations from this thesis work are relevant for future actions in the context of this study. The aim of such relevance is implicit in the mere topic of this thesis, namely that there are problematic issues that relate to both democracy and development that is interpreted as results of newly formed governance and regime institutions. I also point to and argue how regions through readdressing certain issues relating to democracy can improve their development aims. Such learning aims are however not “tested in practice” in this thesis work and will for the time being remain an ambition and challenge for future research.

### ***Causality***

The last issue I seek to discuss in relation to what extent we can trust research, relates to *causality* in qualitative studies. Miles and Huberman suggest that qualitative studies can be powerful in assessing causality because it can be observed as it plays out in a particular setting (Miles & Huberman 1994: 10). They also indicate that qualitative studies should look for an individual, a social process, a mechanism, a structure that is

at the core of the events that can be captured to provide a causal description of the forces at work (Miles & Huberman 1994: 4).

This is a view I share, as the centre thesis of this work is that individual instrumentality, new institutional configurations, and the presence of a dominant ideologically based discourse have changed important aspects connected to both democratic practices and ideas and in what form the social system, that a region is, produces development results. The notion of capturing a description of this causality is therefore important here. This is however *not* a type of causality that is projected onto the future, something that is the same as saying that history always will repeat itself. But an attempt at capturing a *description* of causality in events that already have taken place. Thus I do not apply to the notion of causality in a deterministic form (Lincoln & Guba 1985: 129). Causality is as I see it a necessary component of social research because it is the cornerstone in providing explanations for the phenomena and events that we observe and/or take part in through the research process, and if research is not about providing explanations what is it then in favour of? The idea of causality is then about the status we ascribe to these explanations, are they absolute or are they relative to the context, researcher, time, resources, and abilities of the researcher and the research project. As I do not ascribe to a deterministic notion of causality, I simply embrace something that to most is common sense. If we for instance were to mount an organisational reform in the fifth approximate similar organisation unit, we would be right in assuming that there were some kind of causality, that similar processes as in the first four units would take place. However, the point is that since this is a dynamic social system we could not and cannot know this in a deterministic sense. We have to try it out in practice in order to know for sure. Lincoln and Guba thus suggest replacing such deterministic notions of causality with the concept of *mutual shaping*, as a way of capturing the complex processes of everything influencing everything, in the here and now.

Many elements are implicated in any given action, and each element interacts with all of the others in ways that change them all while simultaneously resulting in something that we, as outside observers, label as outcomes or effects. But the interaction *has no directionality*, no *need to produce that particular outcome* (indeed, the outcome may be totally unpredictable morphogenetic change); it simply “happened” as a product of the interaction—the mutual shaping (Lincoln & Guba 1985: 151).

Such critique of the deterministic concept of causality is aimed at the use of the concept on events that has yet to take place. From our daily lives we know that qualitative methods have a superior status to quantitative methods, among non-scientists, in assessing causality and providing explanations for events that have taken place. For instance, if you were to sit on a jury bench and was given the task of deciding on the question of guilt in a particular case. What would provide the more convincing explanation of causality? An argument based on a reliable, valid, and significant result from a statistical profiling procedure (deduction), or an argument based on statement from one or more reasonable trustworthy persons that were observers to the events in question? As the formalised court procedures of reasonable doubt in most countries would have it, it is only the latter that would even be considered evidence in any fair judicial system. That is not the case in the social sciences today and that is a fact.

#### 4.6 – Summary

In this chapter, I have outlined the basic structure and ideas in this thesis regarding my basic views of research, and the research process of data collection and analysis. This provides us, together with the theoretical framework introduced in chapter 3, with the tools necessary to analyse the data which relatively descriptively are outlined in the following two chapters.

In the next chapter, I will discuss the AR project that underlies this thesis work, and that also is the basis for addressing the first operational research question in this thesis. This AR project is the work that I as member of a research team have been involved in. This was to develop a regional development coalition known as the Value Creation Alliance. This institution rapidly became central and interweaved in the still relatively young regional governance system in the Agder region. The development of this project went through several phases, and these phases are chronologically presented in the following chapter.

## Notes

<sup>1</sup> Referred in Berg (1995: 5).

<sup>2</sup> Assuming the research is conducted according to methodically sound principles, transparency, ethical, relates to the scientific community etc.

<sup>3</sup> Quotation stems the abstract in the submitted version of the paper; this abstract was removed by Academy of Management when the paper was distributed on the AOM 2004 best paper CD-ROM.

<sup>4</sup> National follow-up program to Value Creation 2010.

<sup>5</sup> The methods of this thesis are predominantly qualitative in nature. There is however a quantitative method that is developed especially to study networks. This method is known as Social Network Analysis. Social Network Analysis was developed in the 1960's a quantitative method to study social relations. Social Network Analysis combined with software such as UCINET provides the user with graphical representations which shows how close network actors are connected, how central they are, which cluster that are created, and how open or closed the network are. Social Network Analysis is very useful if we want to say something about the structure of a governance network at a macro level (Freeman, White, & Romney 1992; Wasserman & Faust 1994; Degenne & Forsé 1999; Monge & Contractor 2003). I had early on planned to use Social Network Analysis in order to provide this thesis with such structural analysis. Constraints on time did however make this a task to be done another time. However, as I read up on the literature on Social Network Analysis I came to firmly believe that Social Network Analysis is and will be an important supplement to other methods if we are occupied with research on regional governance and regimes. I will therefore recommend that methodological approach to others that might be interested in these topics.

<sup>6</sup> The interviews was conducted in Norwegian, and afterwards transcribed into English. Translating spoken Norwegian into a text in English is not straightforward, but I have tried in a best possible manner to stay as close as possible to the original content/meaning both I (the interviewer) had when asking and the interviewee had when responding to the questions. I have in some instances edited the way questions was asked and answered for clarity, this in order to communicate the content of what was said in a more precise manner. An example of clarity editing is when I ask the same question two or three times, but in different ways before I let the interviewee answer. In the translation only one version of the question is included. Another example is when the interviewee gives a mixed-up and/or muddy answer, in some instances are these answers shortened and clarified. All of these changes are done for clarity and I do not believe that this type of editing have changed the content of what was said in any significant way.

<sup>7</sup> Referred in Miles and Huberman (1994: 278).

<sup>8</sup> Referred in Argyris, Putnam, and Smith (1985: 15).

<sup>9</sup> Referred in Miles and Huberman (1994: 279).

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## *Chapter 5 – Regional Development Coalition*

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The data presentation in this thesis is divided between two separate chapters. This chapter presents in some detail the start-up of the Value Creation 2010 project at Agder, where the emphasis is on the developing role of the Value Creation Alliance. The next data presentation chapter focuses on the development of the regional governance system in the Agder region. The idea behind presenting data in this way is that it can provide the opportunity to discuss governance, regimes, and democracy in regional development from two angles. From a process level, where the actor's interpretation and execution of roles, and how these add up in collective action, serve as main explanatory variables for understanding process outcomes. Secondly, the system level factors that also are important in order to understand regional development processes are emphasised. The same phenomena, democracy and development, can then later be discussed and analysed through both a close up and personal perspective, where action events are interpreted through the eyes of the researcher<sup>1</sup>. Second, a more distant approach, where democracy in regional development processes is interpreted through what essentially is an systemic perspective on the region as an development system.

### 5.1 – Introduction

In this chapter, I present the first five years of the Value Creation 2010 project and the Value Creation Alliance in the Agder region; the emphasis is however placed on the first three years. I start with a presentation of the background for the Value Creation 2010 project in the Agder region. Then I discuss the linkages to the Enterprise Development 2000 programme and how the involved participants interpreted the transition from Enterprise Development 2000 to the Value Creation 2010 programme in the Agder region. I then outline how the project unfolded in the Agder region; in practice this is done through a reconstruction of the Value Creation 2010 project into sequences of distinct phases, marked by significant events in the project. This means that the case story is chronologically organized and the aim is to give a descriptive

overview of what development themes were emphasised in different phases of the project.

## 5.2 – From Enterprise Development 2000 to Value Creation 2010

The Enterprise Development 2000 programme at Agder had a difficult start. In December 1994 the first application for the new national research programme was submitted by Agder Research to the Norwegian Research Council. This application suggested a focus on organisational learning, a topic that was meant illuminated through a series of projects that has some action research features, as it where put in the application. The Enterprise Development 2000 programme at Agder would use two existing networks, *Kompetansering sør* and *IT-ringen agder*<sup>2</sup> to diffuse the results from the 10-15 enterprises where the main activities were to take place (Jenssen 1994).

In February 1995, it became clear that this application was rejected by the Norwegian Research Council. Only four R&D-milieus had gotten full support from the Norwegian Research Council, these were Tromsø, Nordvestforum, Rogalandsforskning and AFI. Harald Furre, who had been the project leader of the processes of writing the Enterprise Development 2000 application, then initiates a process where he starts to mobilise many actors in the region and elsewhere in order to change this outcome. This mobilisation process had three main components, a) influence the central actors in the Norwegian Research Council as much as possible, b) increase mobilisation of regional stakeholders behind the project, and c) team up with IFIM (SINTEF) in Trondheim who did not get support in the first round either (Furre 1995). When I later discussed these events with Harald Furre, he responded in the following way when he was asked to give a brief overview on how the Enterprise Development 2000 project came to Agder:

It is a long story; Enterprise Development 2000 was the fun part of it. I was responsible in Agder Research, together with several others, for producing an application to the Enterprise Development 2000 programme. We are back in 1994; it was an information meeting in NHO<sup>3</sup> where Paul Flaa from Agder University College was with me. We saw that we had to team up with the college, we made an application, Jan Inge Jensen and some others wrote much of this. We got letters of intent from the businesses in *Kompetansering sør*, and we sent in a very solid application to the Enterprise Development 2000 secretariat. We got a refusal in the first round. This also happened to SINTEF that traditionally had a punch card into this research community with Bjørn Gustavsen and others. Then we experienced a very strange process, where SINTEF got the opportunity to improve on their application a couple of times, and we did not. In spite

of this, SINTEF did not get any funding. There was only room for a limited amount of modules in the Enterprise Development 2000 programme, and the Enterprise Development 2000 secretariat tried to “force marry” us with the SINTEF module. A lot of communication went through different channels in this time; it ended with us being fooled and placed on the sideline of that game. SINTEF eventually got their own module and we were left out. I experienced this very strongly, we were left out because we were a small regional milieu and they looked at us with much scepticism because of that. The big milieus should of course get in no matter what. Then a year or year and a half passed, we started to work via NHO and LO<sup>4</sup>, in order to get in anyway. We wrote a revised application, and got into the Enterprise Development 2000 programme, this was a big victory. We got Harald Knudsen to be project leader, and we made a team around that. At this point, I withdrew from the Enterprise Development 2000 work, when everything was in place. I experienced that the Enterprise Development 2000 project here at Agder functioned reasonably well. It was a programme with a relatively clear focus, it was organisational development in enterprises, based on broad participation, collaboration between the social partners, and it was a relatively clear agenda and goals. After a while, we got several good cases, that were brilliant references for quite a while, for instance Tinfos Titan in Odda. By no means did this approach function everywhere. However, it did work some places and gave very good results.

It was not until Agder Research got support from the social partners that the Enterprise Development 2000 project came to Agder. Without influencing the board’s members and the Enterprise Development 2000 secretariat indirectly via the social partners at Agder – the Enterprise Development 2000 project would probably never have set foot in the Agder region. This was an important lesson for both Agder Research and for the social partners in the Agder region. They had now learned how the “research” system works. The Value Creation 2010 project was therefore, when it was launched, viewed as an opportunity for a “rematch” at Agder. Harald Furre explained this in the following way:

In Norway, when programmes end we must think of something new. After a period of 3-4-5 years with Enterprise Development 2000, the topic of regional development was becoming hot, and very popular nationally. I understood that the Enterprise Development 2000 “gang”, with Bjørn Gustavsen at the centre, wanted to position Value Creation 2010 as *the* regional development programme. They therefore took the Enterprise Development 2000 tradition and put a regional development dimension into it. It was Bjørn Gustavsen and Torgeir Reeve that wrote the new programme for Value Creation 2010. Torgeir Reeve was the cluster expert here, even though he never had had anything to do with broad participation and the social partners before. Then I thought that this was very exiting, I thought that this new profile fitted Agder Research very well. [...] When we saw that the new programme Value Creation 2010 came, we saw the need for making a regional constellation. We took initiative to gather the social partners here, a meeting where also Aetat<sup>5</sup>, the counties, and some more actors participated. We did this to create a regional alliance, the Value Creation Alliance. It was this Alliance, in collaboration with Agder Research that made the application for the Value Creation 2010 programme. We then got that funding.

The Value Creation 2010 project fitted Agder Research's profile well, the organisation at the time mainly consisted of a group of enterprise consultants (that had worked on Enterprise Development 2000), and a group of geographers and political scientists that were working with issues relating to regional and organisational development. Agder Research also benefited from a good working relationship with the social partners because of the regional experiences with the Enterprise Development 2000 project. Therefore, when the new regional level was added to the Enterprise Development 2000 platform through Value Creation 2010 it fitted Agder Research's professional profile very well. Financially, the Value Creation 2010 project was also looking very promising for Agder Research, this project could mark a transition in the institution's history, and the possibilities for Ph.D.s and academic publications also loomed in the background – the stage was in reality set for the commencement of the “perfect” Agder Research project.

***Value Creation 2010 A Regionally Based Action Research Project***

*Value Creation 2010 – Enterprise development through broad participation* was nationally a collaborative project between the Norwegian Research Council (NFR), The Norwegian Confederation of Trade Unions (LO), The Confederation of Norwegian Business and Industry (NHO) and The Norwegian Industrial and Regional Development Fund (SND)<sup>6</sup>. The Value Creation 2010 programme was a direct continuation of the Enterprise Development 2000 programme; it took over directly where Enterprise Development 2000 had left off. Enterprise Development 2000 was as Value Creation 2010 divided into regional modules, where different research milieus are responsible for the activities in the programme. Therefore many of the same “cases” from Enterprise Development 2000 continued into Value Creation 2010, and it is almost the exact same group of people that is involved in Value Creation 2010 that were involved in Enterprise Development 2000. Value Creation 2010 was “officially” launched on 1 July 2001. One of the main architects behind the programme, Bjørn Gustavsen, describes Value Creation 2010 in this way:

Much of the same networks and patterns are carried on [as in Enterprise Development 2000] but more emphasis is to be placed on the forming of regional umbrellas - development coalitions - over local development efforts in the form of what in Europe is generally called (regional) partnerships. Whereas the number of enterprise networks



participating in ED 2000 was somewhere between 10 and 15 (depending on definition) more than 50 such networks are in contact with the new programme (Gustavsen 2002: 2).

The main differences, as Gustavsen describes, between the two programmes are the introduction of the “regional umbrella” and much more networks and a much stronger emphasis on the network level than in Enterprise Development 2000. The enterprise development efforts in Value Creation 2010 were planned to continue more or less along the same lines as in Enterprise Development 2000. The two programmes, Enterprise Development 2000 and Value Creation 2010, shared a common funding structure, normative and theoretical basis. The main difference then became a significant widening of the scope, from only focusing on enterprise development and some networks, to a focus on enterprise development, more networks and in addition regional development.

The core of the Value Creation 2010 programme and Enterprise Development 2000 was recognition of the significance of employees’ broad participation for learning, development, and innovation in enterprises. The programme supported development projects that were done in co-operation between researchers, private corporations, and other partners.

### ***The Regional Development Coalition***

The first thing that happened at Agder when the process of initiating the transition from the Enterprise Development 2000 programme to the Value Creation 2010 programme, was that the need to set up a regional structure or partnership of some sort to match the new focus in Value Creation 2010 on the regional level became evident. In our writing on Value Creation 2010, we describe this new structure as a regional development coalition. Regional development coalition was a concept that should differentiate from the partnership concept, and signify it as something else than a strictly administrative or political entity, but as a broad arena for learning and reflexivity, a reflexive arena for the development of regional development strategies.

The concept of regional development coalition is the Value Creation 2010 link back to industrial democracy; it is *the* factor that was thought to bring industrial democracy out into the region. Regional development coalitions were meant to be forums for democratic dialogue, arenas that would facilitate change processes, learning

and knowledge transfer. Regional development coalitions have dialogue as conversations and discussions between equal partners, a dialogue characterised by openness, willingness to listen and willingness to accept good arguments, and to learn from each other. Richard Ennals and Bjørn Gustavsen argued their views on the strength of development coalitions like this in their 1999 book - *Work organization and Europe as a development coalition*:

This is because only through dialogue will it be possible for all participants to really learn, because dialogue is the only kind of communication that allows for learning through linking one's own experiences with those of others, and in such a way that no initial preference is given to any of the experiences as being more valuable or more superior than the others (Ennals & Gustavsen 1999: 81).

It is worth noticing the requirement set by Ennals and Gustavsen to the development coalition, "that no initial preference is given to any of the experiences as being more valuable", this is the crux of the regional development coalition, and without it, the concept of regional development coalition becomes just another network institution or partnership. Our initial ambition in the project was the high standard of the regional development coalition, and we the researchers, acted as if that also was the reality.

The initial partners in the Value Creation Alliance were representatives from the two county authorities in Agder, the regional offices of The Norwegian Confederation of Trade Unions (LO), The Confederation of Norwegian Business and Industry (NHO), the regional offices of the Public Employment Agency (Aetat), Innovation Norway (then SND), Agder University College, the county mayors in Aust- and Vest-Agder, the regional office of the National Office For Social Insurance (Trygdeetaten), and The Norwegian Association of Local and Regional Authorities (KS)<sup>7</sup>. Harald Furre who then was director of Agder Research was central in setting up the Alliance; he explains the process in the following way:

I took the initiative to the first meeting in the Value Creation Alliance, where we brought the partners together; I also led these meetings the first couple of times.

*Question:* So it was you as director of Agder Research who took the initiative to organize the Value Creation Alliance?

Yes. I remember it that way, this is probably documented somewhere. I led it; it would be strange if someone else had taken this initiative. I experienced the start of the Value Creation 2010 project at Agder as a déjà vu compared to the start up of the Enterprise

Development 2000 project. This time around it was Agder and Agder Research that was “in the club” and the others that tried to come in. Those who were in the new programme were the same modules that had been part of Enterprise Development 2000. Other applicants were on the outside trying to come in, just like us in the beginning of the Enterprise Development 2000 programme. Some of these entered after a while. I smiled to my self by this I shall admit that.

*Question:* Because Agder Research then was in “the club”?

Yes then we were on the inside, and we got relatively much funding from the Norwegian Research Council also. Now it was much enthusiasm for Value Creation 2010, for the application, for our thinking etc., both nationally and regionally.

The annual budget for the project came from a 50/50 split between the national programme and the regional stakeholders. The Value Creation 2010 Agder project had an annual budget of about NOK 5 million, and was run by a team of seven researchers/consultants (the core team). This provision of funds implied that the project had to adhere to strategies defined by both the national programme and the regional partners. The national board of the programme had accepted a research manager for the project. The regional partners in the Value Creation Alliance accepted the same person.

### 5.3 – The Enthusiastic Start-up

The following phase descriptions are divided in two halves, first I describe the activities on a project level, and then I describe the same period again, but from the perspective of the Value Creation Alliance. The timeframe of the following is April 2000 to September 2001.

#### ***The Projects***

The original application that was written from Agder is a story in its own; it is a 211 page document covering a wide array of subjects (H. C. G. Johnsen & Normann 2001c). The literally “weighty” application did however serve its main purposes. It “kick started” the research team’s thinking on how to facilitate the link between regional development and the work that had been done in Enterprise Development 2000, and it got funded by the Norwegian Research Council. At the time, we also thought that it would serve as a framework and reference point for the development and dialogue between the partners in the Value Creation Alliance. The application was sent to the Norwegian Research Council in mid April 2001, and on 23 May 2001 Agder Research

was given notice that it got NOK 2.4 million to the Value Creation 2010 project at Agder. The application consisted of a three layered activity plan, activities on a regional level, on a network level, and on the enterprise level.

The first thing that happened in the Value Creation 2010 project was that Agder Research did what it does best, it commenced a series of mapping projects. In the year following the initial grant there was initiated a value creation analysis, an innovation analysis, a policy instrument analysis, and a labour market analysis. In addition to this, activities were initiated during the summer of 2001 on regional development projects in the Lister region, in Mandal, and in Setesdalen. On the network level activities relating to travel and tourism, maritime industries, composite industries, marine industries and a network relating to balanced scorecard (through *Kompetansering sør*) were commenced. Resources were also given to the consultants in the team so that they could recruit at least ten enterprises into the project. All of this was done before the summer holidays started in 2001.

In August 2001, we stopped to catch our breath, there were some need to clear up how the resources in the Value Creation 2010 programme could be used. Could they be used to subsidise consultancy work in enterprises or could they only be used to facilitate network activities between enterprises in networks? Agder Research contacted the Norwegian Research Council on the issue, and at a meeting with the Norwegian Research Council on 8 August 2001, it was made clear that there were no formal problems with using Value Creation 2010 resources on development projects in concrete enterprise development projects.

During the summer of 2001 the list of active projects under the Value Creation 2010 umbrella had grown considerably. We were now operating with four categories of projects under the Value Creation 2010 umbrella at Agder. The newest category was the “province projects”, projects of a more strategic nature like the collaboration with the university college, something that we called triangle projects (we didn’t use the triple-helix concept yet), and the work to get a knowledge park to Gimlemoen. In addition were the mapping projects placed here, and the work to establish a Value Creation 2010 web portal for Agder. There were now initiated twelve activities/projects on the “regional level”, nine activities/projects on the network level, and 14 enterprises had signed letters of intent with Value Creation 2010, in addition was another ten enterprises

on the “backburner”. Things were now looking very good and absolutely everybody was very satisfied with the very promising start of the Value Creation 2010 project at Agder.

### ***The Value Creation Alliance***

The central actors were invited to hold their first official meeting about a year before the Norwegian Research Council funded the project<sup>8</sup>. The first meeting was held *on 26 April 2000*, the regional stakeholders from LO and NHO were present in addition to national representatives from LO and NHO. In addition to the obligatory introductions and presentations it was also discussed what Value Creation 2010 should be and who should be invited to participate in the Value Creation Alliance. The memo from the meeting shows that Harald Furre from Agder Research argued that 40 000 new jobs had to be created in the region within 2020, that the traditional industry was the core of this and that we had to expect a significant growth within the service sector and the “internet economy”. He also argued that it is the tripartite collaboration between public authorities, the R&D sector and the industry that will be the basis for innovations. The LO representative at the meeting said that the project would not be similar in every region, that each region had to find its own unique form that fitted that region.

The major output of the meeting is the implied go ahead from the central LO representative and that it is suggested to design it as a triple-helix project. Where LO/NHO represent the industry, Innovation Norway, the counties and the public sector Agder University College and Agder Research represent academia.

The Value Creation Alliance is then formally established at a meeting in Lillesand 30 June 2000, where 3 people from NHO, 3 from Agder Research, 2 from LO, 1 from each of the counties and 1 from Agder University College participate. The point of the meeting is to formalise a steering group for the coming Value Creation 2010 project. It is also agreed to finance the application process and to expand the Value Creation Alliance with more institutions, Aetat is for instance invited to the next meeting 8 September 2000. At this meeting, everyone reports that they have formally cleared that they will and can participate in the Value Creation Alliance. It is decided that the Value Creation Alliance shall develop a new body, the *working committee*. This group consists of three people: the leader of the Value Creation Alliance Tine Sundtoft from NHO, the

second leader Elisabeth Haaversen from LO and Kirsten Borge from Aust-Agder County.

The working committee is then, on 2 October 2000, the formal sender of a grant application to the HF-B secretariat<sup>9</sup> for NOK 300 000, to initiate the Value Creation 2010 project at Agder. This application is later granted by HF-B. This money is used by Agder Research to finance their 211-page application for the Value Creation 2010 project.

*The next meeting in the Value Creation Alliance is held on 6 November 2000.* At this meeting, the partners confirm their financial commitment to the project. All of the partners agree to contribute equally to the project, NOK 150 000 each, in total NOK 600 000, in addition to this HF-B has granted 350 000 instead of NOK 300 000 as applied for. The Value Creation 2010 project at Agder now has NOK 950 000 at its disposal. The project leader is also asked to adjust a strategy memo for the Value Creation Alliance that has been circulating, called “Agder ahead”. In this meeting the roles between the different bodies in the project are also discussed. The following terms and principles are then worked out in the meeting:

- 1) The Value Creation Alliance will be responsible for a large body of projects and a large budget.
- 2) The Value Creation Alliance cannot follow in detail every project and must therefore relate to the responsible project leader.
- 3) The Value Creation Alliance approves the project leader based on Agder Research’s suggestion
- 4) The Value Creation Alliance appoints a working committee consisting of three persons, which together with the project leader makes decisions between Value Creation Alliance meetings within the framework worked out by the Value Creation Alliance.
- 5) The project leader discusses and works out budgets, work plans and accounts in collaboration with the working committee and presents them to the Value Creation Alliance.
- 6) Every issue presented for the board shall in advance be treated by the project leader who shall provide a recommendation.
- 7) The project leader is responsible for follow-up of active projects.
- 8) The project leader presents the issues to the Value Creation Alliance.

- 9) The project leader shall collaborate with the working committee when setting the agenda and call new for meetings.

The next meeting in the Value Creation Alliance is held 8 December 2000. Eleven issues are on the agenda; a new logo for the Value Creation 2010 is discussed as part of the marketing strategy of Value Creation 2010. The “Agder ahead” memo is asked to be revised once again. Hans Chr. Garmann Johnsen the project leader who has written the memo has introduced some new concepts: “The new economy” and “knowledge based industrial development”, he is asked to write what this actually means in the later revision. They discuss if the county administrators<sup>10</sup> should be invited into the Value Creation Alliance, and the participants agree that he should. A series of dialogue conferences throughout the Agder region is also planned as part of the application process for the national Value Creation 2010 programme.

In January 2001 the county administrators is invited to participate in the Value Creation Alliance. *The next meeting in the Value Creation Alliance is held 5 February 2001*, 17 people are invited to this meeting. The big issue is the new application for the Value Creation 2010 programme. An application was sent in September 2000 but it was not financed. The Value Creation 2010 programme was not ready yet; and the national budgets are not as big as expected. Everyone has to write a second application. Tor Claussen from Rogalandsforskning participates to talk about Rogaland’s strategy. A joint application from Rogaland and Agder is discussed, but rejected. They agree to collaborate on a joint project instead. Alternative ways of financing the ambitious plans are then discussed, and words of caution are raised by Harald Knudsen from Agder University College on the ambitious level of activities that are on the table. The Value Creation Alliance change their open invitation to the county administrators now they can only participate if they also contribute financially. It is discussed if the Value Creation Alliance should engage themselves in the military’s downsizing plans in the region. They agree to wait and see what happens.

*A new meeting in the Value Creation Alliance is held on 23 February 2001.* The county mayors are welcomed into the partnership. The partners agree upon a web strategy, and promise to participate on a conference to recruit enterprises to the project on 3 April 2001. Value Creation Alliance members argue that Agder Research should get as much media coverage as possible on the project; it will make it easier to recruit

new enterprises. A draft of the application is discussed, the language and concepts used in the application are the big issue. The project leader explains that this type of language is what the Norwegian Research Council expects. Other related applications are discussed, alongside more collaboration with other regions, nothing concrete is decided. The “Agder ahead” memo is now included in the application draft, it outlines four sub-regions in Agder, *East, Lister* (in the west), *Agdercity* (the centre) and *Inner Agder*. Each of the sub-regions has a distinct industrial structure that is accompanied by particular challenges. This is not one size fits all development. Value Creation Alliance members stress that the application must include activities in all of the regions and on all of the three levels (enterprises, network and sub-regional).

*On 4 April 2001 a new meeting in the Value Creation Alliance is held, 17 people are invited, 13 participates. The enterprise recruitment conference held the previous day is reported as a big success. Everybody that were present agreed that it was a hit, everything went as planned. It is also reported that NHO Aust-Agder and NHO Vest-Agder will merge into NHO Agder, Tine Sundtoft who is the leader of the Value Creation Alliance is the new regional director of NHO Agder. The participants who have been present on the annual meeting in Agderrådet report that Agderrådet needs more to work with. It is argued that Value Creation 2010 could be an important subject on Agderrådet’s agenda. The big issue on the meeting is however the application; it is now just a couple of weeks away from completion. The Value Creation Alliance members have read the draft document and have many supportive and engaged comments, for instance (the full list is over two pages):*

The language is too difficult; those who write on it should find a better balance between accessible language and scientific credibility. The webpage should be used to compensate for this flaw. Agder’s important role in the national economy must be more emphasised, we must be clear on what Agder is particularly good at. We must also focus more on the international aspects. We must not create a division between research and development; this must be integrated on all levels of Value Creation 2010. The enterprise focus must be made clearer. The concept of a region must be better defined it is very important to the Norwegian Research Council.

The final version of the application that was sent to the Norwegian Research Council was therefore both read and commented on by the members of the Value Creation Alliance. The application outlines that Value Creation 2010 Agder’s approach to development is grounded in broad participation and democratic dialogue. It stresses



the importance of developing knowledge that is relevant for the region, we show in the application that different sub- regions in Agder have different challenges, that if development is to succeed we must apply knowledge and expertise that is relevant for those particular places. We write that a one-size fits-all approach to development would not work. We argue that the work that shall be done is a collaborative effort between the partners in the project. It thoroughly explains and discusses the implications of the Scandinavian work-life tradition, and it introduces the concept of *learning regions* to the Value Creation Alliance members. Different methodological approaches are presented and discussed, special attention is given to dialogue conferences, and the working methods that were used in the Enterprise Development 2000 project. Ambitious goals are outlined in the application; it is no less than to increase the total welfare level in the region, and to address the challenges of those with poorest living conditions (H. C. G. Johnsen & Normann 2001c).

*On the next meeting in the Value Creation Alliance 31 May 2001*, LO Vest-Agder represented by Per Kristian Finstad has taken over the leadership in Value Creation Alliance, Tine Sundtoft is out on maternity leave. The Value Creation Alliance is formally informed of the grant from the Norwegian Research Council, it is a bit smaller than what we applied for but everyone is relatively satisfied anyway. It is also agreed to do some regional conferences in addition to the planned activities, 50 000 are granted to a report on equal opportunities on Agder. Some of the partners ask were the media profiling of the project is. It is agreed that since nothing has been done in relation to the media yet, it can just as well wait until after the official opening of the project in September 2001.

*A new Value Creation Alliance meeting is held on 2 July 2001*. In this meeting is the regional Value Creation 2010 opening conference planned, it is agreed to do it on 14 September 2001. Some interesting discussions take place at the end of the meeting. It is argued that the Value Creation Alliance must be marketed more vividly as the owner of the project; it is now a danger that the project is considered an Agder Research project. The profiling strategy is discussed again, – it is argued that we must make sure that we are different from Sydspissen. It is also argued that Value Creation 2010 must collaborate more closely with Sydspissen. Sydspissen is going to arrange a meeting between all of the industrial development parks at Agder. Value Creation 2010 must be

present there. Value Creation 2010 should also support the development of an industrial development park in Risør. The project leader promises to follow up on the matter. He also reports that the consultants in Agder Research that has started to approach the enterprises experience it as very complicated to “sell” Value Creation 2010 to the enterprises. He says that Value Creation 2010 is a large and complex project and that, the enterprises have problems with seeing how Value Creation 2010, on a concrete level, can be of any use to them. He suggests starting with identifying the concrete needs of the enterprises, and use this information later on to find out more about how the Value Creation 2010 project should act.

Afterwards some of the expectations to the project are discussed, it is said that it is so early that no concrete results are possible to show yet, on the other hand, not much money has been spent either. It is now that the project really begins. The Value Creation Alliance is a unique possibility to do something; it is our responsibility to create enthusiasm and progress in the project. We should lift our colours high, be proud of Value Creation 2010. Together we can contribute to processes that really create changes on Agder. The Value Creation Alliance members argue that it is important that we externally stand as one behind the project. At the same time is it important that we internally have open discussions, where both positive and negative aspects of the project are discussed. The most important thing is that we learn on the way, and take with us the things in which we succeed.

#### 5.4 – Full Exposure

The following phase descriptions are as the previous divided in two halves, where I first describe the activities on a project level, and then I describe the same period again, but then from the perspective of the Value Creation Alliance. The described timeframe is September 2001 to February 2002.

##### ***The Projects***

14 September 2001 was the date of the official launch of the Value Creation 2010 project at Agder. 135 people participated from all of over the region in what was a two-part event, first a conference held at Agder University College, later a party in tents outside Agder Research. Almost everybody working at Agder Research were mobilised

to do something. The conference itself was documented in a report that was written after the event (H. C. G. Johnsen & Normann 2001a). Thirteen people spoke at the conference:

*Per Kristian Finstad*, from LO, the current leader of Value Creation Alliance, spoke of the importance of creating a common engagement for common goals. *Trygve Reinertsen*, chairman in Agder Research and director in his own software firm, argued in his speech the necessity of triple-helix structures in order to stimulate innovation. *Kenneth Andresen*, from Agder Research, presented data showing that Agder was behind the national average of people with higher education. However, more importantly he showed quantitative data that showed that there were significant differences within sub-regions at Agder on specific key indicators. *Tore Westermoen*, county mayor in Vest-Agder spoke of the new role of the counties, and how the climate for collaboration had improved in the latter years; though initiatives such as Agderrådet, Sydspissen, broadband, natural gas, the work to transform Agder University College into a University, CDFSN, the 100 year celebration of Sørlandet, and now Value Creation 2010. *Ann Kristin Olsen*, county administrators in Vest-Agder, used statistics and showed the unused potential that the low female participation in public and private work-life at Agder represents, and that Agder has the lowest degree of female work life participation in the country. *Magne Dåstøl*, then an R&D director at Elkem, and chairman of CDFSN, used examples from Elkem Materials to argue the importance of a knowledge in development. He also argued the importance of females in work-life and introduced CDFSN to the audience. He also said that the collaboration between Elkem and Agder University College was an experiment. The problem is, he said, is lack of customer orientation, for Agder University College, but also that things had gotten better. The most viable strategy, he said, is to invest in certain milieus at Agder University College. *Erling Hellum*, then director of SND Agder (now IN Agder), showed statistical data indicating that Norway was among those countries scoring lowest on R&D activities and that the Agder region was among the lowest in Norway. *Tor Jan Tønnesen*, director in a small software company presented their network Elinor. *Trond Gunnar Sollund*, production manager at Tinfos Titan & Iron, who had been one of Agder's "success stories" during the Enterprise Development 2000 project, presented their experiences with development projects based on broad participation. *Terje Næss*,

employee representative at Falconbridge (a large smelter plant in Kristiansand), argued the importance of mutual respect between the social partners in order to successfully mobilise the knowledge that the employees and the employee organisations represents. *Pål Gundersen*, from LO and HF-B, argued the importance of developing arenas that stimulates individual growth and learning and collaboration. *Dagfinn Malnes*, from NHO, argued the importance of Value Creation 2010 also working with small and medium sized enterprises. Hans Chr. *Garmann Johnsen*, project leader Value Creation 2010 Agder, argued the important role Value Creation 2010 could have for Value Creation at Agder. The conference ended with *Ernst Håkon Jahr*, rector at Agder University College, presented data showing that the regions in Norway with the highest degrees of projects financed by the Norwegian Research Council were those that already had a University.

The last PowerPoint slide presented on the conference was a clipping from the regional newspaper, *Fædrelandsvennen*, showing a big picture of the Value Creation 2010 research team at Agder Research, the heading was: *100 million to increased value creation at Agder*. After that, the garden party outside the premises of Agder Research began.

Afterwards the event was labelled a success by the research team at a project meeting. The projects that are planned at the different levels are now in its starting phase, some of the firsts meetings are already held, and others are just about to have their first contact with “practice”. There are now 52 different projects on the agenda of the project-team. The activities are distributed on the four the sub-regions, and over the four “levels” in the project matrix, and even more new project ideas are being discussed. Kai Sødal, one of the consultants that had worked on the Enterprise Development 2000 project, suggests following up on the presentation held by Terje Næss on the opening conference. He suggests that we should initiate a network between employee representatives and managers in the region. We could probably get some extra financing from HF-B to do this he writes in an internal memo. This initiative from Kai Sødal is the start of what later is to be known as the HF-B project at Agder Research.

In the end of October, Hans Chr., invites the Value Creation 2010 project team and many others from Agder Research together with members of the Value Creation Alliance to his Ph.D. dissertation proceedings in Copenhagen.

The unintended effect of the media exposure now starts to manifest. The project leader is starting to receive applications for projects financing of different projects in the region. For instance, an industrial growth park in Mandal sends a grant application for 50 000 on e-mail 10 October 2001, the day before the Value Creation 2010 project has been presented at Umoe factory in Mandal. He also get calls from other people investigating how much they can apply for; this matter has to be discussed in the Value Creation Alliance.

This is a high intensity work period for the project team. A lot of initiatives, activities, meetings, and projects are initiated and carried out. The new Value Creation 2010 web page is up and running, the Value Creation 2010 project leader posts his reflections on the progress in the project here. Articles about Value Creation 2010 in local magazines are sent and published, interviews are given. Everyone involved are working extremely intensively to realise the ambitious project. The project team at Agder Research is really putting their heart and soul into it.

Only half of the Value Creation 2010 project team (the core-team) was involved in the Enterprise Development 2000 project, the rest are “newcomers”. Hans Chr. Garmann Johnsen initiates a series of lectures to upgrade the knowledge base in the core-team. In November and December 2001 a series of lectures are initiated; the following group of people is invited to Agder Research:

*Lars Peder Norbakken* tells us about marketing, *Björg Aase Sørensen*, from AFI, tells us about conflicts in work-life, *Morten Levin*, from NTNU, introduces Action Research, to many of us this is the first time we are properly introduced to the subject. *Tor Claussen*, from Rogalandsforskning, talks about Norwegian work-life traditions. We end the series of lectures with some internal presentations of our own competencies and interests. *Jan Magne Larssen*, an Agder Research consultant, talks about how John Kotter has influenced his thinking. Per Anders Havnes, Hans Kjetil Lysgård, and Hans Chr. Garmann Johnsen, all researchers working in Agder Research, explain their different takes on the concept of innovation.

Now most of the first project contacts have been done and follow-ups are being planned. We begin to discuss Value Creation 2010 and how we can adapt “Value Creation 2010” methodology in the municipalities. Jan Inge Jensen, an associate professor from Agder University College working part time at Agder Research, writes a

memo about it. By now almost half of every project that Agder Research is involved in one way or another linked to Value Creation 2010.

We make a new version of the original 211 page application, a shorter one that only has 70 pages is again distributed to the members of the Value Creation Alliance (H. C. G. Johnsen & Normann 2001b). We also start to prepare for a new application round; this new application is only for the second half of 2002, and it has to be finished by February.

### ***The Value Creation Alliance***

*On October 16 2001, a new meeting in the Value Creation Alliance is held and 14 people participate.* They discuss a long list of topics at the meeting. The Value Creation Alliance begins with complements of a very successful opening conference at Agder University College. Both the social and professional aspects of the event went very well. Agder Research is represented by two people, in addition to the Agder Research director present as partner in the Value Creation Alliance and the project leader. Agder Research reports that both municipalities and enterprises have made contact after the conference; we show the press clips surrounding the event to the Value Creation Alliance participants.

The Value Creation Alliance is asked to finance the project leader's dinner after his thesis defence in Copenhagen, and the Value Creation Alliance member's participation on the event. There is disagreement on the extent and number of people that should participate among the members of the Value Creation Alliance, – we could risk negative press if it is exposed in the media that a large delegation goes to Copenhagen. On the other hand, this Ph.D. is good marketing for the Value Creation 2010 project. They agree that two people from the Value Creation Alliance can go and that the Value Creation Alliance can finance the Ph.D. dinner.

The Value Creation Alliance discuss some of the network projects, and agree to allocate additional funding to a composite network, – to make sure that enterprises from both counties are represented.

It is discussed if Value Creation 2010 Agder shall be included in a common industrial development plan for both of the Agder counties. It is argued that it is a very good idea but that the political climate is not ready yet. They agree to intensify the

marketing of Value Creation 2010 project that expands the county borders, and through that contribute to a closer collaboration between the two counties.

It is also suggested that Agderrådet should be a member of the Value Creation Alliance. It is decided that this is not necessary because Agderrådet is already well represented through LO, NHO and the counties, it would also be unfortunate to get political participation in the Value Creation Alliance.

Most of the participants in the Value Creation Alliance are also members of a network called “Gassforum Agder”, an initiative that is put in place to lobby for a gas pipeline into the Agder shore. They agree that Value Creation 2010 shall be present at an upcoming conference on the subject. They argue that Value Creation 2010 also in this important area can function as an institution that thinks on behalf of the region. They agree that Value Creation 2010 systematically shall work and support efforts to get a gas-pipeline to Agder. They also agree to support the shop-steward/management network, suggested by Kai Sødal. They agree to apply to HF-B for additional funding.

*On 12 December 2001 it is a new meeting in the Value Creation Alliance.* Eleven new project activities are introduced to the Value Creation Alliance at this meeting. Hans Chr. Garmann Johnsen, has finished his Ph.D. dissertation and says that he is now ready to start working full time on the Value Creation 2010 project! The atmosphere at this meeting is a bit sour; most of the partners have gotten significant cutbacks in the state budget. SND must layoff 100 people nationally in 2002. The counties free resources (those that they use on projects such as Value Creation 2010) have also been cut significantly.

It is argued that Value Creation 2010 must be smarter; the SND representative says that it is not any point in Value Creation 2010 involving themselves with the composite industries; SND has worked with them for years, we should not tramp on each other's toes.

A debate about the profile of Value Creation 2010 starts as a result of the plans of getting Value Creation 2010 involved in municipalities that struggles, and has applied for special funds from the government. Three municipalities have applied for such aid: Kvinesdal, Mandal and Vennesla, and they all want support from Value Creation 2010. The director in Agder Research says he fears that the regional focus in Value Creation 2010 is becoming too strong, we must focus more on enterprise development, and at the

same time have a clearer focus on the regional development projects. The project leader argues that we must take the regional development thinking in Value Creation 2010 seriously, remember that enterprises and municipalities live in a “symbiosis” and are not independent of each other, he says.

The county mayor argues that Value Creation 2010 must focus more on the municipalities; –we must get the municipalities engaged in Value Creation 2010 he argues. The Aetat representative backs this up, – the municipalities use a lot of energy on internal fighting, and it would be a significant contribution to value creation in the region if Value Creation 2010 could contribute to reduce these.

The Value Creation Alliance agrees that Value Creation 2010 Agder shall not give grants to external applicants; Value Creation 2010 is a receiver of grants, not a giver, those that applies better redirect their inquiries directly to SND or the counties. However, the industrial parks that have applied for grants such as Mandal and Risør must be collaborated with in other ways. They decide to plan a conference in 2002 on the role the industrial growth parks has in the innovation system. They also decide that the Value Creation Alliance leadership position shall rotate between LO and NHO annually. The Value Creation Alliance decides to reject to participate on a regional conference on *living conditions and health related issues on Agder*, applied for by the county doctor<sup>11</sup>. It is on the outside of their mandate they reply. They reply positively to the inquiry from Kvinesdal municipality. Similar response is given to an initiative stemming from Evje and Hornes municipality, where is it woodwork industry needs some help.

*On 11 February 2002, it is time for a new meeting in the Value Creation Alliance.* The labour market is showing worrying tendencies Aetat reports, Elkem might be facing lay-offs, LO reports, SND Agder must reduce 26 man-labour years. It is suggested that SIVA and Knutepunkt Sørlandet shall be invited into the Value Creation Alliance. On the other hand, it will be unjust to let some municipalities participate in the Value Creation Alliance while others cannot? Will it weaken the legitimacy of the Value Creation Alliance if they get to participate? They decide to discuss this further on the next meeting. Hans Chr. Garmann Johnsen has been on a project leader meeting in the Norwegian Research Council and reports that Value Creation 2010 Agder is doing well in fulfilling the indicators set up by the Norwegian Research Council. All of the goals



that are set for 2002 are already met (in February 2002); only the enterprise's internal projects are lagging somewhat behind. The project leader argues that we must continue to work with a clearer sense of what the Value Creation 2010 project shall work with and what to not work with. He suggest a pragmatic approach to the fact that the coming budgets are not as high as expected, let us drag it out in time rather than to cut anything out now, he says. The county representative argues that it must be a stronger focus on the small and medium sized enterprises. NHO argues that Value Creation 2010 must be more involved in the development of the industrial parks at Agder. They agree to postpone the discussion; the next meeting shall be dedicated to these strategic questions.

### 5.5 – A Sneaking Sense of Realism

The following phase descriptions are as the previous ones divided in two halves, where I first describe the activities on a project level, and then I describe the same period again, but from the perspective of the Value Creation Alliance. The described timeframe is February 2002 to December 2002.

#### ***The Projects***

A new application has to be written and submitted by 15 February 2002, this time it only applies for six months, from June 2002 to December 2002. This is the fourth Value Creation 2010 application we write in under 1-1/2 years<sup>12</sup>. This time is it only 18 pages long, the Norwegian Research Council has asked us just to write an action plan and give a status report, – not write a new book. We do this and add on a self-evaluation on our own initiative. We apply for NOK 1.58 million. The Value Creation Alliance, the project leader and the project team have gotten much positive feedback both nationally and regionally, and we do not hold back anything in this renewed application. We write in the introduction, “Our experiences from the first 6 months with Value Creation 2010 at Agder show that the ambitions that were outlined in the original application rather were too low than too high”.

We outline 5 “regional” activities, *Vennesla* where the first dialog conference was arranged, *Mandal/Lindesnes*, where one meeting was held, *Setesdal*, where we linked ourselves to an existing institution, the Setesdal regional council, and *Risør*, where we have not done anything yet, and some activity in *Kvinesdal* is indicated. We outline

eight “networks”, as in a planning phase or commenced. A network of enterprises connected to “e-trade”, a network of composite enterprises, a network of aluminium producing enterprises, a network for maritime industries, a network for enterprises connected to “travel & tourism”, a network for the “woodworking industries”, and a network of enterprises connected to the production of “Windmills”.

For all of the activities in the project we operated with a Demming inspired 7-phase categorisation of where in the development process we were. And of the 14 enterprises was 8 still in phase 1, meaning at a letter of intent phase, 6 of the enterprises were in phase 2, meaning that work had begun to design a development process. We also list the status of all of the mapping projects that had been initiated, in addition, we list 11 articles that were planned, and we write about some of the research topics that we wanted to work with. We have not worked much with our research agenda yet; there has not been time. When we start to work on that application, it is in fact among the first times that the topic is properly discussed. We are therefore very careful in what we write; we do not want to commit ourselves to anything. Instead of writing *this is the* research agenda of Value Creation 2010, we write *suggested* research topics. The research questions are primarily linked to measuring the effects of the work that is being done. None of them were ever followed up on, and none of the 11 articles indicated were ever written.

Just after we sent the application we got message that three of the enterprises that were on the list had said that they were not interested. An enterprise that was part of Enterprise Development 2000 also withdrew from the project. However, on the positive side we also got word that two new enterprises were interested in participating and that the in- depth processes at two of the enterprises went well.

Parallel to the developments in the Value Creation 2010 project Agder Research was struggling financially, everybody in the organisation “knew” something was wrong, but publicly and internally, the management at Agder Research admitted to nothing. The big problem for Value Creation 2010 was that the proper project steering tools were insufficient or nonexistent. The problem was that we did not exactly know how much money was used and how much was left. Every funding that Agder Research received was at the time put into a central account, after that, it was almost anybody’s guess what happened. In the Value Creation 2010 project, we were walking blind. We tried to

compensate by restructuring the project internally, it was now divided into 25 subprojects, where everybody involved became responsible for their own sub-project, while the project leader should oversee, the activities and help out where he could. In addition to this had a conflict between the Value Creation 2010 project leader and the Agder Research director started to develop, a conflict that related to the responsibilities associated with the financial situation at Agder Research.

At the same time the Value Creation Alliance's partners do what they can in order to promote the Value Creation 2010 project in the Agder region. The counties include Value Creation 2010 in its county plans, the partners presented Value Creation 2010 in almost every forum, and network at Agder.

In the summer of 2002, the list of enterprises that are still are listed as active in the project has shrunk to five, but a new network activity is up and running. It is the network of knowledge and industry parks at Agder. The frenetic tempo from the initial phase of the project is starting to slow down, we see that some of the activities we have initiated are not worth it, we do not think it is interesting, they are not interested etc, we also see a lot of potential in some activities, things that we really think are worth the effort.

However, the big problem is not outside in the Agder region, it is inside at Agder Research, the work-climate is souring enormously. People start to threaten to quit, almost everybody seems to be searching for job alternatives, among them are the consultants experienced from Enterprise Development 2000, and now responsible for working with enterprises in Value Creation 2010, by the end of 2002 they all quit, during 2002 alone, 8 of some 30 people quit or are let from their jobs in Agder Research. We seem to be in need of some Value Creation 2010 "medicine" ourselves.

In September, Hans Chr. Garmann Johnsen and I start to write our fifth Value Creation 2010 application. This time we apply for three years, from January 2003 to December 2005. At this point we have realised that it is no way we are going to be able to deliver on the expectations that has been built around the project, not only is Agder Research about to burst into flames, we also got less money than we applied for from the Norwegian Research Council. In this application, we start out in a more moderate tone than in the previous by saying that:

We have taken the intentions outlined by the national Value Creation 2010 programme seriously and literately, our ambition with Value Creation 2010 at Agder is no less than to contribute to building a learning region at Agder, together with the partners in the Value Creation Alliance and the enterprises. [...] In 2002, we have maintained the width in the project activities, but it has been necessary to slow down the progress in the different sub-projects to compensate for the decrease in funding from the Norwegian Research Council.

We do not mention any problems in the application, we emphasise action research, the interaction between research and practice and the goal of creating a learning region in the application. The tone in the application is, in spite of the ongoing events, slightly optimistic, something that must be attributed more to the project leader's inherent positivism and energetic working style than to the current situation. We do however both believe that we can work our way out the problems we are facing and continue to progress to face the challenges in the Value Creation 2010 project. We just need some time to get our feet back on the ground. We apply for NOK 9 million distributed over three years.

In an internal work meeting at Agder Research, on 18 November 2002, Hans Chr. Garmann Johnsen reports that the Value Creation Alliance working committee has responded positively to the restructuring of the project that was indicated in the 2003-2005 application. The Value Creation 2010 activities are still structured around a three level model, but we differentiate between the different network types in the project. For instance, those that are between enterprises and those that are within a municipality, for instance Vennesla, see also (Fosse 2007). Now eight enterprise networks are active in the Value Creation 2010 project, and it is ongoing development projects in four enterprises, another eight activities are planned but not commenced. Because of the consultants quitting Agder Research, there is no possibility to follow up on these until the organisation is re-staffed. It is in principle now only one enterprise consultant left in the Value Creation 2010 core team in addition to the project leader. The idea is that the renewed HF-B application, worth NOK 1.5 million over three years shall give the financial basis to hire consultants/researchers suitable to follow up on the enterprise development projects that lies dormant in the Value Creation 2010 project. Given the financial situation of the project there is no possibility to do any more work externally than we already do, and still has not a single research article connected to the Value Creation 2010 project even been started on.

At an internal project meeting on 2 December 2002, the one enterprise consultant that is left in the project, reports that the one enterprise he is working with is going well and that the enterprise want to renew their contract for the next year, much needed and happy news for the Value Creation 2010 team.

The Value Creation 2010 project leader has been at a meeting with the Value Creation 2010 programme secretariat where he met with Sverre Sogge and Bjørn Gustavsen. He reports from this meeting that the regional partnership thinking in Value Creation 2010 now is more relevant than ever because of change in the underlying financial structure of the national Value Creation 2010 project; the ministry responsible for regional and municipal affairs are becoming an even more dominant sponsor of the national Value Creation 2010 programme. Work towards the public sector is therefore more relevant than ever for the Value Creation 2010 project. As usual the national Value Creation 2010 programme secretariat does not give any advice on how to organise or to work in the regional project.

However, they said that Agder represents a model of what they want Value Creation 2010 to be also in other regions. Given these steering signals, we all feel confident, that the current orientation of the Value Creation 2010 project matches the national expectations and our local abilities well. This because the development and progress of the regional network projects that we are going to prioritise are progressing satisfactory. In addition, the enterprise development components are going to be significantly strengthened through the HF-B project funding. Things are now starting to look much more promising. What remains to be worked out is the internal steering structure in the project, the role of the working committee in relation to the full bodied Value Creation Alliance, and the relationship between these segments in relationship to Agder Research and the project leader and the core team. In addition we must clarify the role the Value Creation Alliance shall play in the region, for instance in relation to Sydspissen, Agderrådet, and the counties. Also given the increased weight partnership has got in recent policy documents, as regional leaders of regional development efforts, we must also address and clarify the role of the social partners as leaders of this work. Such topics have been on the agenda in the Value Creation Alliance, and the researchers participating in the Value Creation Alliance have increasingly been aware of the importance of addressing such role clarification issues.

This is also what we identify as important questions to address, both from a research perspective and from a practical development perspective. Without these clarifications, we believe that the project is going to run into conflict and face a standstill, and we feel confident that the Value Creation Alliance and the working committee also will see it in this way. In retrospect, I would argue that this point in time is the first example of the Value Creation 2010 project at Agder producing an actual action research “research question”.

### ***The Value Creation Alliance***

The Value Creation Alliance had decided that it was time to discuss some issues of a more strategic nature. In a meeting in the Value Creation Alliance working committee 12 March 2002, they prepare the issue. The big problem is the need to coordinate the activities in the regional “innovation system”. What is Value Creation 2010’s relationship to Agderrådet, is it a need for a joint strategy etc. It is also discussed whether KS and SIVA shall be invited into the Value Creation Alliance. They agree to put it forward for discussion on the next Value Creation Alliance meeting. They also decide that NOK 100 000 shall be allocated to Risør industrial park.

*On the Value Creation Alliance meeting 11 April 2002*, 14 people participate. They start with reporting on what is new since the last meeting, LO believes that it will be a conflict in the coming wage negotiations, NHO says that Agderrådet has decided that Agder shall escape the bottom of the equal opportunities statistics. SND must cut 20% of their costs, and Vest-Agder County says that they still wait for signals regarding the municipalities that have applied for restructuring funds, Vennesla, Mandal, and Kvinesdal. The county administrator clarifies; his office cannot support any project unless the idea comes from a municipality. Supporting projects generated by the Value Creation Alliance is not an option given county administrators role.

Value Creation 2010 Agder had been presented at the local Rotary club, to the education and research minister (Kristin Clemet), and at the opening of Risør industrial park. The project leader explains that the projects are on three levels, that the progress in the different projects varies, and that it is planned a Ph.D. programme in relation to Value Creation 2010. The leadership of the Value Creation Alliance also changes from LO and back to NHO represented by Tine Sundtoft. The juridical responsibilities of the

Value Creation Alliance are discussed, it is agreed that Agder Research is responsible. The discussion in the working committee meeting about the role of the Value Creation Alliance in the regional innovation system at Agder is not pursued in the meeting, instead a study of the topic from Agder Research is commissioned. The Value Creation Alliance agrees to invite KS and Trygdeetaten (social security institution) into the partnership as new members. Some are critical towards this, – we risk being looked at as a welfare alliance, we must mobilise private enterprises more. They also decide that the Value Creation Alliance shall not meet as often, four times a year is enough. In these meetings it is important that the managers and leaders of the respective partner organisations meet. The Value Creation Alliance meetings shall in the future *only* be concerned with strategic questions. To compensate for this the *working committee* shall be expanded and start to meet once a month.

The following series of meetings in the working committee is mostly of an administrative nature, conferences and study trips are planned, the project progress is reported on etc.

*On 8 August 2002*, it is time for a new meeting in the Value Creation Alliance. It is a short meeting 1-hour; it is a collision with another arrangement. Hans Chr. Garmann Johnsen reports that SND nationally is bailing out on the Value Creation 2010 programme financially. One of the ministries is also reducing their budgets. It is some uncertainty of what consequences this will have for the work at Agder. Tine Sundtoft has been in contact with the HF-B secretariat and they have verbally confirmed that the regional aspect of Value Creation 2010 still is necessary. Hans Chr. Garmann Johnsen runs through the project lists, the networks are well on their way now. None of the municipalities that had applied for restructuring funds at Agder got any funding. An inquiry from Kvinesdal is reported on from the LO representative, Hans Chr. Garmann Johnsen responds that the meeting with Kvinesdal is rescheduled to 15 August.

Hans Chr. Garmann Johnsen has been in the Østersund region (Sweden) and prepared a study trip for the Value Creation Alliance. The developments in Blekinge and Karlskrona shall serve as a learning arena for the members of the Value Creation Alliance. Everyone wants to go, but it is only room for 30.

Per Kristian Finstad, from LO, reports on the consequences a new CO<sub>2</sub> tax will have on Agder's work-life. At least 10 000 jobs can be lost within the heavy industry.

Agder has a lot of jobs in this sector can be hit hard, he argues. Tinfos Jernverk, a smelter in Kvinesdal, wants to do a “ripple effect” analysis. What are the consequences for the community if they have to close down because of the CO<sub>2</sub>-tax? Harald Furre, the director of Agder Research, offers to do an analysis. The Value Creation Alliance members offer to pay, and agree that Hans Chr. Garmann Johnsen shall develop a project proposal.

*On 5 September 2002, is a new meeting is held in the Value Creation Alliance. 13 people participate. Most of the meeting is spent on information exchange of what the different institutions present currently are concerned with. The CO<sub>2</sub> issue is also discussed, Hans Chr. Garmann Johnsen has expanded on the initial “ripple effect” analysis, now we also want to find out how the affected industries can restructure in order to meet the new taxation regime. It is unclear who shall pay and how much it will cost. They agree to return to the issue.*

*3-6 October 2002, the Value Creation Alliance and 30 other regional stakeholders go on a study trip to Blekinge and Karlskrona (a municipality in Blekinge). The trip is carefully arranged and planned by Hans Chr. Garmann Johnsen and Håkon Øgaard from Agder Research. The Blekinge region has lost a significant amount of jobs within “traditional industries”, a parallel experience to Agder. In Karlskrona they learn about something called “Telecom City”, a network of information technology firms. They are also introduced to Tage Dolk, a Swedish “cluster architect”, he tells about the collaboration between public authorities, the market, and the university as the major success factor in the region, combined with a *strong focus on economic growth, collaboration and the willpower to succeed*. They also learn about the instrumental role that the science park, adjacent to University in Lund has played for the successes they are experiencing.*

The trip is reported to be a success by everyone involved, and later it is said that this was the first time many of the stakeholders from Agder ever heard of the triple-helix concept<sup>13</sup>, and how the triple-helix thinking is linked to the cluster thinking and how instrumental successful triple-helix processes are for economic growth in the “knowledge economy”.

Back on a meeting in the working committee 23 October 2002, it is business as usual, it is reported that Value Creation 2010 Agder got NOK 400 000 from HF-B in



2002. However, in order to get new funding in 2003, we must write a new application and present Value Creation 2010 Agder on a conference on 17 December 2002. Hans Chr. Garmann Johnsen takes on the responsibility of writing the application and preparing a presentation that Sundtoft and Finstad can use at the event. Hans Chr. Garmann Johnsen and the core team have, based on the initial strategy discussion in the Value Creation Alliance, started to write a report on the institutional mapping of Agder.

*It is time for a new Value Creation Alliance meeting on 14 November 2002.* The project leader, who had given out group assignments to the participants on the Blekinge trip, get responses from the Value Creation Alliance about their thoughts. They are going to be included in the strategy memo and the Value Creation 2010 team is then asked to write it on behalf on the Value Creation Alliance. Hans Chr. Garmann Johnsen is asked by parts of the Value Creation Alliance to talk to Jon P. Knudsen (then working as a researcher at Nordergio) and Erling Valvik (the Cultiva director). The Value Creation Alliance then discusses the role of the Value Creation Alliance, the expectations the Norwegian Research Council has to Agder.

The CO2 tax is also discussed. SINTEF is working on a national report on the subject, – we cannot wait for this they say, the report has to be finished by January. They discuss a lobbying strategy against the Agder Bench at the Storting. Hans Chr. Garmann Johnsen asks the Value Creation Alliance to put another 100 000 on the table for Agder Research to work on the report. The LO representative says that such a report could be critical for work-life at Agder. We need documentation we can present to the politicians he says, this tax is a disaster for the industry.

One of the things that starts to happen in these meetings is that when the Value Creation Alliance members get applications for projects directly from Agder Research, and not presented through the Value Creation 2010 project leader, they tend to send them back to Agder Research and ask Agder Research to see it in relationship to Value Creation 2010. Researchers and consultants working at Agder Research have previously always sent application directly to the members of the Value Creation Alliance, the counties, SND, Aetat, etc. In this meeting, Vest-Agder County reports that it got an application from Robert Helland-Olsen, at Agder Research on an innovation project. He complains and does not understand why Agder Research cannot coordinate its innovation project initiatives better.

This does represent a problem for Agder Research. People working there act in groups and as individuals and develop project ideas independently of each other, and those who are not involved in the Value Creation 2010 are understandably not particularly interested in being coordinated by and through their colleagues' projects, which can have fundamentally different research and development orientations. This is something that only adds to the conflict within the leader group at Agder Research, and many are uncomfortable with the strong position that Hans Chr. Garmann Johnsen has got as project leader of Value Creation 2010. They do not want to coordinate their "innovation projects" with Value Creation 2010 internally but at the same time some of their financiers expect them to do so.

The learning regions concept is the hot concept now; the county plan uses the concept of learning regions in its title. Hans Chr. Garmann Johnsen and I are about to go on three separate conferences just to update ourselves even more on that subject. The Value Creation Alliance vision is "*Agder the Learning Region*". However, in order to realise such an ambitious plan the steering structures in the projects must be addressed, both internally in the Value Creation Alliance, within Agder Research, and between the Value Creation Alliance and in other network and partnership institutions in the region such as Agderrådet. The project team at Agder Research is working on a draft document discussing the issue; it is also going to be discussed at the next meeting in the Value Creation Alliance working committee.

*The project leader calls the working committee to a meeting on 12 December 2002.* They are going to discuss Agder and the concept of learning regions, the internal organisation of Value Creation 2010, the further development of the industrial growth parks at Agder, the development process in Vennesla, the CO2 tax project, and the HF-B application. In the meeting call, Hans Chr. Garmann Johnsen writes, "we must openly discuss this subject of Value Creation 2010 organisation, we must now try to agree on work form, work procedures etc". The working committee consists of only four people, the project leader, the LO and NHO representatives and the representative from Aust-Agder County. They agree that the representative from Vest-Agder should join the working committee. Hans Chr. Garmann Johnsen is going to coordinate the strategy memo for the Value Creation Alliance with Jon P. Knudsen who currently is engaged to do a similar job for Agderrådet<sup>14</sup>. They agree that the strategy memo shall be distributed

on 15 January 2003. They also agree to apply for NOK 1.5 million distributed over three years to HF-B. This is going to put the enterprise development part in Value Creation 2010 Agder into a new gear.

## 5.6 – A Conflict Unfolds

The following phase descriptions are as the previous ones divided in two halves, where I first describe the activities on a project level, and then I describe the same period again, but then from the perspective of the Value Creation Alliance. The described timeframe is December 2002 to April 2002.

### *The Projects*

The CO<sub>2</sub> issue had been put on the agenda by LO on a meeting in the Value Creation Alliance on 8 August 2002. LO is impatient on the slow progress on the issue and uses every meeting to push the topic higher up on the agenda, the LO representatives is being pushed by the local unions at Tinfos Jernverk and Elkem Aluminium Lista. The core team at Agder Research recognises this and decides to follow up on it. I write a memo on 21 October 2002, to the Value Creation Alliance where the political progress and schedule is accounted for, the memo also includes the status of other scientific reports and their relevance for Agder. After that, the first project meeting is held at Agder Research 12 November 2002. At this meeting the director and union leaders from Tinfos Jernverk and Elkem Aluminium Lista a representative from NHO Agder and the leader of LO Vest-Agder, together with three people from Agder Research participate. At this meeting is it discussed what they want Agder Research and Value Creation 2010 to do in relation to the new CO<sub>2</sub> tax regime. The project leader in Value Creation 2010 Agder, Hans Chr. Garmann Johnsen, opens the meeting by presenting the Value Creation 2010 programme. He argued that it is important that we first get a more complete overview over all the initiatives in relation to this topic, so that we can give a better assessment of what it is relevant to do now. Second, he argued that industrial development is more than just internal organisational change processes, that it in this context is as important what relationship and contribution these large enterprises give to their environment. Third, he argued that Value Creation 2010 programme could support

this initial information collection, but depending on the scale and content of the final project, the enterprises must be prepared to finance significant parts of it themselves.

After this, the other participants on the meeting gave their input to what the project should be about. The union leader at Tinfos Jernverk argues that such a report must include all of the successful work that Norwegian enterprises in this industry has done to protect the environment. This should preferably be contrasted to countries that have not done as much in this area as the Norwegian enterprises. The director at Tinfos Jerneverk follows up on this and says that such a study must have a wider perspective than just the CO<sub>2</sub> tax. The significance this industry has for society and value creation in general must be emphasised. The director at Elkem Aluminium Lista argues that the project must have a long-term perspective.

The meeting ends with an agreement to continue with a dual approach, one part that the core team is responsible for, and one part that the other participants at the meeting is responsible for. It is agreed that Agder Research shall produce a report, or different reports. This report(s) should cover issues relating to emissions from the industry at Agder and be paralleled with analyses of the significance of the industry in a wide sense. The exact content of the report(s) – 12 possible topics are included in the memo from the meeting, and how we shall proceed to produce the report, is to be discussed at the next meeting. It is also agreed that the industry shall organise a reference group and work through their channels to collect information that is more concrete on the issue.

The next meeting is held at the premises of Elkem Aluminium Lista on 5 February 2003. Leading up to this meeting the core-team has collected much data relating to the issue, the core team has also been responsible for the meeting agenda. The core team has planned a dual approach, firstly, to use the meeting to agree on what precisely the participants expects from such a report, then to agree on the content. Secondly, to use the meeting to start the work to set up a network between the enterprises that are involved in the project. The idea is to use this opportunity to link this network up to the forthcoming HF-B projects. This not taken out of thin air since both of the directors on the previous meeting have argued the societal responsibility and importance that they recognise that their enterprises have, an argument that they paired with the significance of long-term thinking and development within the industry relating to environmental

issues. The core-team's idea is therefore to construct a network, financed by HF-B, that systematically should deal with these issues. The core-team has therefore invited Trond Haga from Rogaland research to participate on this meeting to tell the participants about the networks he has been working with and some of his experiences with this work.

The meeting starts with the project leader from Value Creation 2010 Agder telling about the status of the work that has been done so far and he also briefly explains about this new initiative. Tine Sundtoft follows him, she briefly explains the Value Creation 2010 project, Trond Haga follows her, and tells about some of his experiences from the network he has been working with. At this stage in the meeting, confusion occurs, the other participants do not seem to understand why the Value Creation 2010 people are talking about networks and HF-B projects. They thought this was a meeting about the CO2 tax, and a report that should be produced. Some of the participants seem to be provoked by this turn of events, as some of them believe that the report is off the table. After some discussions, however a common understanding is reached. It is agreed that Agder Research shall produce a key statistics report, with the help of the participants, and that the presentation of this report shall be in done in a setting where all of the relevant participants for such a network is present on 3 April 2003 in Kristiansand. LO and NHO representatives agree that they together with the core team are responsible for recruiting participants to this meeting.

On the car trip home, we evaluated the meeting briefly. We all agreed that it could have been handled better. The problem at the meeting was that the regional LO leader verbally had opposed the whole network idea. We had forgotten to brief him in advance, just thinking that he would understand the relevance and importance of linking this initiative to the HF-B project intuitively. He did not and this was probably the main reason for the amount of confusion occurring at the meeting. The representatives from the enterprises were in the end, sympathetic but had also a healthy wait and see attitude to the network component in the project. Even though we agreed that the meeting could have been arranged in a better way by us, we were satisfied with the result. This could, if we did a good report and planned the 3 April meeting in a good way, be the start of the first HF-B financed network at Agder.

In this period two other project activities was running intensively, the first was the start up of the development project in Vennesla, and the other was the actual process of writing an application to the HF-B secretariat.

The project leader of Value Creation 2010 Agder first presented the HF-B project, as it came to be called, to the Value Creation Alliance on 16 October 2001. This project was supposed to represent the Value Creation 2010 Agder's main intervention toward the enterprise level in the Value Creation 2010 project. The core-team was therefore very surprised when we were asked by the director of Agder Research to help on a HF-B application that had been sent back for revision on 5 December 2002. It turned out that HF-B wanted a project description that integrated the HF-B project with the Value Creation 2010 project at Agder.

It turned out that another enterprise consultant not associated with Value Creation 2010 Agder had been given the job of writing an application to HF-B. He had used the copy and paste approach where bits and pieces of text from reports and applications written by the core team, were used uncritically and without any form of reference to the original work. We found this to be very provoking and reacted relatively strongly to this. We did however agree to take responsibility for writing a new application, but set the term that HF-B was to be an integrated part of Value Creation 2010 Agder, meaning that the project leader of Value Creation 2010 Agder also had oversight and responsibility for the content of the project activities in the HF-B project. We interpreted the go-ahead from the director at Agder Research as an acceptance of these terms. We also prepared a presentation that the LO and NHO representatives from Agder used when they presented the Agder project at a national HF-B meeting at Halvorsbøle on 17 December 2002. This project was then eventually also funded by HF-B with NOK 1.5 million stretching over a period of three years.

### ***The Value Creation Alliance***

The situation in Value Creation 2010 Agder was early in 2003 relatively confusing for the participants in the core-team. We felt and experienced that we were being opposed internally in Agder Research. We also saw that this was a good possibility to address the challenges we were facing in the project in a meaningful way. The problems we were facing internally at Agder Research we saw as problems connected to Agder Research

and not to the Value Creation 2010 project. We therefore thought that if we could complete the work that we had started on developing a discussion memo for the strategy of the Value Creation Alliance in the region, and in addition address the internal steering structure in the project, then the challenges the project was facing could be solved.

Our idea was simple, if we could initiate a principle discussion based on the core ideas in the Value Creation 2010 project, a discussion where everybody was given the chance to state their points of view and ambitions for the project we could also address the challenges in a meaningful way and start to solve them. After all, many of the projects initiated through Value Creation 2010 Agder were starting to show promising developments. It is also true that many activities did not show any significant progress at all and was more or less given up on by the core team. Nevertheless, we meant that the mismatch between the activities initiated in the early phases in the project and those currently active was defensible given the reduced budget in 2002. In addition, it was only to be expected, we thought, that not every project we initiated through Value Creation 2010 could be a success story. It could work some places and with some people but it was not reasonable to expect that it would work everywhere.

On 23 January 2003 a draft of the strategy memo was presented to the working-committee in the Value Creation Alliance. They discuss it and agree to discuss it further on the next meeting in the Value Creation Alliance where all of the Value Creation Alliance participants are present. Inputs from this meeting are given back to the core team and the last version of this document is dated 30 January 2003.

The strategy document titled “Strategy for Agder as an innovative region” is written by the core-team, it is a 70-page document that discusses a long range of topics. In the introduction, we write:

This document is meant as an input to an ongoing debate on regional development strategies for Agder. That it is an input does simply imply that we do not believe that we have the final answers on how the region best should organise itself. We do however think that some of the questions we ask are valid and could hopefully stimulate a necessary discussion not only among the members of the Value Creation Alliance but in the public sphere in general at Agder. The main message from the authors is the strong call to the members of the Value Creation Alliance to thoroughly discuss the partnership, its content, mandate and role. The document wishes to stimulate thinking that is wide, where more principle aspects of the collaboration is discussed parallel to the more practical aspects of the work. We mean that clear roles and clear mandates are necessary

in order to secure the legitimacy of the work that is being done. New ways of working together requires and demands new roles, new interpretations of roles, and new divisions of roles. It is important that we examine closely how new and multiple roles and multiple interests are handled in the context of the partnership. If we use ourselves, Agder Research, as an example of the challenge this could be. Agder Research holds the project leader position and is an equal partner in Value Creation Alliance. Agder Research is in this case a receiver of projects, a giver of projects, and a premise giver for projects. Such problematic aspects of the partnership work is not unique to Agder Research but it exemplifies the need for principal clarifications on the partnership model of work. We therefore encourage the Value Creation Alliance to take time to discuss the principle grounds for right to participation in the Value Creation Alliance, how different roles is handled and should be handled, the impact of role conflicts and potential role conflicts and how this best could be handled within the context of a partnership. (H. C. G. Johnsen, Lysgård, Normann, Fosse, & Kvåle 2003).

Seen in retrospect this report was gas on an already burning fire, however, in the report we also discuss a long range of topics connected to regional development in a fairly general manner. In the first chapter, we discuss some of the development trends and challenges at Agder and the need for a regional strategy on how to deal with these in a coherent way. In the second chapter, we discuss some of the changing perspectives and policies on regional development. For instance the renewed role of the counties connected to regional development, cluster thinking, triple-helix, the knowledge economy etc. In the third chapter, we do an in-depth discussion of the learning regions concept. In the fourth chapter, we outline the dimensions that a strategy for regional development at Agder could centre around. In the fifth chapter, we outline a strategy for Value Creation 2010 Agder in this context and in the last chapter; we outline a research strategy and principles for the organisation of research.

The last meeting in the Value Creation Alliance where Hans Chr. Garmann Johnsen is project leader for Value Creation 2010 Agder is 6 February 2003. The main issue on the agenda is to discuss the draft of the report produced by the core team on a regional strategy. The document gets a mixed reception. Some of the partners are positive, others are more passive, and some are very critical. For instance, it is argued that it is important to link the strategy of the Value Creation 2010 project clearly to the county plans, something that is coherent with the statements in the document. Some are more concerned with the language being too scientific and too absolute in its form – it should be relativistic. Other questions if such a document represents a commitment to



the partners and argue that the document must be more in line with the *current regional strategy*.

Overall did the document receive more positive attention than what the authors maybe had feared in advance. It is agreed that the working committee in an internal meeting should address the report and decide on what shall be done with it in the continuation.

### ***The Project Leader is Fired***

On 18 February 2003, the core team at Agder Research is informed via e-mail by the director at Agder Research that Robert Helland Olsen, who wrote the HF-B application that was rejected, is going to be project leader of the HF-B project. The project leader of Value Creation 2010 Agder is asked to give all relevant documentation to the new project leader and bring him up to speed on the activities in the project. The director of Agder Research writes in the e-mail that he has discussed this change with the leader of the Value Creation Alliance, Tine Sundtoft, and that they wish to discuss enterprise development in Value Creation 2010 Agder on a meeting in the working committee On 13 March.

In an e-mail from 19 February 2003, Tine Sundtoft invites to the meeting in the working committee on 13 March. She writes that we now must discuss how we are going to do the HF-B project and other enterprise development activities in Value Creation 2010 Agder, and that she also has invited Harald Furre, the director of Agder Research, and Robert Helland Olsen, the leader of the enterprise development department at Agder Research to participate to that meeting.

Hans Chr., the project leader of Value Creation 2010 Agder, responds to this e-mail the same day. He refers to the e-mails from her and Harald Furre, and writes that he has problems with seeing exactly what she and Harald Furre have in mind for the project. He writes:

As far as I can see, you now attempt to split the enterprise development part away from the rest of the Value Creation 2010 project. I think this is an unwise strategy. It could be very problematic in relationship to the Norwegian Research Council and the policy signals they have given on the Value Creation 2010 project. Have you cleared such a separation of the Value Creation 2010 project centrally in the HF-B system? I thought that they wanted an integrated project. If we are going to discuss this in a working committee meeting shouldn't also some of the national representatives in the project be present. This is something, as I see it that touches upon some fundamental issues in the

Value Creation 2010 project. I will, as project leader of Value Creation 2010 be depended upon them, the Norwegian Research Council, agreeing to such a separation if it must be done.

On 25 February 2003, me and Geir Jørgensen inform the participants in the HF-B project about the situation via e-mail. The reason for us doing this is that the CO2 key figure report is being sought after. We write that disagreement on how the project should be organised, and that this disagreement concerning whether the Value Creation 2010 team shall have the professional and practical responsibility for the network that was discussed on the meeting at Elkem Aluminium Lista. We also write that the work of setting up such a network has been initiated, but that we will put our efforts on hold until the current situation is clarified, and that this hopefully will happen at the meeting 13 March 2003<sup>15</sup>.

On the 13 March 2003 meeting, Hans Chr. Garmann Johnsen is informed that he is fired as project leader of Value Creation 2010 Agder, by Tine Sundtoft and Harald Furre. The core team is informed about the decision the same day. Hans Chr. Garmann Johnsen disputes the decision and answers to them via e-mail the following day, an e-mail he also sends to the core-team and the secretariat in the Norwegian Research Council. He writes that he sees no factual grounding for the decision, that the problems of collaboration between him and Tine Sundtoft that it refers to is related to the use of the HF-B project and not the Value Creation 2010 project as a whole. That he never has heard of any criticism from the Value Creation Alliance before the 13 March meeting and that the separation of enterprise development from regional development is in violation with the intent of the Value Creation 2010 programme. He ends by saying that he does not accept this verbal firing of him as a project leader because it is not based on matter-of-factness, and that he will continue to act as project leader until he get such groundings for the decision.

The response from the director of Agder Research to this is then to fire Hans Chr. Garmann Johnsen from his job at Agder Research. This firing is in judicial terms phrased as a personnel matter, and neither the Norwegian Research Council, nor the core team, or anyone else can get insight into the reasons behind the decision. This means that for the outsider the reason for firing Hans Chr. Garmann Johnsen can be

anything from economical fraud to sexual harassment, no one is supposed to know, and the director cannot answer why with reference to this being a personnel matter.

The core-team therefore thinks it in its place to inform other employees at Agder Research on what their interpretation of the situation is. An e-mail is written on 18 March 2003, signed by all involved in the project. In this e-mail, a four-page letter, we urge the director to reinstate Hans Chr. Garmann Johnsen, support his account of the situation, and put the reason for his decision to fire Hans Chr. Garmann Johnsen on the disagreement on how the HF-B project should be handled in relationship to the Value Creation 2010 project. We also strongly warn that this unjust decision will damage the Value Creation 2010 project at Agder if it is not changed. This e-mail reaches all of the employees at Agder Research, and many at Agder University College. The director also responds by e-mail urging us to keep this matter internal, that we do not know everything about the matter he writes. I also send a copy of it to the Norwegian Research Council. I get a call back from the Norwegian Research Council thanking me for the information, and I am informed that the director of Agder Research has informed the division leader of the Norwegian Research Council that a personnel matter has been initiated against the project leader of Value Creation 2010. This is problematic for the programme secretariat since information about changes in the project is supposed to go through them. When the director finds out that this support memo has been sent to the Norwegian Research Council he initiates an investigation internally at Agder Research into who did it. When confronted with this by the director I report that I was responsible. The board at Agder Research later collectively withdraws from their positions. The personnel matter against Hans Chr. Garmann Johnsen is dropped, and he gets his job at Agder Research back, he is however not reinstated as project leader in the Value Creation 2010 project.

## 5.7 – Stalemate

The following phase description is my interpretation of the researchers in the project team's perspective. The described timeframe is April 2002 to January 2004.

In the period following the two firings, everyone is supportive of the Value Creation 2010 project and the core team. The goal is now to save what is left of the

Value Creation 2010 project and get the project back on track. The core team uses much of its energy in this period to argue, unsuccessfully, that the only sensible thing to do is to reinstate Hans Chr. Garmann Johnsen as project leader. None of the important and urgent issues addressed in the strategy memo are however addressed (H. C. G. Johnsen *et al.* 2003).

The problems for outsiders entering into the issue, is that they are not able to differentiate between the different stories about what has happened –*no smoke without fire, everybody must have done something wrong etc.* Different middle of the road solutions are tried out; Hans Chr. Garmann Johnsen can be part of the project but not be a project leader, Value Creation 2010 can do enterprise development but cannot use HF-B resources etc. The history of the Value Creation 2010 project at Agder is now becoming a story that most people only want to forget as quickly as possible. At least two fundamentally different stories exist about why and how the Value Creation 2010 project at Agder ended up in its sorry state. We cannot really know what happened, it is too complex to sort out, it is too painful, Agder Research is a business and must be sensitive to its stakeholders etc. The new management mantra therefore becomes –let us look forward and not dwell in the past.

To what extent this was something that the core team should be pragmatic and accept was heavily debated within the core team in the period following these events. What was particularly frustrating for the remains of the core team in this period, was that not only were we without any project leadership and direction in the project, but the core of the conflict as we saw it, the decoupling of the enterprise development part of the Value Creation 2010 project and the regional projects, were unaddressed by the new management at Agder Research. We knew that this was in direct violation with the intent that HF-B and the Norwegian Research Council had for the programmes, and that this in the end would have serious consequences and maybe result in Agder Research “loosing” the whole Value Creation 2010 project. This were however arguments without a receptive audience.

In my notes from 2003, I have a lot of meeting memos from many meetings but nothing is really happening. It seems that we use this period to get to terms with new situation, to accept that the project will not get back on track. The participants in the core team are frustrated, and some quit, and those who are left focus most of their time

on other projects, everyone involved in the Enterprise Development 2000 project at Agder, with the exception of Hans Chr. Garmann Johnsen is now effectively out of the Value Creation 2010 project.

There are meetings between the core team and representatives from the Value Creation Alliance, it is meetings between Agder Research, members of the Value Creation Alliance, and the Norwegian Research Council. None of these meetings lead to an agreement on a way forward. Most of the project initiatives that are not connected to the doctoral projects in Value Creation 2010 Agder are not systematically followed up on. The HF-B project is being managed by Robert Helland Olsen, and he does not communicate their activities to those occupied with the Value Creation 2010 project. He later quits Agder Research and gets to take the HF-B project with him into his new consultancy HKKR, no one, now involved in the HF-B project had ever been directly involved in a Value Creation 2010/Enterprise Development 2000 project. In an expanded meeting in the Value Creation Alliance working committee in Flekkefjord municipality on 7 May 2004 the consultancy HKKR was invited to tell about the progress in the project, we were then told by Gunnar Kulia that it was “impossible” to sell the Value Creation 2010 methodology to the enterprises, but that they would continue to do their best. In a later meeting when HKKR was invited to tell about the progress directly to the Value Creation Alliance on 24 June 2004, it was a no show from HKKR. The HF-B project has as far as I know, after it was taken over by Robert Helland Olsen, not initiated a single substantial activity. The NOK 1.5 million HF-B used on enterprise development at Agder is therefore probably best described as a waste of money.

The Norwegian Research Council is in 2003 playing hardball with Agder Research and demands that the project is structured according to the intents of the programme. The Norwegian Research Council does not however say that they prefer Hans Chr. Garmann Johnsen back as project leader. However, in their communication with Agder Research, they stress the importance of continuance and long-term thinking and development in the project. Signals that are largely ignored and misinterpreted by the management of Agder Research, they lend their ear to the regional stakeholders’ preferences instead. The management at Agder Research tries out four different project leaders in the following year. Most of them are temporarily instated to salvage the

project. The last one, Jon P. Knudsen, is meant to be permanent but the Norwegian Research Council does not accept that he is only in a part time position at Agder Research. The lack of support from the Norwegian Research Council results in Jon P. Knudsen withdrawing late in November 2003. In this period Value Creation 2010 Agder is slowly turning into to what it was towards the end, three Ph.D. projects partly financed through the Value Creation 2010 project.

## 5.8 – Restart and Reorientation

The following phase description is my interpretation of the researchers in the project team's perspective. The described timeframe is January 2004 to present.

Agder Research does in the latter part of 2003 get a new permanent director, Torunn Lauvdal. She is also given the role as the new project leader of Value Creation 2010 Agder. The Norwegian Research Council accepts her as project leader on 19 December 2003. She initiates the process of redesigning the Value Creation 2010 project at Agder. The point is to solve what has become the impression of a conflict between the Norwegian Research Council and the local stakeholders. Torunn Lauvdal chooses a pragmatic solution, by separating the project in two, halves, one-half, the regional funds, that the members of the Value Creation Alliance will decide on how to use, Agder Research decides on the other half and primarily use it to finance the ongoing Ph.D. projects.

The principle learned from the conflict is that you cannot decide on more than you pay for. This principle seems to be accepted by the members of the Value Creation Alliance, alternatives was not put forward anyway. How the Norwegian Research Council perceived this arrangement is more unclear. They did not veto it, but they most likely did not applaud it either.

To understand this you must recognise that the Value Creation 2010 project always was indented as an Action Research project. Meaning that practical problems and research efforts should go hand in hand, be the same. When you split the project, you do not promote such dynamics. However, since the Norwegian Research Council could not find themselves to communicate this in any clear way to the actors in the Agder region, or come up with any sensible alternatives. The Norwegian Research

Council therefore cut the budgets in half once more so that the annual Value Creation 2010 budget at Agder is a quarter of what it was in the beginning. By doing this, they also avoid taking any serious discussions on the important and principal question on how a Value Creation 2010 project best can and should be organised.

This arrangement did however have some interesting side effects. As part of this Ph.D. work, I was directly following the Value Creation Alliance and their work to reorient themselves given the new situation.

### ***The Value Creation Alliance***

Since the Value Creation Alliance in this new situation only is supposed to make decisions concerning the resources they put into the partnership it does after a while become apparent that this also drastically reduces the significance and meaningfulness of the partnership. In 2004 there were three meetings in the Value Creation Alliance, a “start up” meeting on 24 June, and two meetings in the autumn of 2004. There were also three working committee meetings. In these meetings there are mainly two activities that go on, foremost presentation of the projects, the reorientation of Value Creation 2010, and project presentations of for instance the Vennesla development coalition etc. The second activity was of an administrative nature debates over budgets etc.

These are activities that in itself do not defend the existence of the Value Creation Alliance. Agder Research presents different project ideas that the Value Creation Alliance can decide upon if they want to support or not. Some of these projects are supported. However, when the 2004 budget is presented in 2005 it shows that the Value Creation Alliance has not been able to use all of the resources that they had allocated to the project, NOK 528 000 is left unused in 2004. Moreover, the tendency for 2005 was similar. The Value Creation Alliance had not been able to generate enough project ideas themselves.

Earlier in the project the researchers were very active in facilitating the process, doing a lot of work, making many initiatives. When we now took on a more passive role, saying – this project is your responsibility, you all have to find out what to do, we cannot do this for you etc. This led to inactivity – almost nothing were done and nothing happened. However, this did not stop the partners in the Value Creation Alliance from continuing to meet on a regular basis. Talk about quitting popped up here and there,

discussions about purpose emerged, however they communicated that it was important to meet in order to support the Ph.D. projects in Value Creation 2010 Agder, well this might be flattering but hardly sufficient in terms of being the only reason for them to meet. The networking dimension was also communicated as important, exchange of information etc. In addition to this, it looked like the level of creativity in the group reached point zero, - we just sat there discussing different subjects in general, e.g. the reduced budget situation, a budget we/they were not able to consume anyway. I think everybody just waited for someone to take the first step and close the whole thing down. Interestingly, no one seemed able to do this. No one wanted to be the one that took the initiative.

In a meeting in the Value Creation Alliance on 31 August 2005, the current situation in the Value Creation Alliance is discussed openly for the first time. No one is satisfied with the current arrangement. The purpose of the Value Creation Alliance is discussed in general terms. The researchers suggest to approach this systematically, even though it is not said in a direct way, the idea is to continue the work that was initiated through the strategy report that was presented to the Value Creation Alliance on 6 February 2003. However, this time I would take on a different approach than what we unsuccessfully had tried earlier. Instead of doing all of the work alone and use the Value Creation Alliance as a reference or reading group, I would use the Value Creation Alliance, interview them, and use their voices into the report and in this way making it theirs. At least that was the idea. On a meeting in the Value Creation Alliance on 14 October 2005, I outline an approach and strategy for achieving this ambition in a memo to the Value Creation Alliance, and we agreed to proceed with this approach. All of the current members of the Value Creation Alliance are then interviewed and a report is written. When the 30-page report is to be presented to the Value Creation Alliance it is only 15 minutes dedicated to do the presentation and discussion of the report in the meeting programme, and since no one actually had read the report the whole thing was quite pointless.

### ***Reorientation***

In the new application from 2006 to the Norwegian Research Council Hans Chr. Garmann Johnsen is once again the project leader of Value Creation 2010 Agder. He



has no longer anything to do with the Value Creation Alliance, except that he now and then must present the project and the project progress to the Value Creation Alliance. The Value Creation 2010 project at Agder has adapted to the new steering signals from the Norwegian Research Council, that is to say that Value Creation 2010 shall be more like Enterprise Development 2000. The new Value Creation 2010 Agder project focuses on the knowledge economy and will work together with knowledge enterprises (firms working with information technology) in the Grimstad area. When this is written it looks like Value Creation 2010 is going to merge with some other Norwegian Research Council financed project into a new structure called VRI (policy instruments for regional innovation).

### 5.9 – Summary

Even though many of the ambitions we had with the Value Creation 2010 project in the Agder region were not realised, I believe that it is many things we can and should learn from this experience. Value Creation 2010 Agder does in my opinion only become meaningless if we refuse to reflect and learn from it.

One important aspect is that the Value Creation 2010 project has shown just how difficult, complicated, and fragile the network working method is. This work method requires other mechanism for coordinating activities than development activities that are conducted by people originating from the same hierarchical structure. This case should be a good illustration of how important it is that involved actors understand how their own role changes when they enter into a formally flat network structure. The Value Creation 2010 project in the Agder region and in particular, the work done through Value Creation Alliance provides important insights into why such structures are so dependent of consensus, trust, and commitment in order to function. The story also gives us insight into how entangled such structures often are with other networks, organisations, institutions, and not the least interests in the region. It is therefore not strange that so many believe that there must exist a regional policy platform in order to make the regional governance system function (see discussions in the next chapter).

It should also be obvious based on a read through of this case description that the Value Creation Alliance in the Agder region in practice operated significantly different

from the industrial democratic ideals inherent in the development coalition idea (Ennals & Gustavsen 1999; Fricke & Totterdill 2004). This should not be interpreted to mean that the regional development coalition is a futile idea, and something that should not have been tried out. A parallel Ph.D. project to this, discusses experiences with a municipal based development coalition oriented towards the same theoretical and practical framework as that discussed here, and also involving many of the same researchers (Fosse 2007). This development coalition also initiated through the Value Creation 2010 project at Agder located in Vennesla municipality functioned significantly better than the Value Creation Alliance, and thus is an indication that even though there are room for improvement the idea of a democratic development processes in it self is not a futile idea. However, it should also be obvious that the idea of the regional development coalition must be addressed differently than what was the case with the Value Creation Alliance. The big question out of the case description given in this chapter is however, why the Value Creation 2010 project in Agder ended in conflict and essentially collapsed. This is also one of the research questions of this thesis and is discussed and analysed in chapter 7.

The following chapter gives a description of the development of the regional governance system in the Agder region. The very politico economical system in which the Value Creation 2010 project and the Value Creation Alliance were integral components.

## Notes

<sup>1</sup> My own role in the project throughout different the project was discussed in the methods chapter.

<sup>2</sup> See also the next chapter and the appendix for further references to these two governance network institutions.

<sup>3</sup> NHO: Norwegian Federation of Business and Industry (Næringslivets Hovedorganisasjon).

<sup>4</sup> LO: Norwegian Federation of Trade Unions (Landsorganisasjonen).

<sup>5</sup> Aetat is the Norwegian Public Employment Service. Its main tasks are to monitor developments in the labour market and implement the labour market policy set out by the political authorities. Aetat has 18 regional directors and 163 local employment offices (2004), Aetat it is now part of NAV.

<sup>6</sup> SND/IN: Innovation Norway As of 1 January 2004 the new state owned public company Innovation Norway has replaced the following four organisations: The Norwegian Tourist Board, the Norwegian Trade Council, the The Norwegian Industrial and Regional Development Fund, SND and the Government Consultative Office for Inventors, SVO. Innovation Norway promotes nationwide industrial development profitable to both the business economy and Norway's national economy, and helps release the potential of different districts and regions by contributing towards innovation, internationalisation and marketing.

<sup>7</sup> KS: The Norwegian Association of Local and Regional Authorities (Kommunenes Sentralforbund) KS is a national member's association for municipalities, counties and public enterprises under municipal or county ownership. All municipalities and counties are members. KS is an employer and central bargaining organisation, an advisory and consultative body, and acts as a representative and advocate vis-à-vis central government on behalf of its members. As central bargaining agent, KS is the largest in the country and negotiates on behalf of employers of approximately 370 000 employees.

<sup>8</sup> The following text is based on minutes and personal notes from the meetings in the Value Creation Alliance.

<sup>9</sup> HF-B, short for "Hovedorganisasjonenes Fellestiltak — Bedriftsutvikling", collaborative project between the social partners (LO and NHO), established in 1991. HF-B is working for increased value creation through broad participation. Gives economical support to different measures and initiatives, collaborates with the Norwegian Research Council and Innovation Norway through R&D programmes in enterprises and regions. Homepage: <http://www.fellestiltak.no/>

<sup>10</sup> Norwegian term is "Fylkesmann".

<sup>11</sup> See also chapter 6, and the subchapter *lessons learned*.

<sup>12</sup> Including the revision of the 211-page application.

<sup>13</sup> Several of those I interviewed as part of this thesis work mention this. However, Trygve Reinertsen had already used the concept on the opening conference of Value Creation 2010 in the Agder region on September 14 2001.

<sup>14</sup> See also chapter 6, under *the regional policy agenda* subchapter

<sup>15</sup> The key figure report was later in the spring finished as an Agder Research project. The HF-B enterprise network that should have been initiated on 3 April 2003 was never commenced.

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## Chapter 6 – Regional Governance

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*“Formally everything is in order, we are all elected or represent legitimate organisations – no one can catch us on that. But we have become a little clan and no one can hold us responsible, it isn’t democratic and it isn’t right...”*

*— Excerpt from regional stakeholder interview, Agder spring 2006.*

### 6.1 – Introduction

This is a descriptive data chapter, where I try to give an overview of some of the most central events in the development of the modern regional governance system in the Agder region. These data are analyzed using the theoretical framework in the next chapter 7.

This is a story that starts in the early 1990s and ends in 2006, with emphasis placed on the period from 1999 to 2003, and I would claim that it contains some of the more spectacular events in modern Norwegian local politics. My sources for this story are mainly publicly accessible documents; media, newspapers, public records etc. The people I have interviewed have for the most and to their credit been very forthcoming about their roles in these processes, but some have declined to go on public record and I have respected this. This means that the following story, with a few exceptions, does not contain any information that has not been available before. What is new is that these events are systematically placed into context, and given a coherent look.

It is impossible to cover everything and every process that has occurred during this period within the boundaries of this text. I have therefore chosen to focus on what I have interpreted as some of the main and larger lines and in particular, a few events and the role of a few institutions that I think are principally important in order to understand the workings and development of the regional governance system in the Agder region.

The first event I choose to focus on is the development of a regional policy agenda, this sub-chapter tells the story of how a few men’s vision on regional

development became the regional policy for the Agder region in the early 1990s, and that the direction and policy out-put from these developments were set from the start.

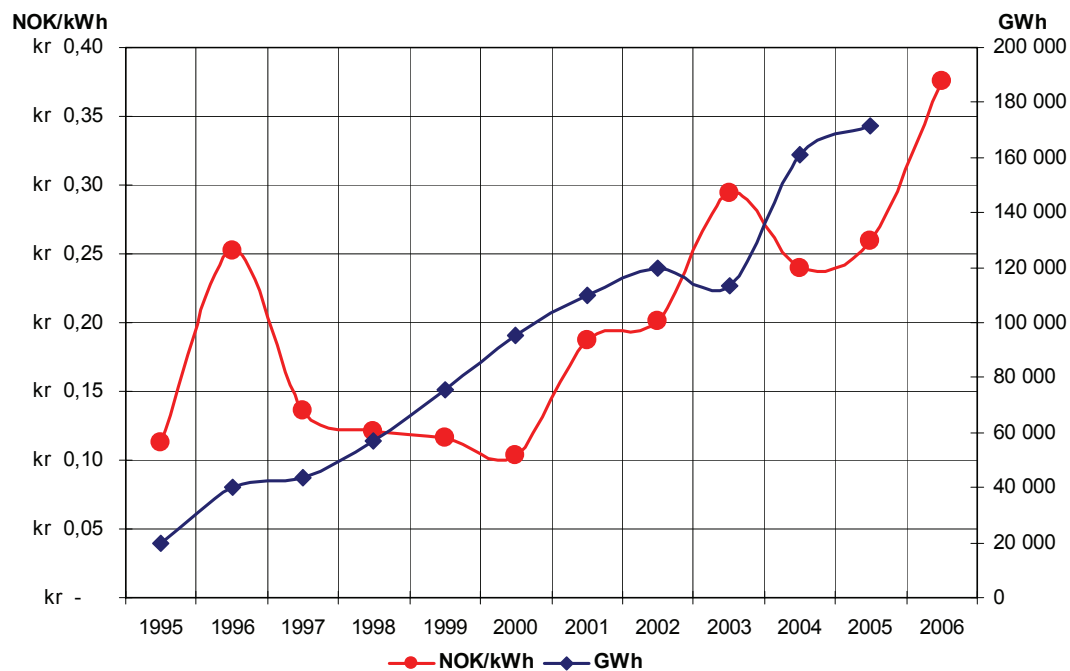
In order to realize the ambitious plans in the regional policy agenda many hurdles had to be surmounted. The biggest of these challenges was to finance the new governance networks and evolving institutions aimed at addressing the defined challenges. I have therefore placed much emphasis on giving a relatively thorough account of the processes surrounding the sales of the stocks in the publicly owned Agder Energi company, as the result of this process was that many new governance institutions were financed.

Following this story, I take a closer look at some of the steering practices of the newly developed governance institutions, and an excerpt from a public debate about governance in region ends the chapter, as it can be interpreted as a small but significant counter reaction. I believe the debate was healthy for the region because it raised awareness and changed many regional stakeholders' attitudes towards the network model of work.

## 6.2 – The Set-Up

A Man and his Wife had the good fortune to possess a Goose which laid a Golden Egg every day. Lucky though they were, they soon began to think they were not getting rich fast enough, and, imagining the bird must be made of gold inside, they decided to kill it in order to secure the whole store of the precious metal at once. But when they cut it open they found it was just like any other goose. Thus, they neither got rich all at once, as they had hoped, nor enjoyed any longer the daily addition to their wealth. Much wants more and loses all (Aesop n.d.).

By now it should be painstakingly obvious to everyone that cares to look that the municipalities that chose to sell their stocks in the Agder Energi Company in 2001 already has lost billions of NOK on just that decision<sup>1</sup>. I have estimated that the loss in real value, for the municipalities in the Agder region that decided to sell, amounts to between NOK 3.1 and 4.8 billion from 31.12.2002 to 2006 (see appendix). In 2001, the majority of the municipalities in the Agder region decided to sell 45.4 % of their Agder Energi shares to Statkraft. In 2006 Agder Energi is good business, and the owners of Agder Energi is in 2006 opting for NOK 600 million in share dividends (Udjus 2006). The municipalities in Norway that in 2000/01 decided to sell their energy shares did so, as the table below shows, probably at the worst time possible.

Fig. 6-1: El-Prices and GWh Production on the Spot Market, Weighted Year Averages 95-06<sup>2</sup>

The spot market (Nord Pool) price in 2000 was on average NOK 0.10 per kWh, the lowest average since the spot market opened. The municipalities that sold Agder Energi AS decided to do so when the value of the company was, according to a lawyer from Wiersholm Mellbye & Bech, NOK 11.773 billion<sup>3</sup> and not the NOK 14.4 billion figure that was in the media at the time (Skøien 2001d). In 2004 Pareto, an energy analysis company that was paid NOK 54 million for their role in the sale of Agder Energi to Statkraft, made a new estimate on the value of Agder Energi and they concluded that Agder Energi had increased 25 % in value in the last three and a half years, from NOK 11.8 billion to NOK 14.8 billion (KraftNytt 2004). In 2004 external value estimates indicated that the market value of the company had increased by 30 percent since its establishment in 2000, the main index at Oslo bourse increased in the same period with 22.81 percent (Henden 2005). In the first half-year of 2006 Agder Energi improved its results before taxes with 75 percent compared to the previous year (AE 2006b: 2). Before this increase, in January 2006, Agder Energi was by the acting CEO Fred Sæther, estimated to be worth approximately NOK 20 billion (Janse 2006). That is probably not an unreasonable estimate and could be higher since Skagerak Energi that produces less THw than Agder Energi in 2006 is valued at NOK 20 billion (Altmann 2006). The real net value that was set to Agder Energi, when 45.5 percent of

it was sold to Statkraft in 2002, was NOK 11.4 billion, if the whole company had been sold NOK 1.9 billion would have been paid in taxes, the real net value of the company after tax was therefore NOK 9.5 billion (PwC 2005). Agder's exclusive advisor to the sales process, Arthur Andersen, argued at the time of the sale that the absolute maximum price on electricity was 0.20 NOK/kWh, and that they could not see that it would reach that level in the foreseeable future (Arnesen 2003: 112).

The municipalities in Agder's alternative financial uses of the funds from the sales are nowhere near of compensating for the massive loss this represent in real value for the municipalities that sold their shares. It is estimated that the municipality of Kristiansand alone has lost between NOK 1.6 and NOK 2.4 billion in real values since 31.12.2002, and that is a careful estimate. On Cultiva alone Kristiansand municipality has lost close to NOK 1.1 billion up until 2006. If Kristiansand municipality had used the share dividends from Agder Energi directly, instead of using the Cultiva instrument, they could have used NOK 135 million more on culture purposes in the 2003-06 period, and that without selling a single share in Agder Energi<sup>4</sup>. The municipalities in Vest-Agder's investment in CDFSN represent an estimated loss in real value close to NOK 340 million from 31.12.2002 to 2006 (see appendix).

Given international and national energy consumption trends, combined with a very probable renewed international commitment to reducing green house gas emissions is it very reasonable to assume that this loss in real value is only going to increase steadily in the years come. I have also been told by people involved in the sales process that independent energy market insiders at the time of the sale only laughed at the judgements made by the municipalities that decided to sell their energy stocks at the beginning of the 2000s.

Necessary information and analysis saying that companies producing clean hydroelectric energy would dramatically increase in value was present at the time when the decision to sell was made. The Kyoto protocol opened into signature on 11 December 1997, more than 180 countries gathered in Kyoto, Japan, in search of a coordinated international response to global warming. They reached a provisional agreement known as the Kyoto Protocol. This signalled an international commitment to reducing greenhouse gases. A large portion of greenhouse gases comes from energy production that is either nuclear or based on coal, oil or gas that all are in light of the



Kyoto protocol and environmental concerns in a disadvantageous competitive position compared with the relatively clean and renewable production of hydro-electric power.

Late 1999 it was also well known that Sweden was going to shut down its two Barsebäck nuclear reactors that produced 12 TWh a year into the Nord Pool market (Rønningsbakk 2000a). The first of the two Barsebäck nuclear reactors closed on 30 November 1999 and the second was shut down 31 May 2005<sup>5</sup>. The background for this is that Sweden in 1980 held a referendum that decided that the nation should close down all of its nuclear reactors within 2010. In December 1998 Sweden had an installed nuclear capacity of 100.52 TWh (IAEA 2000: 730), and an actual production of 70.5 THw (IAEA 2000: 734). This nuclear capacity provided electric energy to the same (Nord Pool) market as Agder Energi operated in. In January 1998, the “Nuclear Power Decommission Act” became law in Sweden. The Act allows the government, within a specified framework to decide that the right to operate a nuclear reactor will cease to apply at a certain point in time. It was this law that was used to shut down Barsebäck, then operated by Sydkraft (IAEA 2000: 732-3). Analysis showing that world energy consumption was steadily rising, as exemplified in the figure above, and not stagnating or declining was easily available and rather common knowledge in 2000 and 2001.

The decision to sell can neither simply be explained by Kristiansand municipality who led the sales process being governed by the conservative party who traditionally is sceptical towards public ownership. Stavanger in the neighbouring Rogaland County, had at the time approximately the same political configuration as Kristiansand with the conservative party in position<sup>6</sup>, Stavanger decided not to sell Lyse Energi the hydro-electric producing company they owned together with the other municipalities in Rogaland. Lyse Energi, a company that was equivalent to Agder Energi in both size, history, and organization, was six municipal owned hydroelectric energy producers in Rogaland who in 1999 merged into Lyse Energi AS.

The population of Norway has not expressed eagerness to sell energy stocks in polls. Representative polling data from MMI, a national polling company, in 2003 and 2004 shows stability in that only 1 percent of the population want foreign ownership of hydroelectric power production, and two thirds of the population want public actors to own these production assets. A 2002 poll from Norsk Gallup, another national polling

company, showed that 87% of the population wants hydro electric power resources to continue to remain in Norwegian control (Rønningsbakk 2005a).

In addition to this, it was no clear majority for selling these stocks among the political parties in Kristiansand that were represented in the City Council when the election period started in 1999. In fact, none of the political parties expressed willingness to sell anything more than up to 49% of KEV that again only was a part of what later become Agder Energi. The Conservative Party in Kristiansand had in the media before the 1999 elections drawn the line at 49%, the Progress Party in Kristiansand had drawn the line at 33%, and one month before the 1999 municipal elections did the labour party in Kristiansand also state that they could agree to selling up to a 33% of KEV. The table below shows the parties represented in the City Council in the 1999-2003-election period, and the position the political parties communicated to their voters through their local party programmes on public ownership and competitive tendering, and the Agder Energi issue.

*Tab. 6-1: Parties (99-03) Position on the Agder Energi Question<sup>7</sup>*

<b>Parties in Kristiansand City Council 99-03<sup>8</sup>.</b>	<b>Position on public ownership and/or competitive tendering in the 99-3 municipal party programme, and/or in respective national programmes.</b>	<b>Position on the Agder Energi question in the 99-3 municipal party programme<sup>9</sup>.</b>
<b>The Socialist Left Party (SV)<sup>10</sup></b>	The Socialist Left Party is not opposed to efficiency improvements, but the total number of public jobs should rather increase than decrease. In a society where market liberalism is given increasingly more leeway on the expense of the weak in society it is important to secure political control of parts of the production apparatus (SV 1999: 11).	The Socialist Left Party will work to secure and further develop municipal enterprises and services (SV 1999: 12).
<b>The Environment Green Party (MDG)</b>	MDG's municipal programme from 1999 was not available. In the national programme from 1997 is however, the following passage relevant. "MDG will stabilize the economy, among other factors through de-capitalizing the means of production. This means that propriety rights are brought into settings where they are not subject to purchase or sale, this does not have to indicate public ownership. We seek diversity in ownership structures, and we will prioritize collective, local ownership and worker/employee owned enterprises (MDG 1997: 10).	
<b>The Norwegian Labour Party (DNA)</b>	One of the fashionable terms of our times is competitive tendering. This means nothing else than private companies doing public services. Municipal activities are largely driven by tax incomes. That is the reason for efficient and rational management within the framework the demands for quality raises. A public institution can do this just as well as a private enterprise (DNA 1999b). Society is to a large degree steered by the market and by market forces. We are convinced that a society with strong political steering will prevent larger differences between people, and secure the social security nets that we are proud of today(DNA 1999a: 2).	KEV is not directly or indirectly addressed in the 99-3 municipal programme (DNA 1999a).
<b>The Liberal Party (V)</b>	Topic not explicitly mentioned in the local programme (Venstre 1999). The national party programme from 1997 states that public ownership must be justified based on considerations to the	KEV is not mentioned in the 99-3 municipal programme but suggests advisory

Parties in Kristiansand City Council 99-03 <sup>8</sup> .	Position on public ownership and/or competitive tendering in the 99-3 municipal party programme, and/or in respective national programmes.	Position on the Agder Energi question in the 99-3 municipal party programme <sup>9</sup> .
	administration of important national recourses, and/or control with natural monopolies where it is difficult to imagine ordinary competition. Other activities will also naturally lie with the public because other considerations than private cost-benefit analysis's must be emphasised (Venstre 1997: 6) <sup>11</sup> .	referendums on important issues (Venstre 1999: 2).
<b>The Christian Democratic Party (KrF)</b> <sup>12</sup>	We will work for public assets to be made available to those that need it the most. In relation to this can competitive tendering be tried out (KrF 1999b: 4).	KEV is not mentioned in the 99-3 municipal programme (KrF 1999a).
<b>The Conservative Party (H)</b> <sup>13</sup>	The Conservative Party will continue competitive tendering of municipal services (Høyre 1999).	The Conservative Party will release capital through opening for new part owners in Kristiansand Energiverk (KEV) (Høyre 1999).
<b>The Progress Party (Frp)</b>	The Progress Party will work to increase competitive tendering in order to get more value for each krone (Frp 1999).	The Progress Party will improve the municipality's economy through selling up to 33% of Kristiansand Energiverk (KEV) (Frp 1999).
<b>Sørlandslista (DEM)</b> <sup>14</sup>	Representatives were elected on the Progress Party's political platform.	Representatives were elected on the Progress Party's political platform.
<b>The Pensioner Party (PP)</b>	PP municipal programme from 1999 was not available. In a flyer from 1999 PP don't mention local/public ownership or competitive tendering (PP 1999).	No data.

The result of the vote (under case 128/01) was that 34 of the 53 representatives in Kristiansand City Council voted in favour of sale and 19 voted against a sale. However, as voters we cannot expect that the political parties can foresee every relevant political issue that will come up during an election period, and tell the voters how they are going to vote on the issue. However, in 1999, the merger between three publicly owned hydroelectric producing companies (AAE, VAE, and KEV) was well advanced on its way in the political system, and Agder Energi AS was a reality in 2000. The sales process had in reality been in the political pipeline since 1996 when KEV was transformed into a public limited company (Altmann 1996). The sale of these stocks was therefore something that should have been directly addressed in the local party programmes, given the magnitude of the issue, and the planned alternative uses of the funds. The result of this process was the largest outsourcing of municipal resources in Norwegian history (Arnesen 2003: 15). Approximately NOK 2.1 billion was taken out of democratic control and placed into a new set of governance institutions, other

municipalities in Aust-Agder also set up smaller but similarly oriented institutions in the Agder region.

It was however only two political parties that were addressing this issue directly in their party programmes. The Conservative Party (H) and The Progress Party (Frp), and then only as selling *up-to a third* (Frp) and *a part of KEV* (H), that in the summer 2000 again became part of Agder Energi AS. None of the parties address that Kristiansand later literally gave all of their shares in VAE to CDFSN, or that they in 2001 together with the labour party opted for selling all of the Agder Energi shares. The Environment Green Party (MDG) and The Socialist Left Party (SV) vote against a sale and they were sufficiently covered by general statements to do so in their respective party programmes.

This means that only the Conservative Party and the Progress Party in Kristiansand had the political mandate from their electorates to sell a part of the Agder Energi shares. As for the other parties, the public was left to vote based on a general interpretation of the respective party's views on public/local ownership, and/or competitive tendering.

If we compare the actual voting to the statements in their respective political programmes available prior to the 1999 elections the following pattern emerges:

*Tab. 6-2: Actual Voting on the Agder Energi Question in Kristiansand Municipality*

<b>Parties represented in Kristiansand City Council 1999-2003</b>	<b>Representatives in the City Council</b>	<b>Expected voting on the Agder Energi question (under case 128/01), given the relevant statements in the local party programmes</b>	<b>Actual voting on the Agder Energi question (under case 128/01).</b>
The Socialist Left Party (SV)	4	Against	Voted against sale
The Environment Green Party (MDG)	1	Against	Voted against sale
The Norwegian Labour Party (DNA)	9	Against	Voted in favour of sale
The Liberal Party (V)	3	Against	Voted against sale
The Christian Democratic Party (KrF)	10	Ambiguous	Voted against sale
The Conservative Party (H)	15	In favour	Voted in favour of sale
The Progress Party (Frp)	10	In favour	Voted in favour of sale
The Pensioner Party (PP)	1	No data	Voted against sale

The table shows that it was not any clear mandate or majority given from the electorate in the 1999 elections to sell the Agder Energi shares, and that it was The Kristiansand Labour Party that most clearly broke their “contract” with their voters. About a month before the 1999 municipal elections, 10 August 1999, Bjarne Ugland

signals to the newspaper Fædrelandsvennen that the labour party in Kristiansand also can agree on selling up to a third of Kristiansand's shares in KEV (Vindstrand 1999).

What should have been done in this situation was to postpone the sales decision until after the 2003 elections, or alternatively arranged for an advisory referendum on the issue in 2001. I believe this is both a reasonable and relevant approach to the problem given the magnitude of the issue, the long-term consequences of a sale, the new dispositions and usages of the available funds. In particular, because of the weak anchoring the decision had among the electorate in Kristiansand City Council, and the weak anchoring the decision had among the citizens in the Agder region.

However, this did not happen and Kristiansand City Council decided on 27 June 2001 to sell its shares in Agder Energi AS, and to put these funds into foundations. The big question then is if we cannot use the respective party programmes from the 1999 elections, pure financial rationales, or the particular political configuration in Kristiansand municipality to predict the outcome of the Agder Energi sales process, what was it then that determined the outcome? *An account of why and how this happened is given in the following.*

This text will show why it was so important to sell Agder Energi and why it was so urgent to do so, even though most people probably knew, or should have known that financially it was a bad deal for the Agder municipalities. I will present an argument in the following that is supportive of the view that the relevant arguments supporting contradicting views were present in the local debate but these views were systematically characterised as irrelevant, and undermined, by what in the next chapter is conceptualised as a regional regime. A regime, which in the embrace of its own interpretations of the implications of the “new economy” was determined to sell “old economy” energy shares, almost regardless of the consequences.

### 6.3 – The Regional Policy Agenda

One of the central architects behind what here is conceptualized, as the regional policy agenda in the Agder region was Victor D. Norman. He is an economy professor from NHH Bergen (The Norwegian School of Economics and Business Administration). He has close ties to the Agder region, he was born in Risør in Aust-Agder, and from 1993

to 1995, he was working as a professor in international economy at Agder University College, in addition to this was he also working at Agder Research from 1993 to 1998.

In 1994, Victor D. Norman worked on a project in Agder financed by KS (The Norwegian Association of Local and Regional Authorities). The project was called “*Common Goals on Agder – A development programme for Sørlandet*” (Norman *et al.* 1994). The final document was built on a basis for discussion that was developed by eight chief officers in Agder, among them Erling Valvik. Victor D. Norman (Agder University College/Agder Research), Jon P. Knudsen (Agder Research), and Helge Røed (KS) constituted the secretariat and thus responsible for putting the document into writing.

This document was submitted to hearing in the municipalities in Agder before it was finalised late in 1994. The fourteen-page document contains a description of what the challenges for the region are and it suggests solutions to these problems. In the following, I will give an account of the recommendations given in this document. I believe these are important since this document later is being used as an argument in favour of, and a legitimatisation of, many of the policy- and network initiatives that later are taken in the region, such as Knutepunkt Sørlandet, Agderrådet, Sydspissen, the competence funds and Cultiva. In this sense, the document gains status over time as a common point of reference for many of the regional governance initiatives that are taken in the following years. In addition, I would argue that this document is a significant part of the explanation for how regional governance in the Agder region essentially develops into a self-referring system, as many of the new governance initiatives refer back to this document for justification. The document is, as the following text shows, unmistakably biased towards the “new-economy”, and does in a way set the standard for how regional stakeholders in the Agder region gain preference towards and conceptualise the implications of the “new-economy”.

*Common Goals on Agder* starts out with a rather gloomy depiction of the economic and social situation in the region. The unemployment level is too high, the level of average income is too low, and it states that a series of medical and social indicators show that many of the citizens in the region struggle. On the positive side is the region marked with good conditions for living and recreation. When it comes to predicting the future trends, *Common Goals on Agder* states that:

One should expect decline in employment within many of the traditional industrial enterprises in the region – especially within energy-intensive industries. Even without the problems the region have today an action programme would be needed. If we look at the future developments in employment combined with today's problems, concrete measures become twice as important (Norman *et al.* 1994: 2)<sup>15</sup>.

Given that this brief introduction, the *Common Goals on Agder* continues with an argument that essentially says that the necessary measures must have a certain *profile*. Because it is not industrial developments which have created immigration to, and growth in, the region, it is immigration *itself* that has created industrial development. It is the *image or perception* of an attractive region to live in that has made people move to the region – and this has in turn led to the establishment of a large number of smaller enterprises within industry and the service sector in the region. *Common Goals on Agder* states that this phenomenon is not unique for this region. Internationally, the same phenomenon lies behind the economical growth in “sunny” California, South-England and Provence. On this basis, *Common Goals on Agder* argues that:

The best way to promote economical development in the region is to support this tendency. Empiric data shows that many municipalities achieves limited effect of pure support measures aimed directly against the industries, while much can be achieved through making the region an attractive place to live and to do business. The means that development measures must be concentrated towards measures aimed at improving service levels, infrastructure, and physical environments (Norman *et al.* 1994: 2).

In *Common Goals on Agder* it is argued that it is important that the region develops *one* regional geographical centre, and that the development programme is focused on infrastructure, education, culture, milieu, and public service (Norman *et al.* 1994: 3). The dominating part of financing the programme must be done using state funds. However, there are also possibilities for regional participation in financing the programme, and *Common Goals on Agder* identifies two sources:

One source is the incomes the municipalities have from producing hydro-electrical power. Traditionally has hydro-electrical power resources been the main source of the workplaces in the region. We cannot count on this being the case to the same extent in the continuation. Owners of hydro-electrical power will increasingly get access to financial resources. This resource, that the municipalities as future oriented owners have created, can be used to build tomorrow's infrastructure in the region and thereby lay the foundations for an attractive industry. It is important that these incomes are not used on running expenses, among other things because of shifts in the prices on hydro-electrical power and interests rates. The second source is the funds that municipalities and counties today use to directly support industrial developments. Even though many of these

resources yield positive results, will they be more profitable if they are fuelled into long-term developments of the regions infrastructure (Norman *et al.* 1994: 3).

The concrete suggestions and elements in *Common Goals on Agder* are listed in the table below:

Fig. 6-2: *Common Goals on Agder, Norman et al. (1994)*

Main elements in Common Goals on Agder:	Description:
1) Physical infrastructure	<ul style="list-style-type: none"> <li>▪ Good and attractive physical infrastructure is decisive for a location being attractive as a place of residence and as a location for industries (Norman <i>et al.</i> 1994: 4)</li> </ul>
1a) New trunk road.	<ul style="list-style-type: none"> <li>▪ It is decisive for the development of the Agder region that the road between Stavanger and Oslo through Agder gets upgraded to motorway standards (Norman <i>et al.</i> 1994: 4).</li> </ul>
1b) Development of a central port in Kristiansand and increase the capacity of the airport in Kristiansand.	<ul style="list-style-type: none"> <li>▪ In the long term it is only basis for a few central ports in Norway. Kristiansand will be one of these. But if this port is going to be competitive must all the resources in the region join together around this. In the same fashion must the region join up on Kjevik as the regional airport (Norman <i>et al.</i> 1994: 5).</li> </ul>
1c) The larger cities in the Agder region must focus on urban renewal and centre developments.	<ul style="list-style-type: none"> <li>▪ Suggest development of city renewal plans and development of centre functions in all of the cities in the region (Norman <i>et al.</i> 1994: 7).</li> </ul>
1d) Strengthening of public transport.	<ul style="list-style-type: none"> <li>▪ Common Goals on Agder states that collective transport based on railways not is realistic, but collective bus transportations must be strengthened in the aide of the elderly, handicapped and those too young to drive themselves (Norman <i>et al.</i> 1994: 7).</li> </ul>
1e) Railway.	<ul style="list-style-type: none"> <li>▪ Common Goals on Agder suggest that the ongoing work to upgrade Sørlandsbanen continues but that the motorway initiative must be prioritised (Norman <i>et al.</i> 1994: 8).</li> </ul>
2) Research, education and culture.	<ul style="list-style-type: none"> <li>▪ Good education- and culture services are decisive in order to attract people and enterprises to the region. Close contact with industries on one side and research and higher education on the other side is just as decisive for the further development of the existing industries (Norman <i>et al.</i> 1994: 8).</li> </ul>
2a) Strengthen of Agder University College.	<ul style="list-style-type: none"> <li>▪ Support the process of developing Agder University College into a University (Norman <i>et al.</i> 1994: 8).</li> </ul>
2b) Build premises for culture institutions.	<ul style="list-style-type: none"> <li>▪ The region must have permanent and professional culture services if the region shall be able to compete for key personnel and key industries. The region has a long way to go before it can offer fully developed culture services (Norman <i>et al.</i> 1994: 9).</li> </ul>
2c) Make history visible.	<ul style="list-style-type: none"> <li>▪ The region has many places of historical interests, museums, collections etc. These offers must be more marketed and coordinated in order to be of benefit to tourists and permanent residents (Norman <i>et al.</i> 1994: 10).</li> </ul>
3) Physical environment and recreation.	<ul style="list-style-type: none"> <li>▪ In the competition for citizens and enterprises natural environment and recreation possibilities are increasingly becoming more important. Today tourism is in the skerries, acid rain, local pollution from the heavy industries, and local sewage problems contributing to weakening the image of the region as a "pure" area (Norman <i>et al.</i> 1994: 11).</li> </ul>
4) Public service.	<ul style="list-style-type: none"> <li>▪ The quality of public services is among the most important things individuals and enterprises assess when they decide place of residence and localisation (Norman <i>et al.</i> 1994).</li> </ul>



Main elements in Common Goals on Agder:	Description:
5) National state workplaces localised to Sørlandet.	<ul style="list-style-type: none"> <li>▪ Initiate systematic work to promote the development of and the establishment of larger national units to the region (Norman <i>et al.</i> 1994: 13).</li> </ul>
6) Living conditions at Sørlandet.	<ul style="list-style-type: none"> <li>▪ Initiate a research project about living conditions and health in the region, in order to find out more about the reasons behind the problems (Norman <i>et al.</i> 1994: 13).</li> </ul>

References to *Common Goals on Agder* are later used in order to legitimate many other institutional developments in the region for instance Knutepunkt Sør (see appendix). The governance network Cultiva, where the Managing Director is Erling Valvik, also uses references to *Common Goals on Agder* in its main strategy document (Cultiva 2006: 2). Here it is also stated that:

Today Agder Energi is still a vital energy company with hydroelectric production of energy as its core activity. We still have energy-intensive industries in the region with new possibilities for value creation. But *no-one* believes that growth in employment will come here [my emphasis] (Cultiva 2006: 2).

The most direct effect of *Common Goals on Agder* was that it served as the political platform for Agderrådet that was set up in 1995. Agderrådet is a regional partnership where all of the thirty municipalities and the two counties in the region are represented with their chief officers and their mayors. In addition, NHO and LO from both counties are represented and a representative from Agder University College is also present, thus making it possible to later identify Agderrådet as a triple-helix institution. The main purpose of Agderrådet was from the start to realise the ambitions in *Common Goals on Agder*. Since then Agderrådet has gained status and authority in the region as a coordinating policy institution between sectors and administrative levels. Agderrådet has no actual formal authority and is based on the members' sense of "moral obligations" to follow up Agderrådet's suggestions. (J. P. Knudsen 2002a).

When the network Sydspissen was set up in 1999 this initiative was also based on a follow up of *Common Goals on Agder*. Sydspissen was set up as a broad regional public-private partnership that was meant as a coordinating instrument between the private and the public sector in the region. In practice it was set up as an umbrella organization that had other industrial interest and development organisations as members, the main idea behind Sydspissen was to market the Agder region nationally as

a competence based and innovative region (Sydspissen 2005). On its web page, Sydspissen phrases its statutes in the following way [my translation]:

(i) Sydspissen *shall influence decision-making processes in the public sector* through being a serious collaborator and body entitled to comment for authorities on a regional level and create understanding to the needs of the private sector in relation to decision-making processes in the public sector. (ii) Sydspissen shall make the most of public development programmes such as ARENA [a nationally financed development programme], so that enterprises in the Agder region get an increasingly larger portion of these funds. (iii) Sydspissen shall secure that enterprises in the Agder region collaborate more efficiently and together identify solutions for a common good. So that more and sustainable milieus that are competitive also on a national level develops. (iv) Sydspissen shall lift the general competencies among fellow workers in the Agder industry in such a way that the enterprises become more competitive and less dependent on outside competencies<sup>16</sup> [My emphasis].

Sydspissen was established in November 1999<sup>17</sup> by a number of interest organisations and public actors in the Agder region<sup>18</sup>. After a while some regionally based companies also join, and in November 2001 Kjell O. Johannessen was hired as a daily manager<sup>19</sup>. In addition, Sydspissen had a written manifest called *Common Agenda*, which contains many of the same elements as *Common Goals on Agder*. *Common Agenda* was first communicated to the citizens in the Agder region July 1999 by the director of NHO Vest-Agder who at the time was Theis H. Pedersen (T. H. Pedersen 1999), *Common Agenda* contains eleven separate elements:

- 1) Contribute to Agder University College becoming a University, through close collaboration between the college and the industry.
- 2) Develop a strong R&D milieu between the College, Agder research, and other R&D milieus and the industry.
- 3) Stimulate the development of research parks in Grimstad and Kristiansand, in addition to a growth of parks and technology centres other places in the region.
- 4) Continue to develop good collaboration between the industry, the public sector, and knowledge milieus in the region independent of geography.
- 5) Create an entrepreneurial and innovation friendly culture in the opinion, the industry, the educational system, and in public administration.
- 6) Contribute to the development of an improved physical infrastructure in the form of roads, ferries, and railroad.
- 7) Stimulate to the development and active use of an “electronic motorway” in the region (broadband).

8) Document, profile and market the regional competence demanding an innovative “industrial milieu” within the region, externally towards the rest of the country, and towards some defined areas abroad.

9) Collaborate on finance projects from external national and international sources.

10) Inform each other and collaborate on strategies and activities that lie with the different actors that participate in Sydspissen.

11) Contribute to the realization of other measures for increased quality of living in the region (Sydspissen 2000).

Both *Common Goals on Agder* and *Common Agenda* resulted in a lot of “spin-off” institutions and networks in the region, the ambitions of realising a University in the region were integrated in CDFSN’s working agenda but also through two other networks called the University committee and the University foundation. The work to realise the trunk road was set up in a separate “activist” programme called “better trunk road to Sørlandet”, the initiatives to build broadband in the region were addressed in a similar fashion, and the same goes for measures aimed at stimulating entrepreneurship and innovation. The list of new network institutions that have emerged as a result of *Common Goals on Agder* and *Common Agenda* is very long and has resulted in a very complex and diffuse institutional landscape in the region (see the appendix in order to get an indication).

In 2003 *Common Goals on Agder* was updated, and a very similar process as the one in 1994 was executed. This time the secretariat consists of only Jon P. Knudsen and Helge Røed. Victor D. Norman does not participate, but Erling Valvik as chief officer represents Kristiansand municipality as he did in 1994, together with seven other chief officers from the Agder region. The group responsible for developing the “updated” document also consists of Tine Sundtoft representing NHO Agder.

This time around the regional policy document is called *Common Goals on Sørlandet* (J. P. Knudsen & Røed 2003). *Common Goals on Sørlandet* does in reality not contain much new things compared to the *Common Goals on Agder* and the *Common Agenda* documents, and is with a few exceptions in practice a merger of *Common Goals on Agder* and *Common Agenda*. The overarching perspective on regional development as a marketing challenge remains from *Common Goals on Agder* and *Common Agenda*. In addition, the idea of regions in competition with each other is

also articulated vividly throughout the document. It also contains the same main preferences towards the new economy as previously discussed in relation to the other two policy documents. In addition to this, a plan on how to restructure Agderrådet is outlined, here is it, among other things, stated that the competence fund's in the region in addition to Cultiva shall be included in Agderrådet as part of a reference group (J. P. Knudsen & Røed 2003: 24). The main points of *Common Goals on Sørlandet* are outlined in the table below:

Tab. 6-3: *Common Goals on Sørlandet, Knudsen and Røed (2003: 8-9)*

<b>Main elements in Common Goals on Sørlandet:</b>	<b>Description:</b>
<b>The main goal for the development work on Sørlandet is to:</b>	<ul style="list-style-type: none"> <li>▪ <i>Develop a robust region that is competitive with other regions nationally and internationally.</i></li> </ul>
<b>Competence and learning:</b>	<ul style="list-style-type: none"> <li>▪ Develop Agder University College into a University, in close collaboration with the industry and the public sector in the region.</li> <li>▪ Build a competence milieu in Arendal, based on the FN-university in Arendal, GRID, Havforskningsinstituttet in Flødevigen, the hospital, and Agder University College's activities.</li> <li>▪ Sørlandets Hospital HF, develops capacities which are competitive with other hospitals in Norway as well as internationally when it comes to competence, quality, and capacity. The competence funds and other regional actors must contribute to this.</li> <li>▪ The project "the digital Sørland" is realized in such a way that both the municipalities and the industry become leading in the use of information technology.</li> <li>▪ The services on decentralized college education are further developed.</li> </ul>
<b>Culture and experiences:</b>	<ul style="list-style-type: none"> <li>▪ The municipalities and the counties in the region must increase their combined contribution to culture significantly.</li> <li>▪ The region [Sørlandet] must still work to get their fair share of the national state support to culture institutions such as Agder Theater and Kristiansand Symphony orchestra, in such a way that these develop into adequate institutions.</li> </ul>
<b>Trunk roads:</b>	<ul style="list-style-type: none"> <li>▪ E-18 between Grimstad and Kristiansand (as four-lane motorway) and the Lister package are realized as OPS projects within the defined timeframe.</li> <li>▪ The work to upgrade the other parts of the trunk road is given high priority ahead.</li> <li>▪ RV 9 through Setesdal (inner part of Agder) to Vestlandet (West-Norway) is upgraded to adequate standards.</li> </ul>
<b>Agder Express:</b>	<ul style="list-style-type: none"> <li>▪ Through increased coordination of the existing services is it developed an express bus route along the trunk road through the region and to central road junctions in the inner parts of Agder.</li> </ul>
<b>Airport:</b>	<ul style="list-style-type: none"> <li>▪ More airlines traffic Kjevik airport, and more competition and better services both on price and frequency.</li> <li>▪ The road to Kjevik from E-18 is improved.</li> <li>▪ The future utilization of Lista airport is investigated.</li> </ul>
<b>Port:</b>	<ul style="list-style-type: none"> <li>▪ Kristiansand port retains its position as one of the most important ports in Norway.</li> </ul>
<b>Broadband:</b>	<ul style="list-style-type: none"> <li>▪ The whole region gets access to broadband services.</li> </ul>

Main elements in Common Goals on Sørlandet:	Description:
<b>Marketing and internationalization:</b>	<ul style="list-style-type: none"> <li>▪ It is done a systematic investigation of what expectations youth under the age of 30, has to the region.</li> <li>▪ It is established a united and more coordinated marketing of the region as a travel destination, place of residence, and place to localize business.</li> <li>▪ It is built regional competence on regional EU-collaboration. The region establishes regional representation in Brussels.</li> <li>▪ It is built heavier international activities associated with aid, human rights, environment, and democracy, also in our region.</li> </ul>
<b>Equal opportunities:</b>	<ul style="list-style-type: none"> <li>▪ It is developed a programme on increased equality and female participation in all parts of societal life.</li> <li>▪ The municipalities in the region commit to the realization of full kindergarten coverage within 2007.</li> </ul>
<b>Partnership for implementation:</b>	<ul style="list-style-type: none"> <li>▪ Municipalities in Agder engage in closer regional collaboration to promote development work within the different functional regions.</li> <li>▪ Both counties in their work on regional development engage in close collaboration with the municipalities and the regions that now are under development within and cross county borders.</li> <li>▪ Region state institutions should be organized in such a way that they can better collaborate with the other regional development actors.</li> <li>▪ Evje's role as regional centre for inner Agder is strengthened through re-localization of some regional and smaller national responsibilities.</li> <li>▪ Municipalities and counties engage in closer collaboration on regional development within the framework of a strengthened Agderråd.</li> <li>▪ Roles and responsibilities within the public, semi-public institutions, and organizations that shall look after regional interests are clarified.</li> </ul>

Only a few things are unique to *Common Goals on Sørlandet* and I believe these changes could be important if they are addressed with the same vigour and intensity as other policy measures in *Common Goals on Agder* and the *Common Agenda*. In relation to this, I would highlight three separate elements from the table above. Firstly, this relates to the introduction of equal opportunities as a separate point. Secondly, the sub point, under the partnership for implementation heading, relating to the importance of clarification of roles and responsibilities within the governance system (last point). And thirdly, the small subordinate end sentence, under the marketing and internationalization heading, implying that also democracy in the Agder region, in addition to the international dimension, should be addressed more.

#### ***Something That Everybody Agrees Upon***

The regional policy agenda as it has developed in the Agder region has proven to be very influential, and probably much more influential than its originators dared to anticipate back in 1994. See discussions of this under the regional meta governance sub chapter. The regional policy agenda has gained status as “*something that everybody*

*agrees upon*” to use the phrasing applied by some of the stakeholders that I interviewed as part of this thesis work. The regional policy agenda is on the surface a little bit of everything, so generally phrased most will be able to identify and sympathize with one or more of the bullet points, thus being effective in the sense that a flat out refusal of the regional policy agenda becomes practically impossible.

The regional policy agenda also unquestionably represents a full-hearted embrace of the “new-economy”, and it anticipates a rapid “goodbye” to the “old-economy”, and represents in this sense bad news for the thousands of people in the Agder region that are in the “unlucky” position of being employed in the “old” industries. The regional development capital is hereby reserved for the creative and intellectual class. The regional policy agenda thus represents a regional embrace of regional development concepts such as triple-helix, creative class, regional cluster thinking, and the embrace of the idea of the new knowledge driven economy itself, almost as if knowledge was a phenomenon that just has emerged.

For people interested in culture as a value on its own merits it should be heartbreaking to see culture instrumentally used only as a marketing and image-building instrument – as a cold tool to promote economic growth. The perspective on equal opportunities is here also growth friendly because it contributes to the mobilisation of a larger work force and increased value creation, and is in the perspective of the policy agenda important because it enables the region to attract working and “creative” moms and dads. I have not seen a single regional policy document or interviewed a single regional stakeholder who emphasised equal opportunities, and many of them both male and females did, as an obvious and natural component of any modern democratic society; equal opportunities was always legitimized as part of either an economic growth, innovation, or marketing argument.

Because this regional policy agenda is not a broad and inclusive societal oriented development plan, it is narrow in its focus on economic growth for the sake of economic growth. The regional policy agenda is virtually stripped of any normative justifications and reasoning around what constitutes a “good society”. It nourishes the idea of regions in competition with each other, and it promotes the idea that regional development as primarily a marketing strategy where image and perception is everything. The regional policy agenda is also in many instances so bluntly self-serving that you almost can read

out of the finished strategy plan which one of the group members/institutions who contributed to the separate bullet points.

The very idea that the regional policy agenda represents the *common* interests of the citizens in the Agder region is therefore difficult to follow using reasonable interpretations of the words *common* and *interests*. Why and how it was possible that only small group of unelected people, representing special interests, was let to forge these important documents is a question that many people in the region should ask themselves, and in particular how this was possible in what we thought was a society governed by democratic values. That elected representatives sanctioned two of the three documents do not change the reality and importance of this question.

#### 6.4 – Financing Governance

In 1994, the Agder region got a plan on how the region should face the challenges of the new millennium. This was however, a plan that required that regional development resources were restructured and funnelled in a different direction than what traditionally had been the case. The liberalization of the Norwegian energy market provided actors willing and able to act with just such an opportunity.

##### *The Market Set-Up*

In 1990, the Storting decided that the Norwegian electrical power market should be deregulated, with effect from 1 January 1991. The Norwegian electrical power market was institutionalized as *Statnett* in 1992, and in the following year a Norwegian electrical power exchange *Statnett Marked AS* was initiated. In 1996, Swedish *Svenska Kraftnät* came in as a 50 % partner, and the exchange is renamed to *Nord Pool*, and with this the Nordic electrical power exchange market was a reality. The European market was liberalized in 1997, the Finnish energy market became part of Nord Pool in 1998, and the Danish joined in 1999/2000.

The developments in Norway did in a sense mirror similar developments all over Western Europe. It is however said that Norway was a pioneer in the privatization and liberalization of the energy market in Western Europe, and it is still one of the countries that has gone furthest in terms of market liberalization (Arnesen 2003: 8).

### ***Preparing the Market Competitors***

A parallel development to the institutionalization of Nord Pool, was the development to turn municipal owned hydroelectric power production into public companies, and first in line was Bergen, Trondheim, and Kristiansand (Altmann 1996). 24 September 1996 a unanimous board of directors in Kristiansand Energiverk (KEV) voted to transform KEV into a public company. This is by the newspaper *Aftenposten* the following day interpreted as the first preparing step in order to sell the company (Altmann 1996). The chief officer in Kristiansand, Erling Valvik, said in a responding comment that:

There are many reasons for restructuring the energy companies. That it opens up to further restructuring is one thing, another is that it limits the municipalities exposure to risk. Today that risk is exposed straight into the municipalities' funds. This is not an ideal situation. If we use the corporation model, which means to divide the company into many limited companies, we spread this risk. Another reason is that it is not just the responsibility of municipalities and counties to provide its citizens with electricity anymore. Restructuring gives the energy companies increased latitude, and limited companies can now plan their tax policies more efficiently, thus protecting the values in the company in a better way, and last if we sell the stocks KEV can be supplied with more competencies in the board of directors (Altmann 1996).

In the same newspaper article a representative from The Progress Party (Frp) Vidar Kleppe, second chairman of the board in KEV, says that he wishes to sell a third of the stocks in KEV<sup>20</sup>. The two representatives from the Labor Party on the KEV board say in a comment that selling is not an option at this time. The rest of the newspaper article is devoted to how attractive the energy stocks are and contain interviews with some of the potential buyers of these stocks (Altmann 1996).

The tax issue mentioned by Valvik is important because the municipalities could change the status of the capital in the newly formed shareholders' companies from equity capital to subordinated loan. Municipalities and the new companies would save a lot in taxes. In 1999 alone, municipalities in Norway changed NOK 4 billion worth of equity capital into subordinated loans. Oslo Energi Holding AS and Viken Energinet saved NOK 100 million in taxes on such moves, Lyse Energi AS saved approximately NOK 70 million on a similar action (Bjørnstad 2000).

Jan Pedersen is the new director in KEV, and he is given a 32% salary raise, that makes him the highest paid person employed by Kristiansand municipality. The salary raise does not just happen in KEV but is a trend in all of the previously municipal/county administrated companies that has been turned into public limited



companies. In Kristiansand, representatives from all of the political parties except The Conservative Party protest the salary raise, fearing that this will have implications for the salary demands elsewhere in the municipality. Jan Pedersen says in a comment to the newspaper *Aftenposten* that politicians must stop squinting at the chief officer in Kristiansand, Erling Valvik, when they discuss the salary of the director in KEV (Altmann 1997a).

In June 1997 electrical power is just as cheap as it was before deregulation on 1 January 1991. KEV sells power to consumers at a variable price of NOK 0.2590 per kWh, the lowest level in ten years. The newspaper *Aftenposten* gathers some market expert opinions to comment and get a divided feedback, some believe that the price will continue to drop, others believe that it has reached a low level and will start to rise again (Altmann 1997b). A year later is the price still at a record low level, the price in the spot market is between NOK 0.04 and 0.05 per kWh, and the dams are overflowing. The hydro electrical producers are on average running on just 20-30% of their full capacity; the only reason that anything at all is produced is that most dams already are full. In the meantime Norway is importing 5.7% of its electric power consumption from coal producers in Denmark (Rønningsbakk 1998).

Early 1999 the consultancy Arthur Andersen here working for Statkraft, delivers a report that is meant to provide arguments to the process of deregulating the electric power market even more. The issue is that 60% of Statkraft's production is tied up to long-term contracts with the process industry; the Storting decides the prices on these deliveries. Statkraft believes that it would be more profitable if they could produce directly for the open market. The Arthur Andersen report therefore states that foreign investments in industries that have such beneficiary contracts have gone up from 4 % in 1990 to 51% in 1998 (Rønningsbakk 1998). The problem with the Arthur Andersen report is that it in 1998 only was 44 enterprises in Norway with such contracts, and that foreign investments in just one of these enterprises influence the percentages significantly. For instance, when Elkem sold their mangan production in Sauda to French Eramet, the percentage of foreign investments rose with 3% in the long-term energy contract segment of the industry. In light of this, an 11% rise in foreign investments in eight years is not very dramatic. However, these long-term contracts are probably an important incentive for Statkraft to buy up as many municipal owned

electrical power producers as possible. At the time Statkraft had ambitions of becoming the dominant actor in the Nordic market, as well as a provider of electrical power to customers all over Northern Europe (Rønningsbakk 1999a).

In November 1999, the Conservative majority in the executive committee of the City Council in Trondheim decided to sell 49 % of its shares in Trondheim E-verk (TEV). The Labor Party in Trondheim was opposed to sales of these shares, and a representative from The Socialist Left Party (SV) Knut Fagerbakke, made a couple of statements that now has become painstakingly true for all of the municipalities that decided to sell their shares in this period, he said:

If we sell, we lose control of our natural resources, we lose employment, and the municipality loses future incomes. Another thing is that this is the least beneficiary point in time to sell, because when oil probably is going to be more heavily taxed in the future then will the value of hydroelectric production rise. This means that this is the most beneficiary time for those who want to buy hydro-electric production to do so, we should therefore not sell, and not now (Rønningsbakk 1999b).

In Agder the sales process is at a deadlock at the same time as Trondheim decides to sell their shares in TEV. Fifteen municipalities in Vest-Agder County together own Vest-Agder Energiverk (VAE). VAE is estimated to be worth several billion, but the municipalities cannot agree upon how the statutes are going to be interpreted and consequently how the wealth is going to be distributed among them, the threat of arbitration lingers. The statutes originating from the 1930s say that every municipality owns an equal 15<sup>th</sup> part of VAE, and that it has to be an unanimous vote to change the statutes. The larger municipalities in Vest-Agder County contest this equal distribution because they contribute more to the wealth because they have more inhabitants. The chief officer in Flekkefjord, Helge Nilsen, said at the time that it is wrong that small municipalities with less than one thousand inhabitants shall get just as much of the value creation as the larger municipalities. While the chief officer in Åseral, Rune Stokke, one of the smaller municipalities, said that they have the natural resources (the dams) and therefore they shall count just as much as the larger municipalities (Larsen 1999). In Aust-Agder County things are going a bit smoother, the municipalities here are able to agree upon a merger between Arendal Energi, worth NOK 618 million and Aust-Agder Kraftverk, worth NOK 3.7 billion. The new company is named Aust-Agder Energiverk

(AAE). Arendal municipality realizes NOK 320 million as a result of the merger and owned in addition 7 percent of the new AAE company (Altmann 2000).

However, the planned merger between KEV, AAE, and VAE in June 2000 forces the 15 municipalities in Vest-Agder County to reach an agreement on the distribution of the VAE wealth, and they reach an interesting compromise. Three of the four large municipalities got 7.33 percent each (22 percent of VAE). A 15<sup>th</sup> part would have surmounted to 6.67 percent. The eleven small municipalities got 5.73 percent each (63 percent of VAE). A loan for NOK 500 million in VAE, is distributed equally among the fifteen municipalities in Vest Agder. The municipality of Kristiansand and its chief officer Erling Valvik is instrumental in providing for the solution to the VAE problem. Kristiansand who owns KEV alone gives up its claims in VAE, and places its share and in return the remaining 15 percent of VAE is put into a competence fund for Vest-Agder, this is what later becomes CDFSN (Skøien 2000a).

Kristiansand gives up its rightful 6.67% share of VAE, on the condition that the other municipalities in Vest-Agder County provide the new fund with enough shares that it amounts to 15 % of VAE in total, at the time estimated to be worth NOK 840 million. The other 14 municipalities agree on this, thus making CDFSN the largest shareholder in VAE before the merger with KEV and AAE (Rønningsbakk 2000b).

Magne Dåstøl administrates CDFSN. The plan is to mobilize the municipalities in Aust-Agder County in a similar fashion. The municipalities in Aust-Agder are asked to put in another 15%, approximately NOK 50 million each, a total of NOK 750 million, into CDFSN. If this had succeeded it would have put CDFSN and Kristiansand municipality with a solid negative majority in the new Agder Energi company, the end result was however that their combined ownership position remained at 33.6 percent in Agder Energi. The attempt to include the Aust-Agder municipalities into CDFSN did not succeed, but the first major governance institution in the Agder region was now financed, and an important alliance partner for Kristiansand municipality, in its attempt to sell all of the shares in Agder Energi, was secured.

### ***Selling Off Agder Energi***

In the merger between VAE, AAE, and KEV it was agreed that no one should start to sell energy shares before 45 days had passed. 15 August 2000 the owners met to discuss

their strategies. Chief officer in Kristiansand, Erling Valvik, and the mayor Bjørg Wallevik emphasize to the local newspaper that it is a process that has only started and that a sale of Kristiansand's shares not is imminent. The other municipalities in Agder are however given a 45-day deadline to answer if they wish to join in on the sales process. The plan is to clarify the sales process within the year. Valvik emphasizes to the newspaper *Fædrelandsvennen* that it not is in the best interest of the municipality of Kristiansand to have billions locked up in energy shares (Skøien 2000b).

During the autumn of 2000 the Arthur Andersen consultant Frank J. Berg, go hunting for potential buyers, and more municipalities other than Kristiansand signal a wish to sell shares in Agder Energi AS (Reinertsen 2001b). The mayor in Arendal Alf-Eivind Ljøstad, said in a comment to the newspaper *Agderposten* that Arendal's decision to sell depends on the offer that is given on Agder Energi, - it has to match the value estimation of Agder Energi that we are being pictured, and that is NOK 15 billion (KommunalRapport 2000).

17 October 2000 Kristiansand municipality assembles all of the municipalities interested in participating in the sales process, 23 of 30 meet and in addition CDFSN with 5.8 percent of the Agder Energi shares, making them the second largest owner represented. The Arthur Andersen consultant reports that he has been in contact with 15-20 potential buyers, he says that between 5-10 are interesting, and that the goal is five concrete bids, and that it of course are foreign investors among the potential bidders. He also argues the view of Kristiansand municipality, –Agder Energi needs both capital and an industrial partner in order to develop, and the municipalities owning Agder Energi need money for important and good purposes.

On 23 November 2000 Victor D. Normans turns to contribute publicly, the economy professor from NHH Bergen gives a speech to the City Council in Kristiansand where he says that, –Many people seem to believe that it is in Agder Energi's best interest to have the same owners as now in the future. That is a “*pretty special*” opinion, Victor D. Norman said (Reinertsen 2001b).

In December 2000, Lyse Energi comes forward as one of the potential buyers of Agder Energi. The final closing date for bids is set to 16 Mach 2001. Later in January it is known that Statkraft also is a potential bidder. In February 2002 it is known that the third bidder is Belgian Electrabel (Reinertsen 2001b). The consultant from Arthur

Andersen comments to a newspaper that he is very satisfied with the bids for Agder Energi (Skøien 2001e). It was expected that Lyse Energi and Statkraft would be interested in buying Agder Energi. If Lyse Energi bought Agder Energi, they would also control Sira-Kvina with a production capacity of 6 TWh, which includes the largest hydroelectric power station in Norway, Tonstad Kraftverk, with an average annual production of 4169 GWh, and an effect of 960 MWh (KraftNytt 2006). It is said by market insiders that if you control Sira-Kvina, you can control the price in the Nord Pool market<sup>21</sup> (Skøien 2001b).

In February 2001 Magne Dåstøl, the chairman of the board in CDFSN owning 5.81 percent of Agder Energi, goes on public record saying that CDFSN wishes to sell all of its shares in Agder Energi. He also opts for a merger or close collaboration with a similar fund to be set up in Aust-Agder County (Skøien 2001g).

The problem for the two Norwegian buyers to Agder Energi, Statkraft and Lyse Energi, is that neither of them have 15 billion available. Statkraft is however supplied with NOK 6 billion by the government represented by the oil and energy minister Olav Akselsen (Labor Party), and an additional increase in Statkraft's credit (NOK 10 billion) is also given (Flemming 2001b). Lyse Energi's prime strategy was a merger between Agder Energi and Lyse Energi. The Managing Director in Lyse Energi said to the newspaper *Aftenposten* that they primarily was not interested in buying Agder Energi shares, but that Agder Energi was not interested in this. Lyse Energi therefore had to find a partner in their attempts to buy Agder Energi (Flemming 2001a). Lyse Energi therefore partner up with German EWE and offers NOK 14.3 billion for the Agder Energi shares in May 2001 (Lyse 2001). On 12 May 2001 it is reported that the *board of directors* in Agder Energi has accepted the offer made by Lyse/EWE, they presented a better financial offer than Statkraft (*Aftenposten* 2001a).

Bjarne Ugland, leader of the labor party in Kristiansand, opposed to Agder Energi being sold to Lyse/EWE. He lobby with the labour government to get advice on how to get rid of Lyse/EWE (Reinertsen 2001b).

On 29 May 2001 Ove Gusevik, director in the finance company First Securities, a man reported to have close ties to the labour party, and previously engaged by Kristiansand municipality to estimate the value of KEV, gives a speech at a national energy conference. Here he argues that if Lyse Energi bought Agder Energi then the

company would end up on foreign hands very quickly, he then strongly urged the audience, (most of the influential stakeholders in the Norwegian energy industry was present), to support Statkraft in their attempt to buy Agder Energi.

The twist is that First Securities was partly owned by Lyse Energi's prime bank association Sparebank1. Gusvik was therefore later forced to apologize to the managing director of Lyse Energi, Eimund Nygaard, for his behaviour as a non party to the Agder Energi case (Lillehammer 2001).

At a *closed* ownership meeting in Agder 1 June 2001 it is decided that the negotiations with Statkraft shall be reopened. No official explanation is given (Reinertsen 2001b). One of the arguments that emerges later is that a merger between Lyse Energi and Agder Energi would not have given any room for selling any shares (Altmann & Natvik 2001). A very important implication of this is that the CDFSN's chairman Magne Dåstøl and the chief officer in Kristiansand Erling Valvik's plan, that were publicly announced in September 2000 (Henriksen 2000), to put NOK 2 billion into a planned culture foundation and NOK 800 million in CDFSN *would not become a reality* if Agder Energi merged with Lyse Energi.

Eimund Nygaard later criticizes Arthur Andersen for their involvement in the sales process, and the consultancy is reported to The Financial Supervisory Authority of Norway, both for their role in the Agder Energi issue and for their role as auditors to Lyse's bank association Sparebank1. It is rumoured that Statkraft who also used Arthur Andersen as consultants/auditors got a NOK 10 million bonus if Agder Energi signed with Statkraft (Aspaas 2001). This is later denied by Frank J. Berg, Kristiansand's Arthur Andersen consultant, and has never been documented (Lillehammer 2001)<sup>22</sup>.

In a record tempo, Arthur Andersen and Frank J. Berg negotiate a new contract with Statkraft. 10 June 2001 Statkraft has valued Agder Energi to NOK 14.4 billion, thus now exactly matching Lyse/EWE's previous offer<sup>23</sup>. Bjarne Ugland, the leader of the labor party in Kristiansand, then said in a comment to the local newspaper that Kristiansand now can sell all of its 27.8% shares in Agder Energi, and that the City Council in Kristiansand can reach a decision to sell before the summer holidays. This stirs up much frustration among representatives from many of the other municipalities in the Agder region, because this could mean that regional control over Agder Energi is lost (Rønningsbakk 2001c).

Some of the municipalities that oppose Kristiansand's strategy and want regional control to remain then organize themselves. This group led by Hans Fr. Grøvan the mayor from Lyngdal municipality, Alf-Eivind Ljøstad the mayor from Arendal municipality, Knut A. Austad the mayor from Bygland municipality, Sigmund Oksefjell the mayor from Kvinesdal municipality, and Kristian Sundtoft from Lillesand municipality. They are in August 2001 formalized as "the reference group for coordinating the sales of the Agder Energi shares", and are given a mandate from the board of directors in Agder Energi. This group's power over Kristiansand, and others that want to sell all of the shares in Agder Energi, lies much in the demand from Statkraft that there has to be at least a 2/3 majority in favour of selling the Agder Energi shares among the share holders. In addition, Statkraft demands that it must gain a so-called negative majority in Agder Energi (34%) in order for Statkraft to be interested in buying Agder Energi at all. CDFSN and Kristiansand municipality own only 33.6% of the shares in Agder Energi, and is therefore dependent upon collaboration from some of the other municipalities in order for them to sell their shares to Statkraft (Skøien 2001c).

In this setting, many of the other municipalities in the Agder region see themselves forced into a position where they must sell all of their shares in Agder Energi if Kristiansand and other municipalities decide to sell. The consultants are willingly contributing with advice for them to sell. Lars Ove Skorpen in Pareto Securities argues in the newspaper *Fædrelandsvennen* that if Statkraft gets more than 50% of the shares then everybody must sell. Similar advice is given by a lawyer from Wiersholm Mellbye & Bech, – if Statkraft reaches 50% everyone must sell. Municipalities have little in return for owning hydroelectric companies and these companies have little in return for having municipalities as owners. The lawyer also "sabotage" the public image provided by Arthur Andersen and Kristiansand municipality, that the sale figure is NOK 14.4 billion, but the reality is NOK 11.733 billion, the rest is loans, and interest and has nothing to do in a sales figure he says, but he emphasizes that it still is a good price.

The "reference group's" led by Hans Fr. Grøvan task is to coordinate sale/no sale among the 30 municipalities within 30 August 2001, and secure that the "magical threshold" of 50% is not passed. Grøvan said in a comment to the newspaper that he had the impression that 5-6 owners including CDFSN, were determined to sell all of their

shares in Agder Energi, that 16-17 municipalities would restrain from selling if it means that Agder Energi remains under regional control, and that 7-8 were considering to sell some of the shares (Rønningsbakk 2001b). Also the deputy mayor in Kristiansand, Harald Sødal (the Christian Conservative party) weighs in on the issue. He is indignant that Kristiansand is acting greedy and arrogant, and that the collaboration in the Agder region that has been built during the last 15 years is put back many steps. Further, he argues that – our generation of politicians now trade off what 20 political generations have built up. This is terrible. In addition to this, the price on Agder Energi is based on last year's prognoses, and is therefore outdated now. Economically this is a bad deal, Sødal concludes (O. Pedersen 2001). Sødal also criticizes Statkraft for only giving the municipalities up until 31 August to agree on the deal that Statkraft has offered (Skøien 2001f)<sup>24</sup>.

Kristiansand is now more or less forced to move into a more moderate position, and agrees to secure regional control over Agder Energi. Kristiansand Labour party's leader Bjarne Ugland opens up for Kristiansand to reduce Kristiansand's sale with a couple of percent when they see how much the other municipalities in Agder wish to sell, so that the total sales figure for the Agder region combined is below 50% (Skøien 2001d).

The end deal is that Kristiansand sells 22.5% of their shares and agrees to keep 5.2% of their Agder Energi shares, and that Arendal keeps 8.8% of their shares. Eleven municipalities in Agder decide not to sell any shares, the municipalities in the Agder region sells in total 45.5 percent of the shares in Agder Energi to Statkraft. Early September 2001 the deal with Statkraft goes into effect, the municipalities that have decided to sell believe that they have sold 45.5% of their shares to Statkraft for the price of NOK 5.9 billion, a figure that later is going to get significantly smaller.

When questioned by a newspaper if this will mean that Kristiansand also is going to get financial returns from owning, Kristiansand's chief officer, Erling Valvik, answers that this is bad business. –The average rate of return on mutual funds is much better than keeping the money in Agder Energi. This is a probability estimate on my side, which the other municipalities in the region do not agree on (Rønningsbakk 2001d). The Arthur Andersen consultant, Frank J. Berg also weighs in, –it is worth NOK 3.6 to 3.8 billion more to sell the Agder Energi shares and put the money into



mutual funds than for the municipalities in Agder to own the shares themselves, he argues (Skøien 2001f).

### ***The Norwegian Competition Authority***

During the autumn 2001, Statkraft bought 49.9% of BKK in Bergen (price NOK 3.3 billion), 100% of the shares in Trondheim Energiverk (price NOK 4.25 billion) in addition to 45.5% in Agder Energi. Statkraft had with this ownership control of 53% of the Norwegian hydro electrical power production, and was close to reaching its goal of 55-60% market control (Aftenposten 2001b). Statkraft's new market position due to the 2001 acquisitions results in serious criticism from many market actors. The director in Nord Pool, Torger Lien, argues that Statkraft becomes so large that they destroy the market mechanism (Bjørnstad 2002a). A representative for PIL, the interest organization for the process industry that uses 40 of the 118 TWh annually consumed in Norway at the time, argues that Statkraft with this will be able to determine the market price, and that when Statkraft gains so much weight is it impossible to sell it (Ask 2001).

The “father” of the new energy law from 1991, Einar Hope, economy professor at NHH Bergen and previous director in The Norwegian Competition Authority, argues that this is an example of concentration of market power, and for the consumers the market competition is disappearing. The director in BKK and a researcher in ECON provide similar arguments to the debate (Altmann 2001).

Following this, The Norwegian Competition Authority signals that it will assess the implications of Statkraft's new market position, and deliver a verdict within 26 March 2002. In January 2002, The Norwegian Competition Authority signals to the involved parties that it believes that the price of electricity will increase if Statkraft buys Agder Energi (KommunalRapport 2002b), and that only new arguments from either Agder Energi or Statkraft can change the Competition Authority's intention of stopping the deal (Flemming 2002b). In January 2002 Statkraft's acquisition of TEV in Trondheim is also reported to the Competition Authority (Bjørnstad 2002c), and in March is also Statkraft's acquisition of BKK in Bergen in the Competition Authority's spotlight (Danbolt 2002f).

In Agder the result is a regional mobilization against the Competition Authority and everyone else relevant opposed to the sales. Two main lines of argumentation are pushed forward. The first is that Statkraft is a minority shareholder in Agder Energi and that Agder Energi thus is not part of the Statkraft group. This is immediately disputed by the Competition Authority, it argues that the shareholder agreement between Agder Energi and Statkraft means that Statkraft will have considerable influence over Agder Energi, and that Agder Energi does not represent an effective competitor to Statkraft. Statkraft will as a result of the Agder Energi sale increase its market power in southern Norway from 40 to 50% argues the Competition Authority (Danbolt 2002a). The second line of arguments provided by Agder relates to the alternative usages of money from the sale, a regional competence fund (CDFSN) and a foundation for arts and culture (Cultiva) (Danbolt 2002e).

None of these arguments bite with the Competition Authority and it formally decides in mid March 2002 that Statkraft's acquisition of Agder Energi will lead to increased prices on electricity in the wholesale market and to the consumers, the Competition Authority therefore forbid Statkraft's Agder Energi acquisition. In a response the mayor in Kristiansand, Bjørg Wallevik, emphasizes that this is a terribly dramatic development for Agder, and that the Competition Authority's decision immediately will be appealed to Victor D. Norman, who in October 2001 became the new work- and administration minister (Danbolt 2002b).

On 18 April 2002 the appeal from Agder and Statkraft reached Victor D. Norman's table. To the newspaper *Aftenposten* Norman says that he more or less support the decision made by the Competition Authority, the power net in southern Norway lacks capacity, Statkraft's acquisition of Agder Energi could destroy competition in this part of the market (Bjørnstad 2002b). A week later the Competition Authority signals that it is not going to forbid Statkraft's acquisition of BKK in Bergen, but it looks like both Statkraft's acquisition of TEV (Trondheim) and Agder Energi are formally going to end up on Victor D. Norman's table simultaneously (Haraldsen 2002). In the meantime Statkraft is arguing that their dominance in the Norwegian electrical market must be seen in relation to their minor position in the Nordic/European market. This, combined with a formal complaint on procedures written by the law professor Geir Woxholth, all ends in that the Competition Authority is being asked to look at the

purchases once more (Flemming 2002a). However, the second time around the Competition Authority does not change the March outcome. In Early July 2002 Statkraft's TEV purchase is also rejected by the Competition Authority, and ends up on Victor D. Norman's table together with the Agder Energi issue (KommunalRapport 2002a).

This also starts a massive lobbying effort from Agder, and Statkraft threatens to sell both TEV and Agder Energi out of the country if their purchase is not accepted by Victor D. Norman (Flemming 2002c). The industry minister Ansgar Gabrielsen representing the Conservative Party and previously mayor in Lindesnes municipality in Vest-Agder County, also works Agder and Statkrafts case (Flemming 2002c). The oil and energy minister, Einar Steensnæs, the Christian Conservative Party, also gives support to Statkraft's views that competition must be seen in a Nordic and not a Norwegian perspective, and that Victor D. Norman therefore should allow for Statkrafts purchase of Agder Energi (Aftenposten 2002). Hans Fr. Grøvan, Kristian Sundtoft, Bjarne Ugland and some others travel to Oslo to talk with the work- and administration minister, and argue that he has to look at the larger political picture (Rognerud 2002a), and in this larger political picture the planned usages of the available funds are a central element.

Cultiva, Kristiansand municipality's new culture foundation, has just appointed its first chairman of the board, the job has been given to Ellen Horn, the former culture minister from the labour party. She says to Victor D. Norman that – I hope Norman will consider this very carefully. Cultiva is a unique project. I do not know of any other municipality that stake so much on culture in the widest meaning of the word. Cultiva will lead to new workplaces in the region. The purpose of Cultiva is to secure workplaces and good living conditions through allocating resources to projects that supports building new art, culture, and knowledge institutions and organizations that contribute to innovation, development and competence building milieus in Kristiansand, Horn argues (Andreassen 2002). In September 2002 Hege Skjeie also weighs in. She is born in Kristiansand and is a professor in political science<sup>25</sup> at the University in Oslo and at the time also one of five senior researchers in the power and democracy study (1998 – 2003). In an article published on the website of the power and democracy study, she carefully portrays the potential positive implications the new Cultiva foundation can

have on regional identity, and that the disappointment in the region would be enormous if Norman turned Agder down is more than implied in the text. She suggests that Victor D. Norman should discuss the issue more with his colleague in the cabinet Ansgar Gabrielsen (Skjeie 2002).

In mid October 2002 is the verdict from Victor D. Norman ready; he had decided to overturn the decision made by the Competition Authority. In February 2003 he decides that Statkraft cannot buy TEV in Trondheim, and that the Competition Authority's judgment in this case was sound (Rønningsbakk 2003)<sup>26</sup>. However, Statkraft can buy Agder Energi, all of it if they want to. The condition is that Statkraft sell one TWh worth of production capacity, and sell E-CO to Vannkraft AS and Hedemark Energi AS (HEAS) (Danbolt 2002h). Statkraft complies with this and in 2004 Statkraft sells HEAS back to the regional owners for NOK 2.1 billion, Statkraft make some profit on this deal since they bought it in 2001 for NOK 1.9 billion (Aftenposten 2004). In Agder, the news from Victor D. Norman is greeted with jubilation and much enthusiasm, but there are still hurdles that must be passed. Statkraft wants to renegotiate the deal, because of the terms set by Victor D. Norman about selling HEAS.

On 17 October 2002 it is reported that the values in Agder Energi has been estimated wrong, the value on some long term contracts has been wrongly estimated and this reduces the price with NOK 500 million. Agder also compensates Statkraft with NOK 300 million since they had to reduce their production capacity with 1 TWh and sell HEAS. In addition to this, Statkraft wants its share of the returns the Agder municipalities took earlier in the year, in addition to an interest compensation because the sale process took so long to finish. The price on the 45.5% shares that are to be sold has been knocked down over NOK 900 million. Statkraft's right to renegotiate the deal was already implemented in the original contract.

In Agder, is it comforting that a lower sales price also means less tax. Bjarne Ugland, part of the renegotiating team said that they had to accept the deal. Hans Fr. Grøvan who later became chairman of the board in Agder Energi was also part of the renegotiating team and said – we had many good arguments and purposes, but we soon understood that we had to use arguments that related to the competitive market situation. This is a good deal, it is unrealistic that we should come any better off if we

start up all over again, Grøvan said (Rognerud 2002b). The result of the new deal is that Agder Energi's value is set to be NOK 11.4 billion, that is NOK 3.6 billion less than when the municipalities agreed to let the sale process start, and NOK 3 billion less than what was offered by Lyse Energi.

Hans Fr. Grøvan is in late October 2002 very satisfied with the deal he has participated in renegotiating on behalf of the Agder municipalities. Grøvan's advisor, Roy Slettvold, from the lawyer firm Selmer that hired Frank J. Berg when Arthur Andersen went out of business, compliments Grøvan for his efforts. Hans Fr. Grøvan on his side is relieved that the sales process was not finished earlier.

Many of the municipalities that sold their energy shares in 2000/2001 and put their money into the stock market lost hundreds of millions when the IT-bubble burst in 2000/2001. The municipality of Bærum decided to put NOK 1.8 billion of their money from selling energy shares on the stock exchange, a year after their ownership was worth NOK 1.5 billion. In a similar manner Porsgrunn lost NOK 95 million in 2002, something the chief officer at the time said was the equivalent of 300 man-labour years in the municipality (Rønningsbakk 2005c).

Grøvan's own municipality Lyngdal in Vest-Agder decided not to sell any of their shares in Agder Energi. –Grøvan said he believed that Lyngdal's money was worth more when placed in Agder Energi than on the stock market (Danbolt 2002d). Hans Fr. Grøvan then got the job of being chairman of the board in Agder Energi, and remains there until he must step down late in 2005 because of a rather bizarre "scandal", that also resulted in that several others on the management level in Agder Energi had to leave their posts (Norborg 2005).

The municipalities in Agder agree on the new negotiated deal in early December 2002. Eleven municipalities in Agder decide not to sell their shares to Statkraft, and Statkraft's requirement of 2/3 majority for selling is just barely met because of CDFSN being the 31<sup>st</sup> Agder Energi owner. On 5 December 2002 the payment from Statkraft's main office on Høvik arrives, and the deal is financially closed (Reinertsen 2002).

***Arthur Andersen Global Corporate Finance AB Norwegian Branch***

In 1999 alone hydro electrical shares and enterprises worth NOK 23.5 billion bought or merged with larger enterprises. In early 2000 it is estimated that values in the range of

NOK 50-100 billion were on the move (Skaslien 2000). All of the large consultancies were heavily invested in the market of advising Norwegian municipalities in what they should do with their newfound wealth, and were all more or less giving the same advice; —*Sell! Sell! Sell! There are many very good bids!, it is a great risk to own!, There is much urgency and haste in doing this now etc.*

In Stavanger, politicians are advised to sell by the company Energi Analyse AS, represented by Eivind Devold, a company that monitors the power market on behalf of the larger consultancies. Devold argued that the average share dividend on energy shares makes it meaningless for the municipalities to own these shares. The risk, he argues, is too large in both in the trade and the production parts of Lyse Energi AS. Devold goes on to predict that units with fewer than 120 000 customers will have problems with surviving in the market, and he strongly recommends that other municipalities do not to exercise their first option in buying shares from other municipalities that wish to sell. He ends with emphasizing the benefits in getting professional owners with good market knowledge (KraftNytt 1999b).

In Sør-Trøndelag the consultancy First Securities, represented by the advisor Trond V. Thompson gives the good advice. The municipalities are advised to sell their ownership in electric power producing companies because the average share dividend is so low and that there are many willing buyers (Rønningsbakk 1999c).

In Kristiansand it is Arthur Andersen represented by Frank J. Berg that gives good advice. He argues that KEV is bad business for the municipality, and that it is running a “power-train” and that the municipalities in Agder need to hurry if they want to get on the same “train” as KEV (KraftNytt 1999a). In a presentation given in a “seminar” to the representatives in the City Council in Kristiansand by Arthur Andersen on 5 and 6 November 1999, the Arthur Andersen representative argues that investments in the hydro-electrical industry are attended with considerable risk, that large and risk filled investments are needed for this industry to survive, that the margin of return only is going to get slimmer and slimmer, and that it therefore only are the large actors that are going to survive in the market (Arnesen 2003: 34).

In 2000 yet another record in the buying and merging hydro electrical energy companies is set. Pareto Securities estimates that 60 emissions, sales, and mergers worth NOK 50 billion were undertaken in 2000. The largest of these were the merger between

Vest-Agder Energiverk (VAE), Aust-Agder Energiverk (AAE) and Kristiansand Energiverk (KEV) into Agder Energi AS on 17 June 2000. A company which in the agreement between the three companies is estimated to be worth approximately NOK 15 billion (Rønningsbakk 2001a).

One of the more spectacular aspects of the process of selling the Agder Energi shares is not the enormous financial loss it represented for the municipalities that sold their energy shares but how the process was orchestrated and manipulated by those who were determined to sell Agder Energi. Not only simple principles of fairness, morality, and democracy were systematically neglected, formal laws and regulations were also broken. The prime instrument for Kristiansand municipality's efforts for realizing the sales of Agder Energi were the consultancy Arthur Andersen.

At the time, Arthur Andersen was one of the largest consultancy and audit companies in Norway, it had approximately 590 employees and a market share between 20% and 40% depending on the market segment (Rønningsbakk 2002a; 2002c).

Arthur Andersen systematically manipulated the decision-making process; it provided decision-makers with false and biased information. It had a double role in the sales process, in that it effectively and strategically was set to look after the interests of both Statkraft, and the shareholders in Agder Energi AS. Arthur Andersen and its representatives in Agder protected itself, its involvement, and its contracts in a veil of secrecy, and Arthur Andersen was in the end heavily criticized by the Financial Supervisory Authority of Norway. The Financial Supervisory Authority's investigation into Arthur Andersen's role in the Agder Energi sales process would probably had gone further and deeper if Arthur Andersen Norway had not been "saved" by the Enron scandal and Arthur Andersen effectively went out of business in May 2002, and that Statkraft signalled to the Financial Supervisory Authority that it would change audit company.

The agreement that chief officer in Kristiansand municipality, Erling Valvik, made with Arthur Andersen is kept from public access. This was probably a standard requirement for Arthur Andersen. Kristiansand's City Council discussion on the contract between Arthur Andersen and Kristiansand municipality on 17 October 2000 (under case 111/00) is also kept from public access with reference to the law of public access (offentlighetsloven §6), thus without specifying what part of the law.

Some of the elements in the agreement between Kristiansand and Arthur Andersen are known publicly through other sources. The Arthur Andersen account was composed of four parts, which the Arthur Andersen consultant Frank J. Berg confirms to the newspaper *Fædrelandsvennen* 21 June 2001. The first account component is a pay per hour of NOK 1750, the second is a fixed fee of unknown size, and the third is a “success fee”, a sign on fee that was 0.1% of the sales sum, and the fourth component was travels and expenses (Skøien 2001a). The NOK 10 million bonuses from Statkraft to Arthur Andersen if Statkraft buys Agder Energi is reported by at least three separate newspapers *Aftenposten*, *Fædrelandsvennen* and *KraftNytt.no*, but has as far as I know never been confirmed.

In June 2001 when Statkraft signed their first agreement about Agder Energi the City Council in Kristiansand was informed that the consultancy bill was NOK 30 million. In February 2002 *Fædrelandsvennen* reports that the bill is NOK 34.7 million, and that the final bill is going to be NOK 40 million plus, and that a couple of these millions are just travels and expenses (Rønningsbakk 2002d). We do not know what the exact result was since the municipalities signed confidentiality agreements with Arthur Andersen. However, a reasonable estimate based on this information would mean a final figure in the area of NOK 40-45 million. In addition to this, Kristiansand and Agder Energi had hired Pareto as brokers to sell the Agder Energi shares. For this job they were paid NOK 54 million (Rønningsbakk 2002b; KraftNytt 2004). In addition, other consultancies were involved in the sales process. First Securities and Elcon Securities were for instance involved at an early stage in the KEV process, and others are also involved as advisors, for instance Victor D. Norman, Agder Research, and a series of lawyer firms, and other consultancies contributed. What the final consultancy fees amount to is therefore only guess work, since much of this information is disclosed from the public. I would however be very surprised if it is less than NOK 115 million, and I would not be much surprised if Kristiansand and the other Agder municipalities in sum have paid close to NOK 130 million in consultancy fees for selling Agder Energi<sup>27</sup>.

When you pay this much for advice, you would expect that the advice given are as high-end as the bill. The quality of the advice given was in this case determined from the start. It is obvious to most that if you hire a consultant and includes a paragraph in the contract stating that a certain percentage of the sales sum is going to be a bonus pay,



you are not going to get advice telling you not to sell. It is also obvious that the presumably intelligent people responsible for signing the contract with the consultancy is aware of this reality, and that this therefore is done deliberately. Thus, the only meaningful interpretation of this particular clausal is that stakeholders sought a process aimed to get a sales price that was as high as possible, and not a process aimed at unveiling relevant information, a process that would provide arguments both in favour of and against sale of Agder Energi shares, and thus providing the ground for an informed decision on that basis. This is also an indication of the KEV/Agder Energi processes being rigged from the beginning so that a specific outcome of the process could be reached.

The double role of Arthur Andersen who delivered audit and consultancy services to Statkraft at the same time as it advised Kristiansand and the other municipalities to sell power shares to Statkraft was also public knowledge at the time. This means that if Arthur Andersen gave Kristiansand and Agder a bad deal, Kristiansand must have known of this possibility, but also that they decided to ignore it, and carry out the sales anyway, a decision that in retrospect has proven to be extremely costly for the citizens in the Agder region. This also tells us something about the level of commitment traditional business and economically oriented regional stakeholders had towards the alternative uses of financial funds from the Agder Energi sales.

In the case material there are many examples of how Arthur Andersen consultants and others systematically manipulated the decision-making process, through providing democratically elected representatives and others with false and biased information, doing their job poorly, or alternatively just working the interest of Statkraft. In the following, I will give a few examples of such instances that are publicly available, but also some examples that have become publicly available during the process of writing this thesis<sup>28</sup>.

Arthur Andersen led by consultant Frank J. Berg, started their work for Kristiansand municipality in relation to the process of selling KEV shares. When the merger of AAE, VAE, and KEV was complete, the Agder Energi sales process becomes the new job description, the initial contract was renewed, and became a consulting contract between Kristiansand municipality and Arthur Andersen Global Corporate Finance AB Norwegian Branch (hereafter AAGCF). This contract was titled “Tender

for assistance associated with full or partial sale of Kristiansand municipality's shares in Agder Energi AS from AAGCF w/Frank J. Berg to Kristiansand municipality w/Erling Valvik. This contract letter of 1 September 2000 opens up so other municipalities in the Agder region that wish to sell shares, at a later stage can connect to the agreement; this contract had the following content:

AAGCF will partly or fully execute: 1) Go through and analyze value assessments of the company, and *“agree on the minimal amount that you are willing to sell the company for”*. 2) Put together relevant information material in a prospect *“Information memorandum”*, and do active introductory sale to central actors. 3) Identification and analysis of potential buyers, *“through using our network of contacts nationally as well as internationally, including their knowledge of potential interested party”*. 4) Ask potential buyers to make indicative bids. *“Within the frame of this activity will we, with legal assistance, set up a draft of a contract of sale”*. 5) Arrange a *“data room”*, which is a room with archives and documentation with detailed information about the company. *“A lesser number of potential buyers, which we jointly choose based on their indicative bids, will get access to this information in a limited time”*. 6) *“We will together with you, choose one or more potential buyers that we will negotiate with. We will coordinate the buyer's due diligence, and assist you in all aspects of the sales process towards completion. In connection to this will we seek to map solutions that are optimal for both parties, the company, and remaining shareholders”* (Kredittilsynet 2003: 12).

Frank J. Berg is in the letter cited as responsible for the project, and in an appendix to the letter is it stated that: *“We will suggest that the assignment is settled to the time used with a pay per hour of NOK 1750. On sale will the honoraria constitute 0.1% of the sales sum up until NOK 10 million”* (Kredittilsynet 2003: 13)<sup>29</sup>. It is also written that AAGCF is to be the employer's exclusive advisor in connection to the sales process in a period of 12 months from the signing of the letter (Kredittilsynet 2003: 13).

When the chief officer Erling Valvik oriented Kristiansand City Council, on 20 June 2000 (under case 117/01), about the strategy on the Agder Energi issue, was Erling Valvik asked by a member of the City Council if the Arthur Andersen consultant had a self-interest in realizing the sale of Agder Energi shares. According to the newspaper, *Fædrelandsvennen*, Valvik initially responds with an argument about closing the meeting from the public, secondly he states that he would not discuss parts of the contract agreement with Arthur Andersen when outsiders were present. However, after a short break, Valvik and Frank J. Berg returns to the issue and Frank J. Berg provide the City Council in Kristiansand with the following information:

The job we are paid for is to negotiate a bid for acquisition of shares. This we have done, the honoraria is not dependent upon a sale being realized. Our honoraria is composed of a

fixed figure, and a paid-by-the-hour agreement, and in addition a *0.1% commission of the bid*. This commission is therefore not dependent upon a sale being realized. We would not risk our commission being dependent upon the decisions in the City Council (Reinertsen 2001a).

Given discrepancies between the actual contract between Arthur Andersen and Kristiansand municipality, as it is reproduced by The Financial Supervisory Authority, and the information, Frank J. Berg and Erling Valvik provided the City Council in Kristiansand with, as it is reproduced by the newspaper *Fædrelandsvennen*, is it hard to reach another conclusion than the one that Erling Valvik and Frank J. Berg *deliberately misinformed* the elected officials of Kristiansand City Council on 20 June 2000 in order to further their cause of selling Agder Energi. This is important because if the relevant contract information had been known, if the elected officials had known that Kristiansand municipality's *exclusive advisor* had economical motives associated with realizing the sales process, it could very well also have had a significant effect on the deliberations and outcome in Kristiansand City Council.

AAGCF had not only access to every strategic information concerning the sales process it also participated in constructing that information. However, as mentioned Arthur Andersen does also work for Statkraft at the same time, and their work for Statkraft is *direct consulting on the Agder Energi issue*.

A few months after AAGCF signs with Erling Valvik in Kristiansand municipality, Arthur Andersen signs a contract with Statkraft, which states that they are going to assist Statkraft in estimating the value of Agder Energi. The contract letter from AA to Statkraft is signed on 8 January 2001, it has the following content:

Statkraft is considering a possible buy of shares in Agder Energi AS. In connection to this is Arthur Andersen asked to assist Statkraft in value estimating the company [Agder Energi]. A value estimate of Agder Energi AS must build on value estimates on each of the different business areas (production, nets, and trade). These assessments would naturally include different forms of insecurity, especially with respect to assumptions about future price developments on power, and on tax regimes. We aim for a similar process that we did when Statkraft acquired ownership in HEAS<sup>30</sup>. We will, in relationship to this, inform Statkraft that AAGCF are assigned to assist by the owners of Agder Energi AS to assist them in the sales. We can therefore only assist in the value estimation of Agder Energi, and not participate in further negotiations with the seller (Kredittilsynet 2003: 17).

The product that Arthur Andersen delivered to Statkraft was an Excel sheet (a value estimate model) that contained all of the relevant information about Agder Energi (Kredittilsynet 2003: 18).

The Financial Supervisory Authority of Norway acquired as part of their investigation what they described as a substantial amount of PowerPoint presentations used at different presentations. In their report, they emphasize the following from a presentation held by AAGCF at a project group meeting in Agder on 11 May 2001.

Two companies delivered binding offers 16 March 2001:

1) *Lyse Energi, alternative A and B.* (alternative A and B refers to merger between Lyse Energi and Agder Energi (Lyse's first option), and the second alternative is the acquisition offer made by EWE/Lyse).

2) *Statkraft* (Kredittilsynet 2003: 13)

In a presentation given to the extended project group meeting 26 June 2001, certain milestones in the process are described:

22 January 2001	Deadline indicative bids.
16 March 2001	Deadline final bids.
11 May 2001	Consultant forwards his recommendation to the project group.
1 June 2001	Consultant recommends to <i>terminate negotiations with Lyse</i> and to resume the contact with Statkraft.
8 June 2001	The results of the negotiations (with Statkraft) are presented to the project group (Kredittilsynet 2003: 13).

We note the 1 June entry, where the AAGCF consultant recommends the group to turn down Lyse Energi and to resume contact with Statkraft. This shows that the AAGCF consultant directly expressed preferences towards Statkraft. In the same presentation, there is a slide with the following text. The headline is: "*What is economically the best option – to sell or to own?*", and AAGCF gives the following recommendation: "*A business economic based judgment says that the municipalities should sell its shares now*". In a later memo of 21 June 2001 from AAGCF to the participants in the project group themed: "*Agder Energi – Sale of shares vs. continued ownership*". Its introduction reads:

Based on the negotiated offer from Statkraft SF concerning acquisition of shares in Agder Energi AS has AAGCF completed some economical profitability estimates that illuminate the profitability of selling the shares compared to the expected profitability of keeping the shares. We emphasize that this is preliminary estimates. Based on pure economical estimates do however, conclusions appear to be extremely robust (Kredittilsynet 2003: 14).

This is followed by a passage that shows that the value of (100%) the shares in Agder Energi is per 31 December 2001 worth NOK 14.110 billion. The memo ends with the following passage:

The negotiated price appears based on our estimates as very good, compared to the values today's municipal owners can expect to realize by continued ownership, and eventually selling at a later stage. The economical risk associated with having a large portion of the assets placed in a single stock, which is not on the exchange, is significant. If one estimates the value of this risk into the value of the share, it is our opinion that the negotiated price is so good that one should, based on pure economical considerations, sell the shares now (Kredittilsynet 2003: 14).

In a letter dated 8 June 2001 to all of the shareholders in Agder Energi the negotiating team puts forward the bid made by Statkraft for the shares in Agder Energi. This letter has the following introduction:

Following the project team's decision, in a meeting 1 June 2001, to terminate the negotiations with Lyse Kraft AS and EWE, the negotiating team, consisting of Eivind Krokmo, Jan Pedersen, Frank J. Berg, and Roy M. Slettvoll has carried out negotiations with Statkraft SF. These negotiations have resulted in an united bid-document ("Tilbudet") which follows as appendix 1. The bid-document contains all of the significant elements that will be included in the final contract arrangement ("Avtalene").

The letter ends with:

There is an acceptance form in the appendix where the Agder shareholders must give a binding answer to how they will respond to the bid-document and the contract arrangement. This document must be returned to Arthur Andersen Global Corporate Finance co/Frank J. Berg through telefax [number] within 31 August 2001 1600. [The four members in the negotiating team, including the AAGCF partner Frank J. Berg, sign the letter] (Kredittilsynet 2003: 14).

In this text Arthur Andersen and AAGCF is used interchangeably, this is because in every practical meaning of the word this is in essence the same company. It is however a bit imprecise. One counter argument against Arthur Andersen having a double role in the Statkraft/Agder Energi negotiations is that Arthur Andersen had a fragmented business model, meaning that Arthur Andersen at the time consisted of units that legally were separate. You had Arthur Andersen & Co (AA) that provided the audit

services to Statkraft, and you had Arthur Andersen Global Corporate Finance AB Norwegian Branch (AAGCF) that were Kristiansand's and Agder's contract partner, and you had Arthur Andersen Business Consulting (AABC), that among other things delivered consultancy services to Statkraft. The Financial Supervisory Authority of Norway had this to say about the relationship between AA and AABC:

The Financial Supervisory Authority base its assessments on that it was a very close relationship between AA and AABC. These companies are indeed independent judicial units, owned by the partners in the respective firms, but a series of factors implies that AA and AABC had a collaborative constellation that legally was problematic in relation to the deliverance of consultancy services to AA's audit clients. The Financial Supervisory Authority wishes to point to the following factors: 1) Both of the companies were part of the Andersen-group in Norway. 2) There is a considerable similarity in the names. AA and AABC used "Arthur Andersen"-logo in their letterheads, in marketing etc. 3) These companies appeared to the outside as a unit, and to the Financial Supervisory Authority it does appear that these companies marketed themselves as one unit. 4) There was considerable common infrastructure and management collaboration. 5) AA and AABC used the same office premises, and had the same visiting and postal addresses. 6) These companies had collaborative agreements with Arthur Andersen & Co in Switzerland (Kredittilsynet 2003: 7).

Frank J. Berg, who was an authorized public auditor and partner in AA, was through a formal agreement with AAGCF made available as the leader of the AAGCF consulting assignment in Agder. AA also formally employed many of the other consultants involved in advising Agder. The Financial Supervisory Authority of Norway does therefore not find any basis for emphasizing that AAGCF formally was the contract partner with Agder and not AA. The Financial Supervisory Authority therefore finds that AA has broken the Norwegian audit law §4-4, §4-1, and §4-5, which says that [my translations]:

[§4-4 first paragraph] An accountant or audit company cannot participate in, or have functions, in another enterprise when this can lead to the person/or enterprise concerned interests is in conflict with the interests of the employer, or in another way is suited to weaken the trust put in the accountant or audit company (Kredittilsynet 2003: 15).

[§4-1 first paragraph] If an auditor or an auditor's close associate (ref. fourth segment) has a relationship to the auditable or this employees or representatives that can weaken auditor's independence or objectivity, the person concerned cannot audit the auditable annual financial statements. The same is the case if there are other circumstances which are suited to weaken auditors trust (Kredittilsynet 2003: 2).

[§4-5 first paragraph] *On Consultancy services.* Auditor who audits annual financial statements cannot execute consultancy services or other services for the auditable, if this is suited to influence or raise doubt about auditor's independence and objectivity. Auditor

cannot provide services which belongs under the auditable own management- and control responsibility. Auditor cannot act as auditable (legal) agent. Except when assisting in tax matters following court of justice law §218. In audit companies this rule applies accordingly for auditors that not are responsible auditors (Kredittilsynet 2003: 2-3).

The Financial Supervisory Authority concludes that:

The consulting assignments on behalf of the selling share owners in Agder Energi AS, with the double role this involved for AA in relationship to their audit client Statkraft SF, is in the opinion of the Financial Supervisory Authority's in violation of the audit law §4-4, and under any circumstance in violation of the audit law §4-1, first paragraph second full stop. These special conditions are connected to the scope of the consultancy activities, the considerable influence AA had in the decision-making process, and the condition that the honorary was made dependent upon on the result in an instance where the potential buyer was a buyer/negotiating part to the audit client. The Financial Supervisory Authority finds that the audit company AA's consultancy behaviour in relation to this sales process is clearly to be blamed and are unacceptable.

[...] The compilation of a value estimate model for Statkraft SF can under certain conditions be acceptable consulting. In this instance had the company AAGCF, which must be identified with the audit company AA, through consultancy assignment insight into the selling shareholder's strategies and price expectancies. AA should on this basis avoided to involve themselves in circumstances that affected Statkraft SF's interests in acquiring Agder Energi shares.

It can be that even if the single consultancy assignment viewed isolated can be acceptable in relationship to the audit law's requirement of independence and objectivity, so can the commission and the delivered services seen in connection to each other give another result. Seen together the combined consulting that the audit firm AA gave in relation to the acquisition of shares, the Financial Supervisory Authority is of the opinion that this consulting has been in violation of the audit law §4-5 first paragraph and §4-1 first paragraph second full stop. The Financial Supervisory Authority finds the audit firm AA's consulting in relation to this criticisable.

[...] The Financial Supervisory Authority finds the above circumstances unacceptable and blameworthy. This especially applies to the consulting services connected to the sales of Agder Energi to Statkraft [...]. The Financial Supervisory Authority is made aware of Statkraft's decision to change audit firm in effect from 2004, and find on this basis not necessary with any further investigation of the matter (Kredittilsynet 2003: 19-20).

An example of how inadequate and biased AAGCF's advice was follows. As previously mentioned did AAGCF not believe that the price on electric power on the spot market in the *unforeseeable future* would be higher than NOK 0.20 per kWh. Their reasoning was that the price previously had been low, that AAE, VAE, and KEV gave little returns for their investments, and that the municipalities' money consequently would be worth more when paced elsewhere.

AAGCF and those wanting to sell ignored the fact that the budgeting in AAE, VAE, and KEV was done based on a secure balance and not maximum profit. Any surplus was according to the statutes in AAE, VAE, and KEV, supposed to benefit the consumers. This was according to the former general manager of KEV, Olav Egeland, done by directly feeding the surplus back to the consumers through the energy companies directly holding the price on electrical power low. Every year the price on electricity was determined by the city council. He writes that the debate could be very tempered, because canvassing was also a factor here, and he also mentions the fact that these companies were managed as zero sum-companies and were used for what it was worth by those wanting to sell Agder Energi (Egeland 2005).

AAGCF and those wanting to sell were also ambiguous concerning the tax question. In hindsight is it difficult to see the professional rationale for arguing that for instance foundations would not have to pay tax, this should have been on the table as a realistic and probable outcome, and not as the surprising and unexpected outcome. It is also interesting to compare the agreement between TEV in Trondheim and Statkraft to the deal Agder got, two contract agreements that were developed almost simultaneously with Statkraft. TEV who did not use AAGCF as consultants, made Statkraft take the risk if the Norwegian Competition Authority turned down the sales of TEV, which they did. Statkraft had to pay the TEV shareholders NOK 5.8 billion regardless of whether Statkraft could keep the shares or not (Danbolt 2002c). In Agder the situation was opposite, Agder took all the risk and was only stuck with the consultancy bill if Norwegian Competition Authority turned down the sales of Agder Energi to Statkraft, which they did.

#### ***Assessment of the Political Process in Kristiansand Municipality***

When the City Council in Kristiansand decided to sell the Agder Energi shares, the minority supported by the labor party commissioned an evaluation of the democratic aspects of the sales process in Kristiansand municipality (under case 128/01). This 112 page evaluation report was written by Tor Arnesen (2003), and was discussed by Kristiansand City Council on 4 June 2003 (under case 71/03)<sup>31</sup>. He forwards in his report hash critique of many of the procedural and democratic aspects of the political process in Kristiansand municipality in relationship to the process of selling Agder



Energi. I will in the following not give a detailed account of the processes in Kristiansand municipality, these are, as far as I can tell, covered in a satisfactory manner by Arnesen's evaluation report<sup>32</sup>. I will therefore limit this section to a brief recapitulation of some of the main findings from Arnesen's report.

Two things are however worth noting, the agreement/contract between Arthur Andersen and Kristiansand municipality is kept from public access. The qualities of this agreement are therefore not part of the discussions in the evaluation report (Arnesen 2003: 74). There is also a question raised by the evaluation report on when the sales process started and when it ended. The report chooses to define the Agder Energi sales process when the first talks about an ownership strategy started in Kristiansand municipality dated to mid 1997, and that it ended when the dispute with the Norwegian Competition Authority was completed at the end of 2002. The alternative interpretation is that the sales process started when the strategic considerations was finished mid June 2000, and ended when Kristiansand municipality formally decided to sell in June 2001 (Arnesen 2003: 27). Reading between the lines in the paragraphs discussing when sales process started and when it ended, you get the feeling that there has been some disagreement in the interpretation of the mandate of the evaluation, between chief officer Erling Valvik and the evaluator. This point is important because if you apply to the narrow interpretation the mandate to initiate a sales process is clearer, while this mandate to initiate a sales process is more dubious if you apply the wider definition.

The evaluation report discusses several questions that are central in order to address the democratic aspects of the case. The *first issue* raised by the evaluation report concerns to what degree people involved have been consistent with respect to their arguments and opinions:

This does not seem to have been a problem, thus there have been a couple of exceptions: The shift in the labor party connected to Statkraft as potential buyer – it was this turnaround that created a majority in Kristiansand municipality. The Christian Conservative party's management of the issue seems insecure and at times unsteady, initially the party is part of the group that pushes the sales process forward, thereafter it votes together with the opposition against a sale (Arnesen 2003: 76)<sup>33</sup>.

To this, I can also add a reference to the previous discussion of the 1999 party programmes, where the conclusion was that it was very difficult to find arguments in

favour of saying that relevant statements in the local party programmes had played a significant role in determining the outcome of the process.

The *second issue* raised by the evaluation report is with respect to transparency, to what degree is it possible to see what goes on from the outside, the evaluation report concludes that:

It is our opinion that the process has acceptable but also weak sides in this respect. The orientations given to Kristiansand City Council contributed to increasing transparency. However, the City Council involvement on a decision-making level was limited. This contributed to the debate surrounding in the municipalities formal structures as well as the public debate was limited. This was the “price” that was paid for running the process in smaller forums such as the municipal committee, and the reference group/strategy committee. In our opinion was also the secrecy surrounding the contract between the consultant and the municipality unnecessary, the same goes for that a meeting in the municipal committee on 31 October 2000 was closed from the public. Such incidences contribute to actors feeling left out of the process – something that is the idea – and in our opinion should have had a more solid justification. The press has done a significant job – both nationally and regionally – to illuminate the issue to the public, in addition has politicians in the municipality’s readers letter been important. Press publicity has had a “dramatic” form – partly because this is how the press operates, but also here should the municipality take on responsibility because the process in to little extent has been run in the most available forums (Arnesen 2003: 76).

See also discussion in the section below that provides the basis for an argument that the press (Fædrelandsvennen) played an independent and significant role in determining the outcome of the process.

The *third issue* raised by the evaluation report discusses to what extent personal or private economical interests were suppressed on behalf of judgments of the common good:

Generally speaking this has not been a dominating problem, with some exceptions: The secrecy surrounding the agreement with the consultant about honorary associated with sale of shares created dissatisfaction among many. The opinion was that the consultancy Arthur Andersen served its interests best if all of the shares were sold, and that this would overshadow what was in the best interest of the municipality in the case. *This was to some extent corrected when the City Council was given a verbal orientation regarding the content in the agreement before the final decision to sell was made.* It has gotten negative attention that central actors in the municipality in this process – the chief officer and the group leaders in position in the end got central positions in the heaviest of the new finance instruments - the [Cultiva] foundation. It is nothing procedurally wrong with this, but the morality of this has been questioned (Arnesen 2003: 76).

See also previous sections where the role of AAGCF is discussed. This orientation given to the City Council by the consultant and the chief officer, just prior to the

decision to sell was made, contained factual errors regarding the sign-on-fee. The issue is if the 0.1% honoraria were dependent upon the size of the bid or the sales sum.

The *fourth issue* raised by the evaluation report is to what degree the information that has been used has been correct, balanced, relevant, communicated in an understandable fashion, and that relevant views are represented, involved parties heard and placed emphasis on:

The trust, from the outside, to the consultants' judgments when work-conditions are secret on the honorary side, are transmitted as a suspicion that only those options that provide the consultant with most money is sufficiently examined and explored. The societal aspects and alternative energy politics for Kristiansand municipality is to a lesser extent illuminated. The minority is relevant but this group has largely been referred to the City Council as their arena – but since the case to a lesser extent has been managed in the City Council, is the interpretation the view of the minority to a lesser extent has been expressed (Arnesen 2003: 77).

A telling example of how information strategically was acquired in order to reach the desired outcome is when Agder Research during the autumn 2000, by the board of directors in Agder Energi, got the job of considering the societal consequences of continued regional ownership of Agder Energi, alongside some other aspects. Agder Research produced three reports as part of this assignment, one of these reports was authored by Helge Røed and Harald Furre, and it contained four different scenarios for Agder Energi (Røed & Furre 2000). One of the things emphasized in the report and in reality is a “new” element in the debate at the current stage is the strategic role that Agder Energi can play in the continued development of the region. This role is positively integrated as an important aspect when the scenarios are discussed in the report, in one of the scenarios this role becomes the main purpose of Agder Energi. This is a role and an element that is in conflict with the ambitions to realize the “alternative usages” of the available funds from selling Agder Energi, and the report represents in a sense a clear counter argument against selling all of Agder Energi out of the region.

This report was presented to executive committee of the City Council in Kristiansand on 25 April 2001. Such cases are prepared by the chief officer, his case preparation (under case 104/01) was criticized by the Christian Conservative party because the portrayal of “the strategic role”, as it was introduced in the Agder Research report, was unreasonable negatively portrayed (Arnesen 2003: 54). Harald Furre, who was the director at Agder Research at the time, confirms<sup>34</sup> that “people in favour of

selling” Agder Energi, put Agder Research under considerable pressure to change the content of the report. In particular, those parts of the report that expressed scepticisms towards what would be the faith of Agder Energi if Statkraft was allowed to buy the majority of the shares in Agder Energi. This pressure was exercised at several occasions, but the report was to Harald Furre and Agder Research’s credit did not changed because of this<sup>35</sup>.

Fædrelandsvennen writes, on 10 October 2000, that Kristiansand municipality commissioned a “counter report” to meet the “societal ownership perspective” that would be introduced in the Agder research report. In a memo from chief officer Erling Valvik to the CEO at Agder Energi Eivind Krokmo, that “leaked” to the press. Valvik writes that on the ownership meeting in Agder Energi on 20 September 2000 he posted the question of “alternative usages of the ownership”, that Agder Research could not take on this assignment, and that he gave this assignment to Victor D. Norman. The task was to find out how much the alternative usages was worth if they were placed in bank deposits, mutual funds, local infrastructure, research, and in culture purposes (Fædrelandsvennen 2000c). This report, written by Victor D. Norman and Eva Benedicte Norman from NHH in Bergen concludes that alternative usages give more return and lower risk than the reference solution, which was that the municipalities kept the shares in Agder Energi (Arnesen 2003: 45).

The *fifth issue* raised by the evaluation report is to what extent decisions could be modified and decisions not be regarded as already made:

It is our interpretation that the decision-making process has been “tormented” by this – that the administration is ascribed a “will of their own” which was to sell the shares. In many ways the administration is regarded as a part of the majority in this issue, and not as an instrument for both the minority and the majority. Decisions have been regarded as “already made” and difficult to contradict, and in particular has departing views in the municipality felt “put against the wall” with small opportunities to change decisions and suggestions to decisions. This last moment partially also applies to the smaller parties in what constituted the majority (Arnesen 2003: 77).

In this respect there are examples of “peculiar” methods that have been used. The Arthur Andersen consultants applied a method known as *Borda-vote*<sup>36</sup> in order to reach a consensus in the reference group/strategy committee on the KEV/Agder Energi issue.

Arnesen writes in his report that it in the reference group/strategy committee, was used a type of voting where each member gave a vote to a series of sub points which in

the end was aggregated to a joint standpoint on the individual sub points. As basis for the vote was a report with recommendations from Arthur Andersen used (Arnesen 2003: 39). I have been told that the Arthur Andersen consultant brought in a computer to aid the consensus building process and that this computer was programmed to do the aggregation of preferences for them. The chief officer in Kristiansand's office later refers to the strategy committee's recommendations as an unanimous agreement (under case 143/01). This is strange since no voting records are available, and that some of the participants from the reference group/strategy committee later vividly opposed selling Agder Energi shares, for instance Harald Sødal (KrF), and the employee representatives from KEV.

The *last issue* raised by the evaluation report is to what extent the "time-budget" (which often is a limited resource) has been disposed in a fair fashion, has not restrained exchange of views:

Here is it only one thing to say: The strategy discussion – the debate the City Council had about how Kristiansand municipality, as owner, should manage its role under the new energy law-regime and the new situation that emerged in the late 1990s and into the new decade, should have been finished long time before the decision to sell was made. As the situation became, the decision on strategy, and decision to sell was practically made in the same meeting. Without regard to cause of this [...] was this unfortunate. The City Council can hardly be held responsible for this, and that on principal groundings (Arnesen 2003: 77).

On 19 September 2000, both the municipal committee (under case 89/00) and the City Council on 12 December (under case 155/00) in Kristiansand decide that it would not take position on the issue of selling Agder Energi at that time. That it must prepare a case to the City Council where a strategy for ownership is presented, and that this case must be presented to the City Council *well before* the case to sell Agder Energi shares is submitted to the City Council (Arnesen 2003: 53). This case, concerning a strategy for Kristiansand's ownership, is not presented to Kristiansand City Council before 20 June 2001 (under case 117/01), one week before the decision to sell is made on 27 June 2001 (under case 128/01).

Arnesens' evaluation report raises fundamental and critical questions about both the content and organising of the political processes surrounding the decision to sell shares in Agder Energi. The main criticism from a democratic perspective is that the elected official not was sufficiently involved, that the case continuously was presented

to them as an orientation issue, and when it finally was put to the vote, it was too late to change the realities in what was the biggest political decision in Kristiansand municipality's history.

Tor Arnesen was criticized in the media after the report was published. Arnesen was accused for being unbalanced in his portrayal of events, and that he argued the case of the minority in the City Council. Olav Messel (DEM) who sat in both the strategy committee and the executive committee said to *Fædrelandsvennen* that he could not see anything undemocratic about this process – No issue has been managed as well as this, Messel said (KommunalRapport 2003).

### ***Critical Press***

As part of the data collection for this thesis work I have gone through all of the volumes of the largest newspaper in the Agder region, *Fædrelandsvennen*, from January 1999 to December 2001. Looking for how the newspaper covered the events relating to the Agder Energi issue. I did not find a newspaper that asked the hard-hitting questions, which went looking for arguments that were not present in the local debate, which confronted stakeholders with many of the illogical and clearly biased statements that were put forth. In stead, I found a newspaper that uncritically put forth the arguments of those wanting to sell energy shares, and I found editorials that submissively praised the stakeholders in their wisdom for selling and for the alternative usages, and when the newspaper finally picked up the ball in mid June 2001, was it all too late to matter. In the following, I will give some examples from my findings.

On 14 June 1999, Erling Valvik recommends that it be appointed a reference group (under case 93/99) to explore the possibilities to find partners that can be potential owners of the KEV shares (Arnesen 2003: 87). This group is later known as the strategy committee and consisted of politicians, municipality administrators, board members from KEV, the KEV general director, and the consultant<sup>37</sup> (Lillesvangstu 1999b). When Bjarne Ugland signals to the newspaper *Fædrelandsvennen* that also the labour party can agree to sell up to a third of the shares in KEV on 10 August 1999 (Vindsland 1999). The editorial in *Fædrelandsvennen* on 12 August 1999 reads:

It was from an unexpected side that it was expressed a wish to sell out a minority position of KEV. Kristiansand labour party has traditionally applied thinking rooted in the 1950- and 1960s on this type of questions. It is therefore even more pleasant to hear these new

tones. [...] We believe that the suggestion to sell a third of KEV is sensible both for the owners, which are the citizens of Kristiansand, KEV which are too weak on its own in a market in furious development. From an ownership position can one just determine that the enormous values that KEV represents not give satisfactory share dividends. Given this is it a good solution to sell, provided that the price is right (Fædrelandsvennen 1999a).

On 15 December 1999, when four meetings in the reference group/strategy committee have been held (Arnesen 2003: 89), Fædrelandsvennen again chooses to cover the story. The story is that Frank J. Berg gives a presentation to the executive committee in Kristiansand municipality on 14 December 1999. The main arguments for selling KEV shares are presented in an article; no alternative views are put forth, no discussion of that selling *all* of KEV now is the alternative on the table, the mayor Bjørg Wallevik declines to comment to the newspaper and refer the reporter to Frank J. Berg's presentation (Lillesvangstu 1999a). The editorial in Fædrelandsvennen on 16 December 1999 reads:

A broadly composed committee in Kristiansand municipality suggests that the municipality should sell whole or parts of KEV. We have earlier belonged to those that believed that municipal energy companies were important societal institutions with important task of securing power to the industry in the region. [...] However, after the introduction of the new energy law, where electrical power is a commodity traded on an open power market, is also the rationale for public ownership and political steering gone. [...] Besides, politicians are not particularly suited to manage enterprises that shall survive in an open market. Because of this, the suggestion to sell KEV is well justified. Conditioned by the funds from the sales is just not only used to balance municipal budgets, but used to purposes that give lasting values (Fædrelandsvennen 1999b).

16 February 2000, the strategy committee gave a new orientation to the executive committee in Kristiansand municipality, and Fædrelandsvennen was present covering the story. The possibility of a merger between AAE, VAE, and KEV is now on the table and recommended by the strategy committee. Fædrelandsvennen coverage is dominated by Erling Valvik's presentation where he lays out his plan for how it can be prevented that politicians use the money from the sale. Valvik tells the executive committee that the money should be put into a new foundation, he is however not explicit on what type of foundation this is, except that it should be a foundation that shall secure workplaces for our children and grand children (R. Ø. Reinertsen 2000). Some of the politicians opposed to the idea of outsourcing public funds are also quoted in a minor article on the same page (Damsgaard 1999). The editorial in Fædrelandsvennen on 17 February 2000 reads:

It is far between chief officers with visionary thoughts and future oriented suggestions for solutions in this country. [...] It is therefore liberating to read about Erling Valvik's initiative in Kristiansand executive committee yesterday, which is reproduced in today's paper. [...] KEV has a value on the open market that is about NOK 3 billion. Today this is largely dead capital. [...] Given the development on the power-market, have all arguments for keeping KEV in municipal ownership disappeared. [...] Chief officer Erling Valvik wishes to use the power-millions to competence development that shall secure the future for our children and grandchildren, before using them to short-sighted consume. [...] This should not be interpreted as lack of confidence in today's politicians, but sooner a challenge. [...] We will therefore request politicians to treat chief officer Erling Valvik's suggestion with an open mind, and with the responsibility, it invites to. Because here Kristiansand has gotten a unique opportunity to pass on to our ancestors an inheritance we have been given by our forefathers, and that in a refined state (Fædrelandsvennen 2000a).

Wednesday 23 August 2000, the front-page on Fædrelandsvennen is dominated by a large picture of chief officer Erling Valvik, accompanied by the headline "*Wants two billion to culture*". The subject is that Erling Valvik has suggested that 2/3's of Kristiansand's municipality's return from selling Agder Energi shares shall be placed in a culture foundation. The purpose of the foundation is to support creative milieus and arts and culture (Kubens 2000). The editorial, the following day, 24 August is headed "*Epic idea*":

Chief officer Erling Valvik in Kristiansand municipality suggests selling Kristiansand's share of the recently merged Agder Energi AS in order to raise money for schools and culture. This is a suggestion that we support. It is probably also sensible to put the funds from the sale into separate foundations for schools and culture. Then the politicians can determine how much that shall be allocated to the different foundations. The point is, as the chief officer points to, to build tomorrow's infrastructure. [...] We therefore hope that the chief officer's ideas resonate with the politicians in Kristiansand City Council and that this idea can inspire other municipalities to act accordingly (Fædrelandsvennen 2000b).

In the following six months there are a substantial amount of reportages and reader's letter in the newspaper discussing the different options for Agder Energi. Some of the parties that before the 1999 elections were in favour of selling KEV shares, had limited this to up to a third of the shares. It also becomes apparent that Fædrelandsvennen is leaning towards Lyse/EWE and not Statkraft. In an editorial on 2 April 2001 the newspaper presents its position on the issue:

[...] On our part, we do not understand the point of limiting the sales to only a third of the shares, when the process has come this far. The chief officer Erling Valvik has presented constructive thoughts on how the large values can be managed more securely and more future oriented than being placed in a single share. [...] But eagerness after kroner and good purposes must not be so dominating that Agder Energi's role as locomotive in



Agder's industrial development is endangered because the price on the share alone becomes the deciding factor. In addition, we cannot help the feeling that Statkraft's plans does not reach much further than to become a large international producer of electricity. Lyses ambitions seems to be wider (Fædrelandsvennen 2001).

In May and June 2001 Agder Energi is the main news story and media issue. All of the different fractions position themselves in the media in order to influence the process. The shift from Lyse/EWE to Statkraft and the question of regional control over Agder Energi are the central questions of the controversy. There is a regional mobilization of dimension against those in Kristiansand City Council that wish to sell all of the shares in Agder Energi. The relevant arguments essentially making the case for keeping the shares are also presented in the newspaper on 19 June 2001. When Oddvar Tesaker, from the Christian conservative party in Kristiansand, debunks the figures used to estimate the future value of Agder Energi by Erling Valvik and the AAGCF consultant (Tesaker 2001).

In a series of editorials spanning from 16 June to 17 August 2001 the editor in chief in Fædrelandsvennen apparently has had enough of what he on 16 June calls "Agderpowers worst", on 28 June calls "Power arrogance", and on 29 June poses the question "Was Lyse duped?". On 17 August 2001 an editorial in Fædrelandsvennen, suggests that Agder should cancel the deal with Statkraft. In order to put the temperature of the debate at the time into words the following quotes from editor Holmer-Hoven does the job:

Yesterday night I sat together with employees and employee representatives in Agder Energi and witnessed the rawest political locomotive and the most powerful party whip that has sounded in Kristiansand City Council. These scars will not be healed in many years if ever. Because yesterday Kristiansand City Council addressed the most important issue that ever has been presented to politicians on a municipal level in Agder. [...] Together with chief officer Erling Valvik it is Bjarne Ugland that are the architects behind the decision to sell that was made in Kristiansand City Council yesterday. The last two weeks public debate and last day City Council debate have been a shewbread and make-believe over a decision that was made years ago. [...] In Kristiansand City Council yesterday it was the teachers Bjarne Ugland and Tore Austad that were kings on the hill. If Agder Energi disappears out of the region because of yesterday's decision in Kristiansand City Council, will these two industrial amateurs have much to answer for (Holmer-Hoven 2001b).

However, it is not only the Agder Energi sales process that is heavily criticized by Fædrelandsvennen's editor in chief. In November 2001 the board in the new Cultiva foundation is presented to the public. It is the "winners" of the sales process Bjarne

Ugland, Bjørg Wallevik, Tore Austad that are “rewarded” by a place on Cultiva’s board of directors. Holmer-Hoven makes references to North-Korea and the Politburo in the old U.S.S.R to communicate the message to his readers (Holmer-Hoven 2001a).

A couple of years later are however, Cultiva yet again a pioneering and epoch-making institution in Fædrelandsvennen’s editorials, when Cultiva for the first time distributed money in 2003, Fædrelandsvennen’s editorial read:

[...] Friday made visible a small part of the significance Cultiva will get for Kristiansand and the provinces’ social and cultural development for future generations. [...] We also hope the elected officials now whole-heartedly can support the purpose of the foundation. The process surrounding the establishing of Cultiva has been criticized, also by us. But now we must put this fight behind us and look ahead and contribute to a constructive public debate about the use of the millions. There will of course be disagreements and debate on how Cultiva should allocate its resources when the grant applications supersede available funds. This is how it should be. Therefore should it also be full openness and publicity concerning the application process. In addition, with reference to this years fund allocations one should acknowledge that the distribution of funds best is done by a broad committee that consist of persons with a high degree of personal and professional integrity. The allocation of the Cultiva funds is not a theme suited for majority votes and compromises in the City Council (Fædrelandsvennen 2003b).

Culture policies are according to Fædrelandsvennen apparently only suited to be decided by people with a high degree of personal and professional integrity. If this is correct, it is principally difficult to see why this reasoning not also would apply to other policy areas, and Kristiansand municipality should then immediately outsource the decision-making powers it has left.

### ***Epilogue***

In the sales deal between Agder and Statkraft it was stated that Agder Energi was protected from further acquisitions from Statkraft until 1 July 2004 (Danbolt 2002g). mayors from 27 of the 30 municipalities in Agder decided 20 June 2005 to continue to protect regional ownership for three additional years, and Kristiansand, is now in the frontline fighting for continued regional control over Agder Energi (Sved 2005). Kristiansand has for instance refused to participate in the new sales process initiated by Lillesand municipality in 2005 (Egeland 2005). Twelve to thirteen municipalities in Agder have also signalled that if any of the other municipalities’ wish to sell their shares in Agder Energi to Statkraft, they would organize and buy the shares back themselves (Rønningsbakk 2005b). Olav Egeland, the former general manager in KEV, who in

1993 foresaw that Norwegian export of electricity would contribute to increase the prices on electricity dramatically (Flemming 1993), wrote in the local newspaper *Fædrelandsvennen* that the billiard fortune that was securely placed in Norway's most secure shares, in environment friendly and renewable energy, with free raw materials, and with a return three times as large as the alternative usages for the funds, practically was given away (Egeland 2005). Although few, if any at all, have publicly admitted to it, does it almost seem like it has dawned on most politicians at Agder that the decision of selling Agder Energi shares was a mistake.

In 2002 when Arthur Andersen & Company went out of business globally because of the Enron scandal, paper shredding and more, Arthur Andersen in Norway merged with Ernst & Young. Statkraft that used AA audit and AABC consulting services now use Ernst & Young as their audit firm. Agder Energi now partly owned by Statkraft also use Ernst & Young as their audit firm. The Financial Supervisory Authority of Norway emphasizes in their letter to Ernst & Young of 19 November 2003 that they has noticed that the management in Ernst & Young has an objective to actively adept to the regulatory framework set by the Financial Supervisory Authority (Kredittilsynet 2003: 1). Information director Ragnvald Nærø in Statkraft confirms on 22 November 2003 to the newspaper *Aftenposten* that Statkraft's shift from Arthur Andersen to Ernst & Young is a direct result of the Financial Supervisory Authority's investigation (Dyrnes 2003).

It is however, questionable how deep-felt Statkraft was by the Financial Supervisory Authority's severe critique of Arthur Andersen. The public image was of course important, but since Arthur Andersen ceased to exist, they had to change their audit firm anyway, and they changed to Ernst & Young, that merged with Arthur Andersen in May 2002. In 2003, Statkraft also hired the former director of AAGCF Norway (2000-2003), Ingelise Arntsen, Frank J. Berg's old boss, and gave her the job as corporation director, second in command after CEO Bård Mikkelsen at Statkraft (Statkraft 2003). Therefore, it is really no indication that Statkraft was anything but very satisfied with the services that Arthur Andersen provided<sup>38</sup>.

In Agder, Erling Valvik quit as chief officer in Kristiansand municipality and took the position as Managing Director in the Cultiva foundation in 2003, the financially largest governance network in the Agder region (A. L. Fimreite & Aars 2005: 138).

Valvik also became chairman of the board in Helse Sør RHF in 2004, making him responsible for all of the hospitals in southern Norway, managing a budget of NOK 16.7 billion, with 25900 employees, something that makes Helse Sør among the 20 largest enterprises in Norway, a position he had up until 26 January 2006 (HelseSør 2005). In 2004 did the regional newspaper *Fædrelandsvennen* rank Erling Valvik as the second most powerful person in the region, after its own editor-in-chief Finn Holmer-Hoven, who in November 2006 announced that he was going to step down as editor-in-chief in *Fædrelandsvennen* during the fall of 2007, a position he has had since 1995 (Vindsland 2006). The former general director of KEV Jan Pedersen, is chairman of the board in Agder Research, and concern director in Agder Energi, second in command after CEO Tom Nysted. Nysted, after some interlude, took over the top position in Agder Energi when Eivind Krokmo, the former general director in VAE, stepped down as CEO in Agder Energi early 2006, because of an investigation into misuse of company funds. At the Competence Development Fund of Southern Norway (CDFSN) Magne Dåstøl is still chairman. CDFSN and Cultiva are both discussed more in the next sub-chapter. The mayor in Kristiansand for 12 years Bjørg Wallevik, lost the mayor position following the 2003 municipal elections, when the Christian Conservative Party decided to collaborate with the labour party and Bjarne Ugland. In 2003 Bjarne Ugland became the first labour representative that held the deputy mayor position in Kristiansand for several decades. Bjarne Ugland announced in July 2006 that he would retire from politics after the 2007 elections (Uleberg 2006a). When Arthur Andersen went out of business in May 2002, Frank J. Berg found new employment as partner in the lawyer firm Selmer. He has as late as 2005 continued to advice Kristiansand municipality on how Kristiansand municipality should manage its properties. Tor Sommerseth who took over as chief officer in Kristiansand after Erling Valvik, hired Frank J. Berg as consultant to work with a project group that prepared a strategy for ownership of property in Kristiansand municipality (Sommerseth & Løhaugen 2005).

The realization of the sales of Agder Energi shares to Statkraft had the direct effect that the Agder region now got several new foundations, institutions that distributes financial support based on application. The financially largest of these new regional governance institutions are Cultiva and CDFSN. These institutions possess

considerable power in the region, and this newfound power is used to steer the development of the region in very specific directions.

It is difficult to see that the processes surrounding the Agder Energi sales could have been conducted in the way they were, if not regional stakeholders' pushing and organising for a sale also was not very confident that they in fact were acting in the best interest of the region. This level of confidence I would argue stems from the regional policy agenda, and that there is not just a few people that are working this agenda. However, this initiative and work were part of a broader and coordinated effort to facilitate the Agder region with governance institutions that would support the Agder region in its efforts of meeting the development demands of the new millennium. The realisation of this task is more than one person or one institution can manage, it has to involve certain number of people and institutions in order to be possible. Individuals that share such perspectives and have the capability to act, is in the next chapter conceptualised as a regional regime. In the following, I discuss what the regional regime actually does and how it operates in more detail, where there is a discussion of some more aspects of regional meta governance.

## 6.5 – Regional Meta Governance

The concept of regional meta governance or meta steering of governance networks is introduced and discussed in chapter 3. Some illustrative examples of what constitutes meta governance in the Agder region have already been presented. In the following, I will provide additional examples in order to thicken the description of meta steering processes that have occurred in the Agder region in recent years. These data will, as the other bits of data in chapter 5 and 6 serve as the groundings of the analysis in the next chapter.

### ***The Regional Policy Agenda***

The most important aspect of regional meta governance in the Agder region is the *regional policy agenda*, introduced earlier in this chapter. The rationales and justifications of the regional policy agenda, as they are expressed in *Common Goals on Agder* (1994), *Common Agenda* (1999), and *Common Goals on Sørlandet* (2003) are found in the regional development concepts and in the new regional narrative (ref.

discussions in chapter 2 and 3). In a way, you could argue that the regional development concepts have set the premises for regional meta governance in the Agder region. Another way of seeing it is that they just provided arguments to actors and stakeholders with a will and ability to act, a group of people that would have acted in one way or another, regardless of the development concepts.

***Institutional Developments***

Just to give an indication of how effective this meta steering strategy has been in the Agder region have I put together a table, that outlines some of the policy points in *Common Goals on Agder*, *Common Agenda*, and *Common Goals on Sørlandet*, and compare these policy elements with some examples of the policy- and institutional outputs they have resulted in. Please note that the list is far from complete (see also the appendix for further reference):

Tab. 6-4: *Examples of Outputs from the Regional Policy Agenda*

<b>Policy Elements in <i>Common Goals on Agder</i> (CGA) (1994), <i>Common Agenda</i> (CA) (1999), and <i>Common Goals on Sørlandet</i> (CGS) (2003):</b>	<b>Examples of institutional- and policy outputs in the Agder region resulting from the regional policy agenda:</b>
New trunk road, found in CGA, CA, and CGS.	A lobbyist network was set up called "Better trunk road on Sørlandet" led by Knut Dannevig, ambition also included in regional development plans, and in many local party programmes. The most recent result is the actual start-up of the construction of what essentially is a new motorway between Grimstad and Kristiansand. This roadwork initiative is one of the largest single road investments in Norway worth about NOK 3 billion, called OPS (public private collaboration) E-18 Grimstad-Kristiansand).
Development of a central port in Kristiansand and increase the capacity of the airport in Kristiansand, found in CGA and CGS.	This has become central components in the industrial policies of both Kristiansand municipality and Vest-Agder County and Agderrådet, and are sought realized through projects such as "Euroterminal Kristiansand" and collaborative efforts with Avinor about developing Kjevik airport.
Strengthening of public transport, found in CGA, and CGS.	Addressed in partnerships such as Knutepunkt Sørlandet through for instance the Interreg IIIb project Ural.
Broadband extensions and an increased focus on information technology, found in CA and CGS.	These issues are addressed through networks and organizations such as "The digital Sørland", "The digital district Agder", "Sørlandets Teknologisenter", "IT-ringen Agder", CDFSN, FIKS, AgderLink, E-remote and more.
Increased focus on culture and quality of living, found in CGA, CA, and CGS.	Cultiva is the obvious example, but it is also observed an increased focus on such issues within counties and municipalities in Agder. One example of this is when the chief officer in Vest-Agder County, Tine Sundtoft, in June 2006 announced that the "county" now took on regional responsibility, when the county contributed to secure a total financial package to a new theatre and concert building in Kristiansand. The county committed to use NOK 105 million on the project. The project is co- financed by Kristiansand municipality, Vest-Agder County, Cultiva, and the national government (Uleberg 2006b).

<b>Policy Elements in <i>Common Goals on Agder (CGA) (1994)</i>, <i>Common Agenda (CA) (1999)</i>, and <i>Common Goals on Sørlandet (CGS) (2003)</i>:</b>	<b>Examples of institutional- and policy outputs in the Agder region resulting from the regional policy agenda:</b>
More (inter-) national resources to the Agder region, found in CGA, CA, and CGS.	One example is when Victor D. Norman, who in October 2001 became the new work- and administration minister, decided to relocate “Post-og Teletilsynet” to Lillesand municipality. Other examples are work done through Agderrådet, IKON, OPS, new culture institutions, Value Creation 2010, NODE, Agder University College, etc.
Develop a university in the region, found in CGA, CA, and CGS.	The most central ambition of CDFSN, but is also addressed through Cultiva, “Universitetskomiteen”, “Universitetstiftelsen”, etc. (see also discussion below).
Quality of public service, reorganisation of public service institutions, more collaboration between etc. found in CGA, CA and CGS.	In addition to the national focus on New Public Management, is it in Agder networks dedicated to improving public service quality, for instance “Trainee Sør”, “Kompetansering sør”, “Nettverk for virksomhetsstyring”, “FDV-Forum Sør”, etc.
Focus on strengthening R&D milieus and triple-helix institutions, facilitating an “entrepreneurial culture”, found in CA, and CGS.	CDFSN, Centre for Entrepreneurship, “Nettverk av næringshager og kunnskapsparke”, some 30 incubators, growth parks, knowledge parks, Interests organisations, regional-state institutions, counties, and municipalities has such issues as part of their main development focus.
Equal opportunities, found in CGS.	Some research projects both on Agder University College and in Agder research has gotten regional financing, see for instance (Magnussen <i>et al.</i> 2005). Some networks have also been set up, for instance “Female Future” and “Kvinner på Agder”.
Market the region, found in CGA, CA, and CGS.	In addition to the work done in the public sector, this has been articulated directly through institutions such as “Destinasjon Sørlandet”, Sydspissen, and is an important aspect of institutions such as Cultiva and CDFSN.
Living conditions at Sørlandet, found in CGA.	A large research project got regional financing in the late 1990s (Agder Research/ Agder University College). There are few examples of network structures that address this issue directly, and is probably thought to be addressed indirectly, Cultiva and CDFSN do not prioritise such projects.
Democracy in Agder, found in CGS	Democracy and information technology project at Agder University College, Enterprise Development 2000, Value Creation 2010, this thesis...

The projects, networks, and institutions in the list above have involved a lot of resources, efforts, commitment, and many people. Among these people whom most probably only have relatively vague ideas about how the project they are involved in links to other seemingly uncoordinated projects, and networks in the region. What they have in common is that most of them at the least are co-financed by and through regional sources. These people and networks work to “move” the region, and regional development, in more or less the same direction, even though many of the involved probably do not realize how and that they contribute to the realization of a regional policy agenda, a policy agenda that as discussed has all the hallmarks of the regional development concepts.

### ***The Use of Regional Development Concepts***

You do not have to go to the regional policy agenda to find references to the regional development concepts in the Agder region. Most of the institutions discussed in this thesis apply directly to one or more of these concepts. To give a complementary overview of how widespread the use of these concepts has become is more than I aim for through this work. However, in order to give an indication of the steering potential inherent in the concepts, some examples are beneficiary for the further discussions, the concepts themselves were introduced and discussed in chapter 2 and 3.

One of the most prominent of the regional development concepts is triple-helix (Etzkowitz & Leydesdorff 1997b), which describes the institutionalized collaboration between academia, industry, and public government. Most of the dominant governance institutions in the Agder region can and do make use of the triple-helix concept as a way of rationalizing its own existence, and the integration of academic institutions into private-public collaborative efforts. Examples of networks and institutions in the Agder region that can make use of the triple-helix concept are: Kristiansand municipality (Sommersteth & Østmo 2004), Agderrådet, Sydspissen, NODE, Value Creation 2010 (the Value Creation Alliance), and Kompetansering sør to name a few<sup>39</sup>.

A second influential regional/industrial development concept is Michael Porter's concept of regional clusters (Porter 1998a; 1998b). The idea of building new and strengthening existing regional clusters is central to much of the regional development work in the Agder region. Kristiansand municipality uses the cluster theory in its guidelines for the distribution of resources to industrial development purposes (Sommersteth & Langevei 2006). Various Norwegian Research Council financed projects such as for instance NODE use cluster theory, many Innovation Norway financed projects also use cluster theory<sup>40</sup>, etc. CDFSN for instance writes on its homepage that:

CDFSN has consciously chosen to prioritize a few industries and branches, instead of spreading the resources on to many sectors. This use of policy instruments is well anchored within economical theory, especially within the so-called cluster theory (CDFSN 2003).

A parallel but not fully similar issue to this is Cultiva's use of the *creative cluster's* concept (Rambøll 2006). The uses of the learning regions concept (Florida 1995), the regional innovation system (RIS) approach (Asheim & Herstad 2003), the



creative class concept (Florida 2002; 2005), and the knowledge economy (Cooke 2002) are all previously discussed in this thesis.

One of the people interviewed as part of this thesis work; a consultant experienced with several network-building initiatives in the Agder region explains the significance of the development concepts in the following way:

*Question:* Can you say something about your perspective on the significance of working through networks and partnerships?

*Consultant:* Two dimensions are noteworthy. On the one hand it is the perspective on how innovations occur. In a modern interactive understanding of innovation, this says that innovation occurs in the firms, and that it is the firms that are in the centre of the realisation of commercial innovations. However, the way to go in order to realise this, there must be interplay with external partners. Where customers and competition always rank highest when we look at who inspires innovation. Where the research and educative milieus of course are present and become more and more important. In addition, the link towards the public sector is important. The triple-helix understanding of innovation that occurs is one dimension of why working through networks is important. The second dimension is more from a public perspective and a public policy system perspective. That one coordinates and develops strategies in the region to gain as much effect as possible. In order to realise these networks and vision based leadership it is necessary to get these partners to interplay.

[...]

*Question:* What are the forces driving this development as you see it? What are the reasons for us sitting here talking about networks, clusters, triple-helix, and the role of the public sector plays in channelling resources into these types of structures? Is it for instance a result of a genuine demand from the industry?

*Consultant:* It is difficult to pinpoint where it comes from. I think it is difficult to precisely identify cause and effect here. However, innovation happens in more interactive ways now than it did before. That is one dimension. Another is that innovations occur faster now than before. The human resources mean much in the enterprises, humans are complicated entities that not only are preoccupied with work, but also family etc, the increased focus on equality issues. Employers are therefore concerned with the totality of the offer that they can give to their employees. They are therefore concerned with the profile of a given place. They would be concerned with the educational facilities in that place. Both as the competence it gives but also in terms of attractiveness, also e.g. Kindergartens, transportation facilities...

*Question:* So your point is that the industrial structures have changed because of e.g. globalization therefore must we also organize ourselves in new ways?

*Consultant:* Well the demands of the “input factors” have increased; the markets for human resources have become tougher. Potential employees have become more demanding. I would have put more emphasis on that – globalisation is a big word.

*Question:* I was refereeing to globalization as the quick age; everything supposedly going much faster, travel, information etc...

*Consultant:* Yes, my point is that innovation is not only linked to money and technology it has much to do with the humans as well.

### ***Working the Public Sphere***

If we see the development of the regional policy agenda, the regional development concepts, the massive institutional developments in recent years in relation to each other, is it difficult to argue against the view that they represent a message and rationale that it can be difficult to question. In addition to this it has it been a relatively massive effort to “win” the public discourse associated with regional development. A read-through of some of the volumes of the largest (and only) regional newspaper Fædrelandsvennen reveals that the message, of the regional policy agenda, has been communicated to the larger public by many actors at many occasions. Some examples of some of the arguments put forth in the crucial period when the decision to sell Agder Energi was made are presented in the following.

On 23 July 1999, Theis H. Pedersen director of NHO Vest-Agder argued in a chronicle in Fædrelandsvennen that a competence fund is crucial in order to realize a University in the region, that the regional industry misses politicians that dare to be unpopular within their municipal borders on behalf of addressing regional challenges, and that collaboration, innovation, quality of life and competence must be put in the centre of the regional agenda (T. H. Pedersen 1999).

On 14 February 2000, Trygve Reinertsen entrepreneur, director in Telenor, and in an IT firm, and board member at Agder Research (where he later becomes chairman) writes a chronicle in Fædrelandsvennen where he outlines the challenges facing the region:

The development on Oslo bourse the last years has demonstrated dramatic changes in the way of thinking in industrial development. Our traditional enterprises are falling behind. Businesses are no longer primarily valued based on good economic results, or good future income estimates. What you can hope to earn in the long term has become interesting. [...] Out in the big world it is large amounts of risk willing venture capital available. These funds are put into future oriented businesses, especially within information technology, telecommunication, and entertainment. [...] We must be willing to gamble on local entrepreneurs. [...] We must establish even closer collaboration between Agder University College and the industry. If we are gong to succeed, Agder University College must prioritize and directly support these developments. Agder University College must participate actively in this type of development. The education at Agder University

College must be about how innovation can be done, and research must be supportive of this development. Good regional development will condition us to think and act as one Agder. Even in sum are small. Only through active collaborations can we create something new with dimensions (T. Reinertsen 2000).

17 April 2000, Tine Sundtoft, regional director in NHO Vest-Agder, tells a story in a chronicle in Fædrelandsvennen, when she was introduced to the three C's, competence, communication, and culture, in Malmø. Based on the conclusions of this experience does NHO support Sydspissen's *Common Agenda* (Sundtoft 2000b). On 15 September 2000, Sundtoft returns to Fædrelandsvennen's chronicle pages:

[...] Newer research shows that growth theory, innovation systems, and clusters are extremely important when it comes to a positive and competitive industrial development. [...] The growth of communication technology based on information technology has revolutionized the possibilities for communication. A consequence of this is that also regional and district based industries operate in an international market. [...] Research has focused much on how the important role economical clusters play for value creation processes. A main reason for the success of industrial clusters is that the communication is swift and effective. Especially where it exists informal meeting places, the information exchange is extremely effective. In Sweden researchers have examined what represents the basic driving forces in successful regions. They have found that the road to success is long. Some of the important factors are: A mobile workforce. Diversity in industrial structure. A regional culture supportive of innovation. That there are regional political ambitions. That there is a university that is integrated in the region (Sundtoft 2000a).

In an chronicle in Fædrelandsvennen on 14 October 2000, chief officer Erling Valvik in Kristiansand municipality argued that Culture, Communication, and Competence are as important conditions for development of the city (Kristiansand) as securing electricity was in the beginning of the 20<sup>th</sup> century (Valvik 2000).

On 18 January 2001 Knut Dannevig, director in Sørlandets Teknologiforum (STS) and leader of the trunk road initiative, writes a chronicle in Fædrelandsvennen where he emphasizes his perspective on regional development, he writes that:

[...] The development of strong regions happens primarily where an active industrial development occurs, which creates a broad labor market. Sørlandet is in the beneficiary situation that we have an industrial and living region, where Agdercity (Agderbyen), which has significant growth, is at the centre of gravity. If politicians and the industry work jointly and intentionally we have all that is needed in order to develop the Agder region into one of a few national centres for innovative and competence intensive industrial developments. Such collaboration requires close collaboration between the counties, municipalities, the industry, on important issues such as developing a university, coordinating the new competence funds in the two counties, building broadband connections, strengthen culture in the region etc. It is also important that we collaborate in marketing the region; in relation to this Sydspissen and Common Agenda are important (Dannevig 2001).

On 23 February 2001, the regional director in NHO Vest-Agder and board member in Sydspissen returns to Fædrelandsvennen's chronicle pages to explain the implications of the new economy.

[...] The so-called new economy is not only something that happens on the side of the old economy – the new economy is a network economy that is changing the whole economy. Old challenges are solved in a new way. The transition from the industrialized society to the competence society is a bigger transition than when the farming society became industrialized society (Sundtoft 2001).

Shortly after these chronicles were published in Fædrelandsvennen, the IT Bubble burst globally. The rapid growth in the value estimates of the dotcom companies in the late 1990s has later been known as the *bubble economy* (OECD 2005). The end of the 1990s was characterized by fast “bubble driven” growth in the dotcom industry, which was flooding with private venture capital, and soaring stock markets feeding a too rapid expansion of telecom (Mariussen 2003: 74). We must therefore assume that arguments relating to the implications of the new economy get somewhat toned down because of this; at least they did in the public sphere. Most independent thinkers probably start to realize that maybe the “new” and the “old” is not so new and old after all, but governed by many of the same politico economic principles. However, if the collapse of the dotcom bubble did something about regional stakeholders' public confidence, it did little to change the planned direction and configurations of the emerging regional governance institutions.

### ***The Public Sector and Networks***

One of the central questions when we shall assess the nature of the governance system and the questions of regimes relating to meta governance issues concerns the relationship between the elected representatives and the network level. This is a complex question where you would find different arrangements and structures even within the same municipality and county depending on the policy area in question. When regional actors in the Agder region were interviewed as part of this thesis work I asked them for their perspective on the relationship between the elected representatives and the network level. Some of the responses given to such a line of questions are given in the following:

*Question:* The overreaching strategies you point to, strategies that we find present in for instance Sydspissen and Agderrådet, can you say something about the processes you went through in order to agree on them?

*County-level official:* In Agderrådet there were groups that worked out work-plans and action programmes etc. These were then formally sanctioned and agreed upon in 30 municipality councils and both county councils. In addition, in the board of NHO, I am not sure exactly how it was done in LO but I am sure it was formally anchored there as well. What happened was that some people had some thoughts and took some regional leadership, which then subsequently became anchored formally in different institutions in the region. Regional leadership is about taking leadership, but you cannot run too fast, you have to get the processes anchored formally. Without formal anchoring these efforts become useless. It is about working together, co-operation, in this way, more consensus emerges than if some just had taken on regional leadership on their own and ran with some specific agendas. Then we would not have the level of regionally anchored agendas that we have today. For instance would we not have the regional cheering of a university at Agder that we have today without these processes.

*Question:* How well would you say that these strategies were anchored in the industry, within the business community at Agder? I would imagine that NHO, who represents the business community, saw it as important to articulate these interests in particular into these processes. How well did the agendas that came out of Sydspissen and maybe in particular Agderrådet match the interests that the industry had?

*County-level official:* Everything I did was anchored in the board of NHO Agder. I also reported on every annual meeting what things we worked with and what we planned to in the continuation. But of 900 members, 900 members don't participate on an annual meeting. It would be a cross-section of the smallest and the largest business at Agder that did participate on these annual NHO meetings. These businesses have frequently supported this way of working, through signals given through the board of NHO and the annual NHO meeting. In addition to this, we had more informal meetings when we visited member businesses. It has not been any solo run on my part.

*Question:* So you say that these strategies are relatively broadly anchored?

*County-level official:* Yes.

*Question:* As I mentioned I write about regional development. I am concerned with on the one hand a type of system effectiveness, meaning the time the system uses to agree upon a strategy and get something done in practice. Including that they are working the strategies that are “useful” for the region. Useful with quotation marks, because it always will be debatable what is the most “useful”. In addition, I am concerned with democracy, meaning democracy in a process; broad participation was the term we used in the Value Creation 2010 project. In addition, democracy meaning representative democracy, the role the representative institutions plays in this system. This is broadly speaking what I write about. Can you given your perspective say something about how networks and partnerships in this system contribute to regional democracy in these two understandings of the concept?

*County-level official:* I mean that what we have done has been anchored in formal forums, notably in the county. Everything has been put in front of the county when the

county allocates resources to this. It is anchored. I am not sure where you are heading with this question.

*Question:* What we are talking about is the workings of a system of governance, the interplay between civil society, private interests, and elected officials. In a classical understanding of the workings of representative democracy, people elect their representatives based on their preferences, representatives that in turn take on societal leadership based on the platform they are elected on. This represent an ideal version of representative democracy, it has probably never worked like this in practice anywhere and it doesn't work like this now. However, this was what we learnt in school about how the system worked. Even if you point to the decisions being formally anchored. Can you say something about the border, when interplay and co-operation are placed at the centre? One could think that this does affect the border between the strictly political elected level, and the network and partnership level. That this border becomes dimmer than it used to be.

*County-level official:* The goals that we have worked towards have been as passed and anchored as possible. *Common Goals on Agder* is passed in 30 municipalities at Agder; these municipalities are as broadly put together as the political scene is. I therefore do not think that just because partnerships and networks do not consist of elected politicians, it is ombudsman representatives' women and men sit there on behalf of some. As long as they do not do anything that crosses their mandate, I think it is as democratic and anchored as it can be.

[...]

*Question:* If we return to our previous topic, the relationship between partnership and network structures and the strictly political level. In the classical understanding, the bureaucracies are neutral; the elected politicians initiate processes based on their platform. If governance structures are present, you could put up the argument that this picture is not as clear as it used to be. If you shall say something about where the direction of influence goes then, sticking to the policy field of regional development. Does the arrow of influence mainly go from the networks and partnerships into the representative level or does it mainly go from the representative level into the partnership and network level? What is the picture here?

*County-level official:* The arrow goes in both directions.

*Question:* Earlier we talked about the interests present in these network institutions. You mentioned that mainly triple-helix actors are present. However, what about all of the other societal interests that are not represented in these processes? What about for instance other interest organizations, the handicapped organizations, the church aid, save the children etc.? If the network institutions are influential in shaping societal development should other interests also have their say in a democratic society?

*County-level official:* What we have used these partnerships for up until now, has been regional development; it has not been societal development. We have not included every societal topic. We have worked with industrial development and regional development.

*Question:* Your argument is that those affected have been those involved.

*County-level official:* Yes. If we think societal development, it is another thing. When the counties now generate a new regional plan then this is societal development. Where we must use broader partnership thinking than what we have used on regional development. We must be able to differentiate between the different roles and the different ways of thinking here.

One of the people interviewed as part of this thesis work; a consultant experienced with several network-building initiatives in the Agder region had the following perspective on the relationship between the public sector and the networks:

*Question:* [...] if you shall say something about the external power structure; let's say in respect to representative structures, municipalities, county municipalities, national level. How do these institutions articulate its interest facing this level?

*Consultant:* [...]

*Question:* For instance, is the message first coordinated internally, and then communicated externally or is it more of a reciprocal...?

*Consultant:* My take is that it is the continuous and relentless influence towards that type of political structures that is weak, - all too weak in my opinion. However, when it comes to concrete agendas and "stunts" I think that these structures are very significant. For instance, the trunk road action is an example of that, where there has been a partnership between Agderrådet and the industry in order to realise it. In addition, I think that the things we did towards the municipality in Grimstad, where we mobilised the media and put up a lot of pressure, were significant in order to realise the competence fund in Aust-Agder. It is more "stunts" than continuous influence when we want to influence representative structures. That is how I experience it.

*Question:* If we look at the trunk road action that was one of Agderrådet's embedded policies. However, we can find the trunk road agenda in many other forums at Agder as well. From my perspective, it looks like many of the same actors are working the same agenda in different forums here. Do the agenda follow the person or the institution here?

*Consultant:* I think this is one of the ways of working in networks, and in innovation systems, in this region this became very apparent, around 1997-98, when we got two persons from South-Sweden, the Blekinge region, Åke Uhlin from Nordregio was one of them. They talked about the developments in Karlskrona municipality, where it in Karlskrona hadn't been constructed any strong formal institutions, but where important actors had gone together in order to organise around a common agenda, almost like a common action plan<sup>41</sup>, they then had worked systematically in order to realise that agenda from their different positions and organisations. This is similar to what we have worked to realise in this region, and partly has succeeded with. For instance through Agderrådet only having a limited number of initiatives that they focus on, this was also the idea behind Sydspissen, to have a common agenda, where everyone within their own domain worked in the same direction. This was the way to do regional development successfully. In this sense is it what you say, that the issues follow the persons involved and not the settings that they are in. When it comes to the trunk road action, I do not think that we shall underestimate the signal effect when the industry enters the field and engage themselves in society this has much weight. A demonstration in Oslo with just municipality

mayors would not even get a second on the news, but when ship-owners go hand in hand with bishops and others - then it is noticed.

*Question:* How often does that happen? Are the industrial leaders aware, you think, of the political force that they possess? If we look at central politicians aren't they relatively servile towards the ... (industry)

*Consultant:* I'm not so sure of that, on the other hand, you can sometimes experience industrial leaders who think they can write a letter to the municipal council the day before a decision is made and turn around a decision, which has been prepared for 6 months, just by doing that. That is a naïve overestimation of their influence on the process and their own significance. The most prominent feature of the large portions of the industry is that it does not understand how they must work in order to influence political structures.

*Question:* If I try to look at the big picture here at Agder, and the relationship between politics, administration, the network level, and the industry, and if we distinguish between them as different spheres. Would you say it is a correct interpretation to say that the network level is the prolonged arm of politics towards the industry? Alternatively, are networks the industries' prolonged arm into politics? Thirdly, does the arrow of influence go in both directions? What would be your analysis of this?

*Consultant:* My analysis is that it goes in both directions.

*Question:* Equally?

*Consultant:* Yes, I think so. If you expand politics to encompass education and research milieus, it definitively goes in both directions. You must be aware of that if you look at what the counties actually are responsible for, their activities have very limited significance for the industry as such. They have a few million available for regional development, if you compare this to Amersham with NOK 1.5 billion investments only at Lindesnes, the counties development efforts are just peanuts.

*Question:* The counties are supposed to lead regional development...

*Consultant:* Yes, it is interesting. The counties must find their role as a legitimate and unifying force, more than through what they formally are responsible for and have budgets for. This says something about what type of competence they must have etc.

*Question:* I asked a person in the county what it was that gave them room to act in this field; the answer was that partnerships enabled them to increase their budgets. This is an expression of the county seeing their own legitimate role in this field as very much tied up to the size of the resources that they are able to put into projects.

*Consultant:* Well the counties have not succeeded in being a regional development actor. An evaluation done by Nordregio for the ministry last year shows this. It is mostly due to that they have not been staffed correctly administratively and politically to take on that role. In just two years, they went from being a hospital board and administration to being a regional development actor. It is so obvious that what is needed is a different set of people both in the administration and in the political level to take on that role properly. The counties never had a chance at succeeding, in my opinion. However, I think that the county or the future region can have a legitimate role in coordinating this type of



activities. However, this will be a result of their legitimate role and not their resources. Nevertheless, they have not taken on that role at all.

*Question:* Would you agree to a statement indicating that much policy is developed at the network level in Agder? Not party politics, but politics in a wider sense of the word.

*Consultant:* Yes, on the things that are connected to regional development this is true. Again, this is so interactively done, that no one can say who did what, who took the initiative, and how the chain of events has been on a particular subject.

*Question:* Can anyone do it? This is my interpretation also, a central feature of networks is that issues and agendas jump back and forth in and the end you do not know if you thought of it your self or someone else did it for you.

*Consultant:* Yes, and the more people that think in the same way, the higher up on the political agenda does the subject come. If you take those things that are on Agderrådet's agenda today, this definitely are issues that the industry has been instrumental in promoting over time, for instance University, trunk road, Kjevik (airport), equal opportunity promoted by NHO, etc. However, I do not experience that this happens in a way that are feta-compli for the industry; I do not experience any imbalance in the power there. The problem is more that it is to little politics in the political structures.

*Question:* Would you describe this kind of network working as a strength to democracy? Do we honour the idea of the democratic society when we work in this way?

*Consultant:* Yes, I think so, if you look at the third sector, on the voluntary organisations that operates there, I think more such organisations are a strength, as long as we are careful and do not mix roles connected to administration and allocation of money too much with it. Then I cannot see any big problems with public actors and the industry sitting down together to discuss development issues. I think the quality, the implementation force, is much larger when people work together. This is because implementation does not happen just because a municipal council makes a decision. You cannot move a region only through constructing a county plan document. You only get movement when you get many actors to move in the same direction. In this sense, we do increase the trust of democracy in the region through working in this way, and that is a strength to democracy. If you put much money into these types of structures, you would move much resource allocating authority into the networks and that could be in conflict with classical administrative roles.

*Question:* If this is as you say, necessary to work in this way in order to get anything done, if this description is correct and we have to work in this way. Do you then believe that the “democratic society” is dependent upon that the processes in these networks are executed in a democratic fashion also, e.g. that they are transparent, open, inclusive etc.?

*Consultant:* Yes, but at the same public institutions cannot dictate how these structures should be designed. That would be very wrong. They cannot have a say in how the industry shall organise and represent. However, if they should give input to a public plan on for instance area planning, or other such typical public administrative issues. Then the public sector must think through if the inputs they get are reasonably representative. For instance if Gimlemoen, where Agder University College is located, should be regulated once more you ought to be sure that the width of inputs is adhered to.

Both of the interview extracts reproduced are given by people that have a genuine political engagement to the Agder region and to the development of the region. Both of them give us what I believe are an honest view of their perspective on how the relationship between the private sector and the public sector has and is influenced by the new governance structures. To what extent their views are “representative” in any formal, meaning of the word is not discussed in this thesis. However, my personal view stemming from participating in the Value Creation Alliance and doing interviews with many regional network participants is that they articulate views that are not uncommon or viewed as particularly controversial among the majority of network participants in the Agder region. The criticisms put forth against the political level, especially at the county level, also resonates with elected officials at the county level that I have interviewed, that all too well recognise that their direct influence on the development of the region is severely hampered by their lack of development resources. When policies despite the lack of effective political structures are to be developed and executed at the regional level, it is understandable that governance structures of the kind discussed in this thesis emerge.

These structures without any “formal” power have to be effective in other ways, one of the central steering mechanisms in regional governance in the Agder region is therefore to focus on consensus, loyalty and a sense of moral obligation to the larger policy framework, a topic that is discussed more in the following.

### ***Regional Consensus***

One of the aspects of the emerging regional governance system in the Agder region that I believe is one of the most unfortunate from a learning and development perspective is the “regional commitment” to consensus. It is relatively straightforward to understand why focus on consensus is perceived to be so important for regional development – it is a central meta steering mechanism, and without it would most governance networks end to function as intended, as moving in the same direction. In addition, two other aspects of the regional policy agenda strengthen the focus on consensus in the Agder region further.

One of the network consultants interviewed as part of this thesis work emphasized the results that had been achieved just because the region had been able to stand

together as one entity when “it went to Oslo” to lobby. Quarrelling between regional interests outside the office of the minister in question was not a “successful” strategy, and this consultant had an example from when such an unfortunate event had happened. When the culture committee on the Norwegian Storting was about to decide on where to locate the new TV2 channel, Agder together with Bergen was both part of the final discussions in the committee. The lobbyist group representing Agder’s interests reportedly had a good working relationship with the committee chairperson. The problem was only that the Agder group could not point to a regional consensus on which city that should host the new TV station, Arendal or Kristiansand, and Bergen ended up being the committee’s choice of location.

Another aspect of the regional emphasis on consensus is the significance given to regional development as a marketing strategy in order to attract businesses and an “able” workforce. It is almost as there exists a view that such an image building effort is in conflict with too much public “conflict”.

However, as a meta governance mechanism consensus is most important to the topics of this thesis because it touches upon the power structures embedded in the networks. Two of the people I interviewed explain how in the following way:

*Question:* Has something about the political system and its interactions with its environment changed in your opinion? Do I understand you correctly as saying that since these processes are as well anchored nothing has changed significantly if we look at the period from the mid 90s up until now?

*County-level official:* When you work in partnerships, it is more consensus, we must agree, when these decisions are anchored in formal forums, some people can always say that had if it had just been my interest the decision could have been more to the point. However, I am willing to give some slack to my specific interests in order to gain more in co-operation with others. We do some allocations of resources under the premise that others also allocate resources. It is some careful pressure in that. There are some processes towards formal decisions. Those commitments that are inherent in the partnership and this way of thinking partnership mean that some special interests have to be put away. You make some choices when you enter a partnership. Partnership is a work-method that means that you do not stand 100% freely to do what you want. You must readily do it, but then you must also accept and risk that you are not part of the partnership in the continuation, and risk that your agenda up the road does not benefit from this. That there are some judgements that are made around this field is a part of the change towards this way of working.

*Question:* But this understanding of what a partnership is, that these processes are so consensus driven, where you are critically dependent upon everybody being very much in agreement on where the roads lead and what needs to be done. It seems to me as being

very conservative, what if some immediate needs emerge, if someone sees something that is critical to attend to. If someone then address this do, s/he then risks to be excluded.

*County-level official:* It is not that simple. If you are used to work along these lines, and are confident with this way of working, then you also learn to know the system and the people in it. If someone brings in an idea that we must act swiftly on, then it is easier to do this because you trust the process, the system and those involved in the process, people that you have worked with before. This means that we also can handle new things that must be acted on immediately.

*Question:* What you are saying is that the system is dependent upon it being a certain level of trust inherent in it. That you can trust others and that, others can trust you.

*County-level official:* Yes, and you should not underestimate this. This is something that we have gotten out of Value Creation 2010. We now know how important trust is in order to get anything done. We now know whom we trust and we know whom we do not trust. You then choose who you want to co-operate with and who you do not want to co-operate with. You know who you want to do additional projects with because you know that this will probably work.

The county-level official who is a person that is experienced from most of the central governance institutions in the Agder region here gives us what I believe is an important insight into the finer dynamics of what makes the governance institutions work as they do. In a sense, it is a revival of the classical image of a carrot and a stick. There is a reward if you collaborate, a reward that can enable you, or your institution with benefits in the future if you abide to the discursive framework and the work process. However, it is also a stick, if you are difficult and do not collaborate as expected you could very fast find yourself and your institution out in the cold and with no direct influence on the regional development agenda.

There is no reason to believe that such mechanisms work particularly different between networks participants possessing different roles, for instance politicians, consultants, administrative officials, interest organisations, R&D intuitions etc. However, some actors are more dependent upon being accepted than others are, and some issues tend to be more focused than others, and not all work sanctions are soft either. These are all issues that are addressed more by another consultant I interviewed:

*Question:* I will return to where we started. If we look at the larger set of networks, partnerships, and other collaborative structures and forums here at Agder. To what extent would you say that they represent / mirrors interests in the larger society? To what extent would you say that these structures represent plurality of interest?

*Consultant:* What we are talking about now is innovation-oriented things, its regional development, etc., where the industry plays a strong role, because it is there value

creation to a large extent occurs. I think that the sum of these structures is relatively representative for what the industry means and stands for.

*Question:* But what if you take on a wider perspective, [...] do these institutions represent any wider interests besides those of the industry?

*Consultant:* No, I would say that they represent the industry's interests, understood as the businesses interests as firms, but also what I would describe as industry people and industry leader's interests. I think it is useful to differentiate between the interests of those working in the industry; personal development and quality of life etc, and that these explicitly are the industry's interests. These things go hand-in-hand. I do not think that these structures (networks etc) have expressed that they are something more, or want to be something more, to take on a larger societal role. They are just one of many groups of actors that try to influence the development of society in relation to what is legitimately elected political institutions.

*Question:* This might be a tricky question to answer... If we move ourselves on the inside of one of these networks, I have a question relating to the "voices" that are articulated here and where these "voices" come from. For instance if you represent the county, it's also expected that your position is politically cleared, if you represent LO its expected that you have some sort of mandate from your members and can speak and act on their behalf, and so on. But at the same time we know that when you are working in a network structure or a partnership, there should be and are supposed to be meaning constructing processes going on there. If not it is just exchange of information. However, there could of course be many voices behind the actor's expressed voices, for instance those speaking on behalf of a particular location, a political party etc. Is this process working according to how it should ideally work in your opinion?

*Consultant:* Networks are a difficult way of working, and you are now touching upon some of the problematic aspects of it. People participate and partly represent their organisation, and partly themselves, the development occurs in a forum where people are present as single individuals, much of the challenge is then to safeguard the link back to the organisation they represent. [...] It is regrettably so that it is those networks and meeting places where the top management meet that have the greatest value, because they have the power to talk and act on behalf of their organisations. There are many networks where the balance between representing the person and the institution become faulty. If you for instance take Vest-Agder County, there you could say that the county mayor represents the county 80% and himself 20%. If you look at [name] in the industrial development department in Vest-Agder County, this situation is the other way round. He is much more influenced by his own personal opinions, opinions that not necessarily are completely reflected in the county's representative forums and strategies. [...] However, this does not mean that working in networks is not valuable. It is "regrettably" so that it is important that the top-leaders meet, but it can also be sensible sometimes with lower level forums where enterprise employees meet together with the management.

[...]

*Question:* [...] give me some examples then of some results from the work that has been done in networks at Agder. What has come out of it?

*Consultant:* The establishment of 'CDFSN' is one concrete example, on what came out of it. Likewise, for the competence fund in Aust-Agder of course. I remember we stood in

Grimstad municipality council and held strong appeals for the importance of that establishment. That was network at work, the network was able to realise that initiative. I am not in doubt that the E18 trunk road action had a significant impact on the speed of realising that improved road, especially the distance between Grimstad and Kristiansand.

[...]

*Consultant:* Yes, and another good example is “Sørlandets teknologisenter” STS that was established in 1998. That is also an example of something that without doubt was a network-based initiative. [...] If I had time to really think about this, I could have mentioned many more examples of structures and activities that have been realised because of this way of working. On the more political sphere, we have Agderrådet, but also the knowledge park in Kristiansand, just this has taken a very long time but it will probably turn out valuable in the end. You could also ask what new firms have been established because of this. I would say that you could argue a link through STS in Grimstad, that firms have been established as a result of that initiative. You will also find new academic subjects on Agder University College as a result of this work, and much more. Therefore, I mean that you could identify many concrete things because of this work. “Fortunately”, if you ask around, you will find many people that would identify themselves as potential mothers and fathers of the results of this work.

*Question:* There were many involved you say?

*Consultant:* Yes, many involved, but many think that they took the original initiative and therefore should have credit for it. Thank you for that, I say. This is an example of how it works.

*Question:* We should talk a bit about power and influence in this type of institutions. I take it for granted (that you agree) there is power in these collaborative institutions, how would you describe this power?

*Consultant:* Along two dimensions. One is that those that are skilful, creative, good at communicating their message will, almost independent of what firm they represent, be influential. The second is rooted in, size, money, resources. For instance, Rasmussengruppen<sup>42</sup> has power because of their cash funds, even though they are secluded and little exposed. Agder Research has traditionally had a role that, in my opinion, is much bigger than its size should indicate. Because they have had a professional basis to speak out from when it comes to regional development, and could take initiative, have opinions in this respect. So this is an example of a little actor with relatively much more influence than its size should indicate, and a big actor that doesn't make a big number out of itself publicly, but is listened closely to when it decides to speak and is actually one of the most powerful actors in the region.

*Question:* Are you describing these forums as relatively open? Open in the sense that it is possible to have influence. It is not a strict hierarchy?

*Consultant:* No, but sometimes you experience that money and power rules. For instance, I experienced sometime that it was not difficult to put research on the sideline, when the “big boys” wanted something done. Similarly you can experience this in relation to the College, and the relationship between Agder Research and the College. There are many examples of Agder research being the proactive development actor, and the University College wondering about what really happened. However, in the second that the College

is able to decide on something, then they can just snap Agder Research away if they want to. This has to do with size and volume.

For those occupied with regional development and who have taken on the ambition of developing the region in certain directions it is much that can be done through skilful and direct participation in various governance networks, as the interviewees here depicts. However, sometimes careful and skilful participation is not enough in order to realise the regional development ambitions. In such instances, institutions, networks, and organisations must be seen as important for the realisation of the regional policy agenda and be steered more directly, and given that *communication*, *competence*, and *culture*, are at the heart of the regional policy agenda, are there institutions oriented towards such topics that get the most of this type of attention.

### ***Changing and Controlling Existing Institutions***

The largest public actor in the Agder region that has taken on a regional development “responsibility” is Kristiansand municipality. Jan Oddvar Skisland from the Christian Conservative party who took over from Bjørg Wallevik as mayor in Kristiansand municipality held a presentation at a conference arranged by KS (The Norwegian Association of Local and Regional Authorities) in March 2006. In this presentation, Skisland shares his and Kristiansand municipality’s perspective on regional meta governance.

Fig. 6-3: “Many actors shall contribute...” slide from (Skisland 2006)



The slide above says:

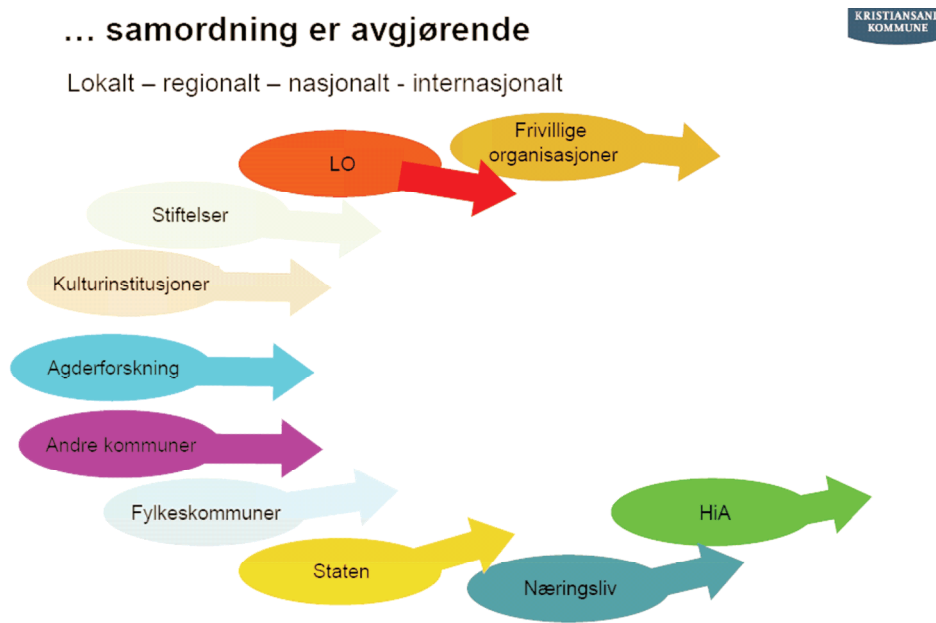
“Many actors shall contribute...”

“Partnership model as basis for the work”

“Locally – regionally – nationally – internationally”

The figure with the arrows pointing in every direction lists many institutions, (Kristiansand municipality, Agder Research, other municipalities, the state, the counties, culture institutions, foundations, the voluntary sector, the industry, Agder University College, and LO the Norwegian Federation of Trade Unions) which all seemingly act much too uncoordinated.

Fig. 6-4: “...co-ordination is decisive” slide from (Skisland 2006)



The slide above says:

“...co-ordination is decisive”

“Locally – regionally – nationally – internationally”

The figure with the arrows pointing in every direction now lists the same institutions as before but now the arrows are pointing in the same direction.

The point of showing these slides from mayor Skisland’s presentation is that they tell us something about how many central development actors in the Agder region think about how the regional development challenges are best addressed. In brief, this is as



simple as this; it is better that everyone is moving, thinking, and acting in the same direction, than that the same actors are not moving, thinking, and acting in the same direction. However, how can you get academic institutions such as Agder University College and Agder Research to move in the same direction as for instance the industry, the state, and interest's organizations? Many of the most central elements that are necessary in order to realize such meta steering ambitions have in fact already been presented, and to repeat they are to...

- 1) ...develop a regional policy agenda.
- 2) ...finance the agenda.
- 3) ...set up new institutions and networks that are supportive of this agenda.
- 4) ...use the rationale inherent in the regional development concepts to legitimize both the new structures and the policy agenda.
- 5) ...attempt (and succeed with) to dominate the public sphere and discourse with this agenda.
- 6) ...work systematically for a closer integration of the public sector and the new governance networks.
- 7) ...be relentless in your focus on the importance of regional consensus relating to regional development issues.

It is however the last measure that is the most effective in order to secure that everyone actually is “moving” in the same direction, and that is 8) *to change and control existing institutions directly*. The obvious way of doing this is to place actors that are supportive of these interests in key positions in the regional institutional landscape. For instance through giving certain actors board positions or director positions in what is perceived to be key regional institutions, and like ways preventing actors that you not are so friendly towards from being placed in such positions. It is regrettably relatively uncontroversial to argue that such direct steering measures are taken on a regular basis both in Norway and in Agder. If you do not believe me, look at the web pages of some of the competence and culture institutions in the Agder region, for instance Agder Research, Cultiva, CDFSN, and Agder University College, and check for yourself who is on the board of directors. You would then find out something about the regularity of this phenomenon, and I promise that you *not* would find a majority representing what commonly is believed to be the “old-economy”.

More interesting and clever is however the meta steering potential that is embedded in the control of governance institutions with a significant financial capability. In the Agder region particularly two governance institutions were set up with just such steering potentials, because of the sales of Agder Energi shares, namely Cultiva and CDFSN.

Consultancies, research institutions, other R&D milieus in the Agder region as elsewhere, and even academics in Agder University College are dependent upon external financing in order to work. After 4-5 years of experience with application writing to these institutions should most engaged in R&D work in the Agder region, by now have understood how an application to these institutions should be written in order to get grants. Even though the board meetings in CDFSN still are closed to the public<sup>43</sup>, a list of what type of projects are supported has been publicly available through their web pages. I shall not do a detailed analysis of the projects that got support here, CDFSN distributed funds to 71 projects in 2006 (CDFSN 2006). However, is it regrettably so that I have no difficulty in placing the majority of the financed projects within what here is conceptualized as the regional policy agenda, and if you look at the projects that Cultiva have financed you find a similar picture<sup>44</sup>.

It is therefore really no excuse if your project application does not get support from these institutions; it is just an indication that you have not done your homework properly. To give you a hint –applications should start with a sincere orientation towards practical developments in “new-economy” industries. In addition, it should contain some careful combination of some of the concepts, such as for instance culture based industrial development, innovation system, regional clusters, creative clusters, knowledge clusters, knowledge-based economy, marketing, etc.

Even though this might seem cynical, is it no hiding that academics alongside consultants and others, relatively easily will understand and adapt to predominant discursive frameworks, and especially when their job security and careers depend on it. You can of course think that as long as you get a grant you can do what you actually wanted to do anyway, but such strategies are short sighted and are not going to work in the long term, because there is always another project that must be financed, and these institutions are here to stay. In addition, it is also only human to be flattered when you are granted for a project application that you maybe have used months and even years to

prepare, what easily happens is that people starts to conform and believe in the project that they dedicated their work-life into realizing. Then the danger is that they slowly become very vary of expressing too much public critique of the governance institutions that “feed them”, and we could find that the “creative” people we intended to stimulate into being supportive of innovative processes start to find themselves tacitly ignoring new ideas and thoughts that do not fit the finance worthy framework. Then “knowledge lock-in” is the better description of the situation than the desired and sought after “knowledge expansion”. What consequences this system will have for future competence development, innovation, and alternative thinking in the Agder region is still for us to see. However, one thing that we already now know for certain is that if both Cultiva and CDFSN had not gotten their analysis of future regional developments *completely right*, there would be troubles “up the road”. The absurdity is that the development of the Agder region paradoxically could risk to decline because of these institutions rather than to do what is the stated intention –to support the creation of new workplaces and to develop new and useful knowledge, and to support “untraditional” thinking.

It is a not only individuals that applies for grants from these governance institutions that is meta steered and controlled. Regional culture and competence institutions in the region actively adapt their strategies and mission plans to this framework, and as a result of these strategies they systematically hire people that enables them in being better at addressing the topics of interest to the relevant regional governance institutions.

The triple-helix development model is in essence a very hierarchical and brute steering model that under-communicates the different roles and societal responsibilities, and interests held by the different triple-helix actors. It can also represent a highly managerial approach to development –*set a strategy and implement it*. That development essentially is to move into something new, and thus is about exploring, learning, and asking questions about the direction, going “back” and trying anew if you do not succeed, is often under communicated or to a lesser extent understood the importance of. The thing is that if you “know” what needs to be done, and maybe also know how it shall be done, then democracy becomes something that only slows down

the process, and diversity, critique, and involvement become in essence only elements that make it more difficult to realize the planned development efforts.

It is probable that no institution in the Agder region have experienced the effects of this triple-helix rationale more than Agder University College and Agder Research. At the heart of the rationale of the new knowledge driven economy and embedded in the regional policy agenda knowledge bearing institutions are given central and instrumental roles. As previously discussed much of the rationale and legitimacy of setting up CDFSN was that it should contribute to developing Agder University College into a University. In Rogaland were also economical resources stemming from hydro-electrical power production used to develop a university. Here the municipal owners used NOK 100 million of the share dividends from Lyse Energi to develop Stavanger University (Farsund & Leknes 2005). In Agder CDFSN has used approximately a similar figure to develop Agder University (Reinertsen 2006). The significant difference between Agder and Rogaland is not that Rogaland was much quicker in realizing their University ambitions, but that the University ambitions in the Agder region were much tighter controlled and steered through CDFSN. This combined with a new control regime and restructuring efforts at Agder University College has resulted in several people within Agder University College publicly protesting the developments.

On 10 October 2005 Harald Knudsen Dean and professor at Agder University College wrote that the industrial democracy in Agder University College was pulverized, and that the economists<sup>45</sup> had taken over, and he is an economist himself (H. Knudsen 2005). Later that month another professor at Agder University College, Arild Sæther, published an article on Agder University College's online discussion board where he presents similar arguments as those put forth by Harald Knudsen, arguing that top-down steering had replaced academics independence at Agder University College (Sæther 2005). Similar critiques of the downscaling of democracy within Agder University College have been put forth by employee representatives working at Agder University College, see for instance (Nilsen 2006).

Agder University College is a large organization with many people that is difficult to change even if you are willing to use NOK 100 millions to do so. Personally, I remain optimistic on behalf of academic freedom and democracy within some of the larger academic institutions, if for no other reason than because of the stubbornness of

those working there. Moreover, if industrial democracy does not survive here, where in society will we then find it? However, the “control” of a large academic institution such as Agder University College is important, and it is as one of the people interviewed said, important to control what such institution do.

[...] if we use Agder University College as an example. If we take a researcher from the technology department, then the industry will think that this person represents the college. However, he does only represent himself. If the rector of the college is present he will represent the college, but he has minimal influence on his own organisation when it comes to the professional activities on a personal level down in the different departments. So there are many challenges here that I am not exactly sure how is best dealt with.

The neoliberal writers Mikal Lindholm and Kim Møller present in their book *“Let the innovation loose. Denmark as a Creative Superpower”* a solution to the “problem” of too much academic freedom (Lindholm & Møller 2004). Their solution to the “triple-helix challenge” is in their book also backed up by “expert” recommendations for Denmark, the “expert” report suggests:

1) Reforms in the public school system, 2) that one should invest in the elite, 3) double the numbers who are studying science and technology, 4) remove democracy from the Universities, 5) send researchers out into the world, 6) choose a strategy and deselect other strategies, 7) use 3% of GDP on research, 8) take leadership in the next IT-wave, 9) confront Danish inwardness, and 10) expel Jante from Denmark (Lindholm & Møller 2004: 238).

When Lindholm and Møller (2004) suggest reforms in higher education it is implied that these reforms mean getting rid of mediocrity. When they suggest investing in the elite, they refer to the creative “super” segment of Florida’s creative class. When they suggest doubling the numbers that study science and technology, this means serious consequences for other “unprofitable” academic disciplines. When they suggest removing democracy from universities, they do so because this type of radical change is not possible or compatible with industrial democracy and academic freedom.

This type of thinking represents an extreme variant of triple-helix thinking and academic reform, and maybe something we in Norway should expect more of? The question is however not if this is an extreme way of thinking, but if it rings true and relevant to those thinking and having the power to forge policy agendas and reforms also in the Agder region?

If CDFSN still has some way to go before Agder University College fits its image of what a relevant academic institution should look like, in order for Agder University

College to gain status as a university there had to be four operative Ph.D. programmes, and of these only two are interpreted as “useful” for the region. It should however be found some comfort in that CDFSN has been more “successful” in their steering efforts associated with Agder Research.

Agder Research, which is a much smaller organisation than Agder University College, has CDFSN had almost full success, and has met very little resistance. CDFSN has stated that Agder Research is its most important tool in the Agder region. CDFSN had in 2002/3 a problem with Agder Research. Agder Research was not good enough at what it did, and it was not run economically sound enough to do it. CDFSN then commissioned an evaluation report from the consultancy firm Inno<sup>46</sup>. The evaluation report outline what the problem with the current work model was and how Agder Research could be transformed into a more managerial and rational organisation.

The Inno report, evaluated Agder Research and the Value Creation 2010 project (see also chapter 7). The report was heavily debated after it was made known to the employees at Agder Research; many of those who sat the tone in the organisation were critical towards the report. The report offers a classical SWOT- analysis combined with descriptions of the external image and internal structures. In the report, it is argued that Agder Research should take better care of its core marked, the regional stakeholders. The report for instance focuses on the important role Agder Research can have in the triple-helix model since Agder University College according to the report is useless in this respect:

As long as Agder Research’s neutrality and independence is secured, an intensified collaboration with Agder University College will further boost the positive image. However, a total integration into Agder University College is endangering the reputation, as a significant number of clients hold (justified or not) prejudices about the professionalism of a University as a supplier and its capability of serving as a bridge between the different dimensions in the triple-helix: research, industry and policy (Inno 2003: 29).

The Inno report also dwells on what they regard as the “big” problem in Agder Research –the gap between research and consultancy. This was an issue in the organisation at the time, and it was also present in the Value Creation 2010 project team where the so-called core-team was dominated by the “researchers”, Inno writes that:

Agder Research can and should be a system supplier of regional development, offering all key services including awareness raising, idea generation, strategy development, concept

building, project planning, and management of implementation projects. Today, most of the necessary competence is available at Agder Research. However, Agder Research does not adequately exploit this rather unique asset. This is due to sharp disputes between members of different departments/lines of thoughts within Agder Research, e.g. between the “researchers” and the “consultants” (Inno 2003: 38).

The consultancy firm solution to this problem is that Agder Research should use consultancy projects to generate data that researchers then can write up and publish:

There must be a greater focus on how the consultancy operations can generate good research, which could result in publications. This must be systemized within Agder Research! (Inno 2003: 27).

The report signals Agder Research as one of CDFSN core instruments in realising its policies, Agder Research is a tool to realise the development agenda set by CDFSN:

CDFSN is dedicated to boost competence-based economic growth in the region and to position Sørlandet internationally. Thus, it is responsible for contributing to the mastering of the above challenges. Agder Research has a lot of potential in becoming a prime mover in achieving this ambitious target (Inno 2003: 35).

Competence-based economic growth is the key objective of CDFSN. Agder Research has the potential to be a powerful implementation partner for CDFSN, other players do not hold this potential on their own, but should be integrated in the process (e.g. STS). It appears, therefore, as quite obvious that one should try to match challenges with opportunities and define ways of how Agder Research could fully develop and exploit the necessary competencies and attitudes and how this can be financed (Inno 2003: 37).

One of the most important channels of CDFSN in implementing its strategy is Agder Research (Inno 2003: 3).

Inno recommends also more concrete changes that needs to be implemented in order for Agder Research to be efficient in realising CDFSN’s strategy: *1) More business orientation in Agder Research’s organisation:*

Agder Research conducts a serious amount of high quality work comprising both theoretical (literature analyses, model building) and sophisticated empirical dimensions (data collection, sophisticated analyses etc.) on behalf of mostly public bodies. In-house, this type of work is referred to as research whereas we would call it consultancy work. The differences in labelling themselves would be of no importance if they had no conclusions on the working philosophy. There is a definite need for securing that this type of work can and should be done profitably, implying e.g. full-scale implementation of project management and controlling routines (Inno 2003: 3).

This recommendation from Inno has been addressed, and at least partly successfully implemented as Agder Research in 2005 and 2006 has turned out a profit

and has a solid equity, much of it is a result of a reduced conflict level in the organisation and. 2) *Project profitably focus also in core mission projects*<sup>47</sup>:

At current stage, there appears to be a feeling of: “We have given them so much money now they must do something for us”. However understandable, this line of thinking is dangerous. It leads to a relationship which best can be characterised as between sponsor/financier and receiver of subsidies. The ideal relationship between Agder Research and the responsible bodies for economic growth would be that between a preferred client and a preferred supplier, the mutual preference is being based upon trust and previous good experiences. A starting point would be to introduce more performance based payments than input-based ones (Inno 2003: 3-4).

This Inno recommendation has been addressed; Agder Research management has in recent years clearly pushed for more performance based payments, this has led to conflicts with a union at Agder Research and therefore remains to be fully implemented. In addition, the relationship between Agder Research and CDFSN is of a nature where Agder Research as the “core instrument” is not simply funded directly, but writes applications where the relevance for the applied projects for CDFSN’s strategy usually is emphasised. This charade of a grant application process is officially to secure the quality of the projects, but it is a control mechanism to check that the projects are relevant for CDFSN’s strategy. 3) *Strengthen the attractiveness of Agder Research as an employer*:

Recent studies on employee satisfaction (an Agder internal study and an Inno study) show alarming signals (Inno 2003: 3).

These recommendations from Inno were also addressed, as the salaries were raised and the management at Agder Research were replaced. 4) *Change the organisational set up of the institute*:

The basic framework conditions for Agder Research have to be sorted out quickly. We recommend two actions: 1) Strengthen the organisational bonds with Agder University College. 2) Change the legal status of the institute into a shareholder company, [...] it would mirror the increased dedication to business philosophies both towards clients (e.g. in terms of professionalism, keeping deadlines) and staff (Inno 2003: 3-4).

Both of these recommendations from Inno were addressed promptly, Agder Research changed its legal status from a non-profit foundation to a shareholders’ company, and in the process Agder University College became the majority shareholder, (owning 50% +1 share). 5) *Anchor a new strategy in the organisation that the different stakeholders are fully committed to*.



Should Agder Research pursue the goal of stimulating competence based economic growth in Sørlandet as its number one priority? From CDFSN's point of view, the answer is: Yes, because Agder Research can become a very competent player and no alternative to Agder Research is at hand. A coordination with other organisations like STS (Sørlandets Teknologisenter) is advisable (Inno 2003: 3).

Both of these recommendations are addressed in recent external and internal organisational changes. A closer collaboration with STS is its starting phase in 2006 and new priority areas are in place at Agder Research, for instance services concentrating on "Culture, media-technology and industry". This initiative is introduced like this in an advertisement on Agder Research's homepage:

*"The future of business is experiences – culture, entertainment, design, leisure, travels with that extra something... A bold statement? Of course, basic needs such as food, clothes and a roof over your head is still what is most important. But culture and experiences are gaining more ground in international economy<sup>48</sup>".*

The relevance for the regional economy should be obvious; the new priority areas at Agder Research are all fully or co-financed by CDFSN.

In sum, almost all of the internal and external changes that Inno suggested in its report been addressed and implemented in full at Agder Research. It almost seems like it has been used as a template for every strategy discussion in every forum discussing Agder Research since. It is interesting though, that a report that was dismissed as rubbish when it was presented for the employees at Agder Research, who judged it based on its scientific qualities and empirical accuracy, could have so much impact. The only reason it had was of course that Inno was able to pinpoint the regional policy agenda and the role they wanted Agder Research to play in the regional triple-helix system, thus not by chance – Inno "happened" to know whom to interview.

### **Summary**

Regional meta governance as it is executed in the Agder region is as shown a many faceted phenomenon. It is governance aimed towards very specific ends, it is almost exclusive in its perspective on economical growth, but not just any economical growth, and it is economical growth in what is believed to be the coming and "new-industries".

It is actually relatively difficult to argue against the rationale behind the regional policy agenda. This is because it is not based on any current empirical facts, it is based in some "visionary" thoughts on what the future brings. The truth is that neither I nor

anyone else knows what the future brings; we only know that we do not know. What we do know is that what is conceptualized as the knowledge economy currently occupies about 4% of the workforce in the Agder region (H. C. G. Johnsen & Isaksen 2005). This figure could of course become 50% or 60% in coming years, but if this is to happen, it is still long way ahead, and what do we do in the meantime? Similar critique can be forwarded against the promoters of the creative industries, where many are notorious in their efforts of including industry segments that have been a part of the Norwegian economy for decades in order to provide substance to the argument that the “creative” part of the economy is large and growing. However, when you see it necessary to include industry segments such as news media, architects, museums, publishers, libraries, hotels etc. into your definition of the creative economy in order to argue the case of the coming of the experienced based economy, then better people than I should ponder the question of what is wrong.

The rapid expansion in the regional governance system in the 1990s and around the turn of the new millennium in the Agder region did not go unnoticed; it provoked what is probably best described as a counter reaction. Where a single newspaper interview with a local Save the Children representative made many people in the region, including me, engage themselves in questions relating to regional governance in the Agder region.

## 6.6 – Lessons Learned

In the spring of 2003, something changed on how regional stakeholders publicly spoke about governance structures in the Agder region. The reason for this change can be traced back to a debate that dominated the media picture in the largest regional newspaper *Fædrelandsvennen* in May and June 2003. The debate gives important insight into how central stakeholders thought and think about how the regions best should organise and work in order to best face its challenges.

The debate started when two people, the county doctor and a spokesperson for relatives of psychiatric patients, called out for more focus on people’s living conditions in the Agder counties. The regional newspaper followed up on this story by interviewing the regional leader of the organisation *Save the Children* Inger Tonstad.

Tonstad argued that the region is characterized by development efforts with a narrow focus on old-fashioned growth thinking and material values. She pointed to regional stakeholders being very active in the public debate on regional growth strategies, but that she had not seen a single initiative or mobilisation relating to e.g. living conditions in the region. Tonstad argued that the problems relating to living conditions and class gap would increase in the region as a result of this, if the people in charge did not totally change course. She said, –To achieve this we must change the power structures in the region. Today it is a few power people who think alike, which decides everything. She continued to explain the urgency of her argument with reference to recent institutional changes in the region. In the Agder region a series of institutions are developed; Sydspissen, Knutepunkt Sørlandet, different regional funding institutions like Cultiva and two competence funds which are a result of the privatisation of the energy resources in the region, all based on a one-sided economic growth-philosophy, and they are all adding to this negative trend, she argued (Fædrelandsvennen 2003h).

Tonstad's criticism was then more or less ignored for a couple of weeks, and the debate probably would not have continued if the regional research institution Agder Research had not almost went bankrupt at the same time. The director of Agder Research had already left his position, and on 21 May 2003 the board of directors at Agder Research announced their resignation (Fædrelandsvennen 2003i). This event led to a revitalization of the debate initiated by Tonstad.

Magne Dåstøl, the chairman of the board of CDFSN, the institution that bailed Agder Research out of its “bankruptcy”, then criticized what he called “the straight boys’ club”<sup>49</sup> powers over the competence milieus at Agder. Dåstøl saw it as a problem that many of the same people were in the board at both Agder University College and Agder Research (Fædrelandsvennen 2003c). Dåstøl's criticism was then swiftly dismissed by the previous director of Agder Research Harald Furre. He said that “the straight boys’ club” was a concept he did not agree with used in relation to Agder Research and Agder University College (Fædrelandsvennen 2003a). The director of Agder University College Tor A. Agedal, who was in the board in Agder Research that had to leave, did not either recognise “the straight boys’ club”, but he noted that it would probably be beneficiary if more and a more diverse group of people were involved in competence development in the region. Agedal then points the finger to the

point made earlier by Tonstad, that it had grown up a lot of networks in the region, and he points to Sydspissen, Kompetansering sør, Kristiansand knowledge park, STS “Sørlandets teknologiforum”. Regarding these he said, we should have fewer forums, but more broadness in those that remain (Fædrelandsvennen 2003j).

The next day Magne Dåstøl returns to the headlines of the regional newspaper, arguing that he is tired of the same people making the same arguments. –Too few people are present too many places, he said. When asked by the reporter who he thinks these people are he refuses to answer, saying he will only get in trouble if he did. But he puts his finger on Sydspissen and Kompetansering sør, where he says the reporter should go and look for himself (Fædrelandsvennen 2003k).

Tonstad the regional leader of the organisation *Save the Children* is then interviewed anew. She is asked to comment that for a member’s fee of NOK 10 000 a year to Sydspissen, enterprises get access to the regions innermost power circles and that Sydspissen is partly financed by public means. She states this as a problem for democracy. –We must remember that these networks and power elites build their region, not necessarily ours. This is why it is so important to focus on these types of organisations. We have to ask, she continues, which other groups than the corporate power elite has ever been able to get into a comparable position. I am sure Sydspissen do a lot of good things for the region, but no one has elected them, we are here talking about a very influential pressure group which steals attention, and by that put other important societal tasks in the background of attention (Fædrelandsvennen 2003f).

After this, the newspaper naturally turned its attention to the networks in the region, and they sent reporters to interview the manager of the now much mentioned network Sydspissen. As shown, this interview came to have much impact on how regional stakeholders later publicly spoke and expressed themselves regarding the governance system in the region.

The manager of Sydspissen at the time Kjell O. Johannessen argued that Sydspissen is a unique tool to get anything done in the region. He said, –the interaction between corporations and public authorities is institutionalised in the region through Sydspissen. We do not have to lobby anymore. We can “march in step”, and get things done. No other region in Norway has done what we have done; this gives this region an advantage over others. He is then asked by the reporter, – what about democracy,

transparency and control? Johannesen then answers, – we are not democratic, I agree, but that is not a problem. Networks, relations and teamwork are necessary to get anything done in our times (Fædrelandsvennen 2003f).

Kjell O. Johannessen then visions the future of Sydspissen as a regional corporation with subgroups and committees which work on their separate development sectors: competence, tourism, culture, industry, and transportation and such, he sees himself as the information director of this corporation which can market and sell the region all over Norway. The reporter then asks if this is not best left to politicians. He then responds that he himself had many opportunities to become a politician, but that he is able to get much more done in the connections he now is a part of. –It must be the results that matters for the region that is the point, he says, and dismisses that he is involved in politics. When confronted by criticism made by Torbjørn Urfjell, a representative from the socialist party, that it is problematic that more and more power is moved out of representative channels, Kjell O. Johannessen's answer is, –a socialist must say such things (Fædrelandsvennen 2003f).

The reporter then turns to the board of directors of Sydspissen, Kristen Strat (also regional director of the telecommunications company Ericsson), Strat argues that Sydspissen encompass all milieus in the region, and that they all have a shared agenda and understanding of what is important in the Agder region, so there is no democratic problem, Strat concludes.

The county mayor in Vest-Agder, Thore Westermoen, who also was on the board of directors in Sydspissen, is then interviewed. He argued that it only is a democratic problem if the decision-making process itself is moved into networks such as Sydspissen and that this has not happened yet, Sydspissen has been used to fight for agendas that *everybody agrees upon*, he says. However, he adds, –if partnerships between public departments, politicians and corporations become important and genuine, we must also endure that discussions and decisions are made there. We must do this in order to create the necessary collaboration that we need, he concludes (Fædrelandsvennen 2003d).

The politicians become the target for many criticisms after this debate, and different explanations for why the region was in such a mess turned up. The bluntness of the manager in Sydspissen's response to the journalist's questions made the chief

editor in *Fædrelandsvennen*, Finn Holmer-Hoven, describe in a commentary the Agder region as *the corporative Agder*. The editor drew parallels to the fascist corporativism and anti democratic movements of the 1930s. The editor called for politicians to regain their composure (Holmer-Hoven 2003).

Otto Geheb, an owner of a chain of baker's shops, and former representative in NHO, and member of Agderrådet, argued that the explanation for the failure of politicians and the growth of undemocratic institutions and networks is that the region consists of two counties. –If there only had been one county these “bastard” decision-making organs could have been obsolete, he argued (Fædrelandsvennen 2003g). Geheb's analysis of the origin of the problem is thereafter supported in *Fædrelandsvennen's* editorial section. The two-county problem, and frail politicians is a satisfactory explanation for the existence of undemocratic networks in the Agder region (Fædrelandsvennen 2003e).

The newspaper debate is then more or less concluded with a chronicle by a political scientist working at Agder University College, Dag Ingvar Jacobsen. He argued that local corporation's faces shifting times that make structures such as Sydspissen and Agderrådet necessary. His point is that the time when we had few and dominating actors in the local industries in the Agder region is passé. Traditional industries are downscaled; main offices are often located in Oslo or abroad, what we see is smaller and more transitory firms, and a general fragmentation of the industry. Who the spokespersons are, for the industry in the region, becomes unclear just because they are more numerous and smaller. Thereby is also local corporations' possibility to mobilise resources e.g. to influence national decision-making processes reduced. This is the rationale for finding new ways of governance and that traditional ways of government has lost the effect they had earlier, because politicians have partly lost and partly given away their traditional policy instruments. It is in this light we must understand why structures such as Sydspissen and Agderrådet have emerged; they fill in where traditional representative structures do not work anymore (Jacobsen 2003).

Jacobsen also points out that this is a process that would happen independently of the fact that the Agder region consists of one or two counties. He points to that Oslo is the county and municipality that have the highest presence of such network and collaborative structures in Norway, and that Oslo is only one political administrative

unit. Jacobsen thereby debunks the argument put forward by Geheb and Fædrelandsvennen that it is the county structure that is the root of the problem.

Another explanation for the emergence of the new governance structures put forward by Jacobsen is the regional competition in Norway, where Agder fights west, north fights south, and Oslo fights the rest of the country. Agder must, Jacobsen argues, in order to gain position in this regional competition stand united, in order to make their demands heard. What we should do, he concludes, is not to suppress these organisations but ensure that they work according to democratic principles (Jacobsen 2003).

Early 2005 did Kjell O. Johannessen leave the position as managing director of Sydspissen. The board of directors in Sydspissen decided that the role of Sydspissen should only be to act as a mouthpiece for the region's industry, and the municipalities and county municipalities should withdraw from direct participation in the network. The new chairman of the board in Sydspissen Knut C. Gjermundsen said that this change happened as a result of the debate in Fædrelandsvennen (Fædrelandsvennen 2005a).

### *Epilogue*

Dag Ingvar Jacobsen, the political scientist from Agder University College, that in 2003 argued the necessity of the emerging governance institutions, did in 2006 argue almost the opposite view now focusing on the problems such institutions represent for political steering at a municipal level (Jacobsen 2006). When I interviewed actors associated with the regional governance system in the Agder region as part of this work, we often touched upon this debate as part of the discussions we had, and it often became apparent that more people than Dag Ingvar Jacobsen had done some further reflections on the issue.

*Question:* Can you describe your own role connected to networks and partnerships at Agder? I know that you have worked with the issue of fragmentation, something that also has resulted in a fragmented interest's structure in the region. You were for instance part of initiating Sydspissen, an institution with an ambition of coordinating the business interests in the region, in order to communicate more clearly to the "outside". Can you say something more about the Sydspissen initiative; did it work out as you thought when you initiated it?

*Consultant:* I have worked with networks in this region many years now. [...] I have been involved in many different things through these the years. It would take too long to describe it all. However, I can tell you about Sydspissen. You said it in a relatively precise manner yourself. The thinking behind Sydspissen was to construct an umbrella over the fragmented associations etc, in order to work with issues that crossed all of the

involved institutions that they could not manage on their own. We focused on making the region visible/marketing. I remember we formulated a marketing strategy where the ambition was that this region should be just as well known for its innovations as it now is known for its sunny summer holidays, and idyll among the skerries. We would not downgrade the holiday aspects, but make the innovation part just as well known. This was the essence of the thinking behind Sydspissen. It is however no doubt that this objective was impossible to realise. The idea that Sydspissen should do marketing on behalf of its members; be a marketing and information department of behalf of the region was not possible to realise. It was not possible to realise in relation to the public sector, and with the regards to the industry there was much interest for talking about these things, but less will to pay for it.

My understanding of the situation now is that Sydspissen is just another business interest association that just adds more weight to the institutional fragmentation in the region, instead of pulling the threads together. As I see the situation now... well I do not really sense that they exist, [...]. The current manager of 'Sydspissen' is a nice man, but I do not notice Sydspissen. They are in my opinion superficial now. But with a very important exception of, "Sørlandets teknologiforum", which was an assembly of the largest actors within the industry at Agder, this constellation I still think is relevant. I think it is important that the large private corporations talk to each other. Another dimension that I think is interesting for you is that one of the reasons that Sydspissen collapsed, was the severe media attention it got some time ago, where it was said that Sydspissen was a suspect corporative structure.

*Question:* You refer to the chronicle in Fædrelandsvennen by Finn Holmer-Hoven? What was said in that debate was that the purpose of Sydspissen was to design policy and to deliver it to the politicians and in addition, a criticism of Kristiansand municipality and the counties in direct participation with Sydspissen? That policies were developed there and not in representative structures?

*Consultant:* That is the big discussion here. I have been involved in a project where we have mapped the success criteria for municipality based industrial development. What makes the best better? What we saw was that the municipalities that succeed are those characterised by a corporative work method. Places that have very near relations between leading actors from the business sector and the leaders within the public sector. [...] In Stavanger the mayor and the county mayor sit in a body where the businesses are in majority. Here they develop the strategy for the industrial development in the region. This does not mean that is not the county or the municipality that passes these plans and how the recourses should be allocated. However, very much happens in that corporative forum. Therefore, you could definitely say that much of the work challenges are placed in this body. Nevertheless, it works. This is also a challenge for this region; we must also be able to have this close communication in these types of forums. We have let ourselves be duped by a newspaper editor that has another opinion.

## 6.7 – Summary

In this chapter have I told a story about how and why regional governance in the Agder region has developed in the way it has, and why it has taken on the form we can see in the current regional institutional landscape. It was a story that started with what at first



was a puzzling paradox, why did the municipalities in the Agder region decide to sell profitable energy shares. In order to find an answer to this question I turned to the regional policy documents, and the regional policy agenda. Here I found the rationale behind many of the recent developments we have seen in the Agder region. I have also looked at how the governance networks in the Agder region were financed, and that it here was a question of trading in the “old” economy with the “new”. I have also looked into some of the practices associated with working in such institutions and discussed aspects of regional meta governance, and hopefully also shed some light onto how and why such intuitions are so influential as they are. In the end, have I shown some extracts from a regional debate that could indicate that the regional consensus around many of these developments maybe is not so unison as many maybe would have it?

The presentations in this chapter have primarily been of a descriptive nature. Some important questions therefore remain to be addressed. For instance, what is the nature of the emerging regional steering system, is it governance, is it a regional regime in the Agder region, a combination of the two, or something else, and how do the Value Creation 2010 project and the Value Creation Alliance link to these developments? I will also ask if regional governance practices necessarily represent deficits in terms of democracy? Moreover, if they do, in what form and under what conceptualisation of democracy do they represent a problem? These questions alongside discussions of the theoretical perspectives and the three subsidiary research questions are topic for discussion and analysis in the next chapter.

## Notes

<sup>1</sup> This reality has been mentioned in several newspaper articles the last couple of years, see for instance Egeland (2005), Hiorth (2005), Altmann (2006), and others.

<sup>2</sup> GWh production data and spot price weighted year averages are updated to week 20 2006. Source: Statistisk sentralbyrå & Nord Pool ASA. Production up until week 20 2006 is 91 829 GWh. Updated November 23. 2006, url: <http://www.ssb.no/elektrisitetaar/tab-2006-07-27-26.html>

<sup>3</sup> The final sales figure was NOK 11.4 billion before tax and NOK 9.5 billion after tax if the whole company had been sold (PwC 2005).

<sup>4</sup> Cultiva capital base was NOK 1440 million, which was equivalent of a 12.6% ownership position in Agder Energi in 2002. Share dividends from AE 2003-06 based on a 12.6% ownership position amounts to NOK 227 million, in the same period has Cultiva disbursed NOK 92.1 million.

<sup>5</sup> See: [http://www.svenskenergi.se/energifakta/karnkraft\\_roll.htm](http://www.svenskenergi.se/energifakta/karnkraft_roll.htm)

<sup>6</sup> See: [http://odin.dep.no/krd/html/valgresultat2003/bk2\\_11\\_3.html](http://odin.dep.no/krd/html/valgresultat2003/bk2_11_3.html)

<sup>7</sup> I have translated all of the excerpts of the party programs.

<sup>8</sup> Distribution of representatives on the relevant formal decision-making structures in Kristiansand municipality, number of representatives in each body in brackets: City Council (54) - executive committee (13) - municipal committee (7). Norwegian translations: “Bystyret”: City Council, “formmannskapet”: executive committee, “kommuneutvalget”: municipal committee. Issues relating to the management of municipal properties are ordinarily prepared by the chief executive officer “rådmann”, and is at first handled in the municipal committee, then given to the executive committee, and at last voted on in plenary sessions in the City Council.

<sup>9</sup> In the party programs and actions plans are there only reference to Kristiansand Energiverk (KEV), Vest-Agder Energiverk (VAE), and Aust-Agder Energiverk (AAE). These companies merged in 2000 into Agder Energi AS.

<sup>10</sup> SV: (Sosialistisk Venstreparti): The Socialist Left Party of Norway (socialist/left party)

<sup>11</sup> Retrieved from Fjerstad (2001).

<sup>12</sup> The Christian Conservative Party was holding the deputy mayor position in the period.

<sup>13</sup> The Conservative Party was holding the mayor position in the period.

<sup>14</sup> Sørlandslista later constituted the basis of a new political party, the Democrats. The Democrats was a breakout group, headed by Vidar Kleppe, from The Progress Party, that mainly consisted of people that were excluded from The Progress Party because of publicly expressing racist views, or for being too tough on immigration as it otherwise is called. Sørlandslista/Demokratenes position on the Agder Energi issue was however equivalent to those of The Progress Party.

<sup>15</sup> I have translated all of the quotations from Common goals on Agder.

<sup>16</sup> Source: <http://www.sydspissen.no/> (accessed 11.24.05)

<sup>17</sup> Earlier in 1999 before Sydspissen was formally established it was known as Sørspissen (T. H. Pedersen 1999).

<sup>18</sup> Agderforskning, Høgskolen i Agder, Sørlandets TeknologiForum, NHO, IT-Ringen Agder, Agder Maritime Forum, Markedsføringsforeningen, Kompetansering Sør, Petroleumsforeningen, Den Norske Dataforeningen, Aust-Agder Fylkeskommune, Vest-Agder Fylkeskommune, Kristiansand Kommune, Arendal Næringsråd, Grimstad Kommune, Sørlandets Teknologisenter AS, Longum Forum, Lister Næringshage (Sydspissen 2005).

<sup>19</sup> Position held by Svend Olav Leirvaag from 2005.

<sup>20</sup> This position is also represented in The Progress Party's in Kristiansand 1999-2003 municipal program.

<sup>21</sup> In 2006 Sira-Kvina is an energy production company co-owned by Lyse Production AS (41.1%), Statkraft (32.1%), Skagerak Kraft AS (14.6%), and Agder Energi Production AS (12.2%).

<sup>22</sup> It is possible that the NOK 10 million-figure stems from the upper level set for Arthur Andersen sign on fee with Kristiansand municipality which is confirmed to be 0.1% of the sales sum but no more than NOK 10 million.

<sup>23</sup> The reader will note that it is Arthur Andersen that actually estimates the value of Agder Energi for Statkraft.

<sup>24</sup> Statkrafts urgency was probably much due to the company getting a new CEO on 1 September 2001.

<sup>25</sup> She was Norway's first female professor in political science.

<sup>26</sup> The denial the Norwegian Competition Authority gives to Statkraft and their attempt to buy TEV is also subject for a complaint, and on 7 February 2003 Victor D. Norman the Work- and administration minister complies, Statkraft can own also TEV (Konkurransetilsynet 2003). The TEV issue is in 2006 still not finally closed.

<sup>27</sup> In addition, the municipalities in Agder paid approximately NOK 860 million in tax.

<sup>28</sup> I contacted the Financial Supervisory Authority of Norway that oversees the activities of audit companies operating in Norway, with a series of questions with respect to their assessments of the role of Arthur Andersen in connection to the Agder Energi sales process. The Financial Supervisory Authority had conducted an investigation into the matter. Their report has been kept from public access, but in a meeting 4 December 2006 The Financial Supervisory decided to declassify their assessments, and returned in full their letter to Ernst & Young of 19 November 2003 to me (Ernst & Young merged with Arthur Andersen in 2002).

<sup>29</sup> The exact phrasing in Norwegian is: "*Vi vil foreslå at oppdraget avregnes ihht medgått tid basert på en timesats på NOK 1 750. Ved salg vil honoraret utgjøre 0.1 % av salgssummen og inntil NOK 10 mill.*".

<sup>30</sup> AAGCF and Frank J. Berg also advised municipalities in Hedemark to sell shares to Statkraft. They sold shares in HEAS for NOK 1.9 billion to Statkraft. Because of Victor D. Norman intervention Statkraft later had to sell their shares back to the municipalities in Hedemark for NOK 2.1 billion.

<sup>31</sup> The discussions in Kristiansand City Council of Arnersen's report, is according to the Kristiansand municipality's online record kept from the public with reference to the law of public access (offentlighetsloven §5a) and to the law of public administration (forvaltningsloven §13). See: [http://pa.kristiansand.kommune.no/politiske\\_saker/default.asp](http://pa.kristiansand.kommune.no/politiske_saker/default.asp) (under case 71/03). When the rationale for this was inquired into the response from the executive officer's office was that this was a mistake, and that it should not have been kept from public access.

<sup>32</sup> This report is available online both from the homepage of Østlandsforskning: <http://www.ostforsk.no/rapport/pdf/082003.pdf> and from Kristiansand municipality's homepage: [http://pa.kristiansand.kommune.no/politiske\\_filer/0%5CVEDLEGG%5C2003019968-1.pdf](http://pa.kristiansand.kommune.no/politiske_filer/0%5CVEDLEGG%5C2003019968-1.pdf).

<sup>33</sup> I am responsible for the translation of all of the quotes from the evaluation report.

<sup>34</sup> This is confirmed via e-mail to me on 21 November 2006.

<sup>35</sup> Others working at Agder Research at the time have also, and independently of each other, confirmed this representation of events to me.

<sup>36</sup> Borda-vote is named after its originator Jean-Charles de Borda. Borda-vote is a voting/decision-making method where rank of alternatives count more than voter's first preference, Borda-vote is therefore also known as rank-order method. The procedure is to let each voter rank all the alternatives, giving rank 1 to the most preferred, rank 2 to the second, and so forth. Then assign to each alternative a score equal to the sum of the ranks assigned to him by all the voters, and choose the alternative for which the sum of ranks is lowest. Borda-vote is well known from political science, voting-theory, and decision-making literature and is also taught at many business schools around the world. The premises set out by Jean-Charles de Borda can work satisfactory given certain conditions in large populations but is also known as a method that is relatively easy to manipulate in small group settings. One possibility for "cheating" is to give your own first preference the highest score and the "opponents" first preference the lowest score, even though it in reality is your second choice of preference. If your "opponents" vote honestly, you have increased your possibility for "winning" the vote significantly. Please note that I have no information saying that the voting procedure in the reference group/strategy committee actually was "manipulated" in any way.

<sup>37</sup> The reference group/strategy committee had the following composition: Bjørg Wallevik (H), Olaf Messel (DEM), Harald Sødal (KrF), Bjarne Ugland (Ap), Erling Valvik (Adm.), Solveig Løhaugen (Adm.), Oddvar Hodne (KEV), Tore Wiese-Hansen, Gunnar Kulia (KEV), Jan Pedersen (Director KEV), Øyvind Østensen (KEV), Vidar Jakobsen (KEV), and Frank J. Berg (AAGCF) (Lillesvangstu 1999b).

<sup>38</sup> Arthur Andersen's strategic work method - to generate consultancy assignments based on audit work, became in the late 1990s a business model that was widely copied by other consultancy firms. The Financial Supervisory Authority in Norway has investigated most of the largest consultancies in Norway because of suspicion of misuse associated with such practices. Arthur Andersen was also well known in the "business" for their work methods, and it is probable that people and institutions that hired Arthur Andersen were aware of how they operated.

<sup>39</sup> Sources interview data.

<sup>40</sup> Sources interview data.

<sup>41</sup> Karlskrona (Sweden) has a development plan that shares many similarities with Agder's regional policy agenda.

<sup>42</sup> Rasmussengruppen AS, est. 1936, originally a shipping company, headquartered in Kristiansand, Norway, is an investment company, focusing on property, shipping and securities trading. The company is controlled by the Rasmussen family, headed by shipowner Einar Rasmussen and his son, Dag Rasmussen. Rasmussengruppen AS had a net equity of NOK 4.3 billion in its parent company balance sheet for 2004 (source: <http://www.rasmussengruppen.no/>). The family has recently (2006) signalled a commitment to invest NOK 60 million in the local football club (Start).

<sup>43</sup> Cultiva's board meeting has been opened up to the public probably because of a campaign run by the newspaper Fædrelandsvennen. It is difficult to see or understand what the justification of still having CDFSN board meetings closed to the public actually is.

<sup>44</sup> See: <http://www.cultiva.no> for an updated list of projects that are granted support. CDFSN strategy seems in addition to the mentioned factors to be very much a pragmatic approach. They seek to place money where they believe they get most short term and concrete results.

<sup>45</sup> The Norwegian term used was "Blåruss".

<sup>46</sup> The consultancy firm calling themselves Inno group – "innovation excellence", is a strategic management consulting company located in Germany, France, Austria, Sweden, and with a representation in Russia. Source: <http://www.inno-group.com/>

<sup>47</sup> Referring to larger stakeholder financed projects such as Value Creation 2010 and projects directly financed by CDFSN.

<sup>48</sup> Source: [http://www.agderforskning.no/articles.php?tPath=133\\_201&language=en](http://www.agderforskning.no/articles.php?tPath=133_201&language=en)

<sup>49</sup> "Gutteklubben grei" in Norwegian.



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## Chapter 7 – Analysis

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*Governance is not an act of will or domination, but coordination of efforts by those who have complementary aims. Community power accrues to those with a capacity to act in what is an otherwise diffuse system of authority.*

–Clarence N. Stone, *Regime Politics* (1989: 230).

### 7.1 – Introduction

In the previous chapters we have seen how the work conducted through a regional development coalition resulted in a conflict, we have been given some insight into a regional policy agenda, we have seen some of the workings of new governance institutions and how they were financed, and we have seen some examples of regime practices in the Agder region. In this chapter, will I discuss and analyse the data that were presented in the previous chapters 5 and 6, using the theoretical framework that was developed in chapter 3. I will however begin with addressing some of the theoretical concepts that have been introduced and discussed, and ask questions to what extent and how the central concepts of this thesis, *regional governance* and *regime*, can be applied in a meaningful way to describe processes in the Agder region.

Following this discussion I precede with a discussion of the first subsidiary research question which was: *Why did the Value Creation 2010 project at Agder result in a conflict?* I continue with the second subsidiary research question that was: *What are the central characteristics of the regional regime and governance system in the Agder region?* This question is analysed using the three perspectives on regional governance introduced in chapter 3. This discussion is then followed by a discussion of the last research question which was: *What democratic values can justify some of the significant regional governance issues discussed?* Chapter 7 then concludes with some ending reflections and a summary.

### 7.2 – Conceptual Clarifications

The concepts of regional governance and regional regime have so far been implicitly used throughout this thesis with reference to politico economical steering and

development practices in the Agder region, without proper justification of such usage. Now, when the relevant data needed in order to conduct such discussion are presented, the necessary conceptual clarifications can be conducted.

### ***On the Subject of Regional Governance***

In chapter 3, the relevant question concerning the nature of the politico economical development system in the Agder region was presented, this was: *How do we, or can we know that the politico economical steering and development system in the Agder region can meaningfully be characterised as a governance system?* Based on the theoretical discussions in chapter 3 we also derived a series of sub questions that should be addressed in relation to this issue. These are questions aimed at addressing to what extent the politico economical system in the Agder region *in practice* shares most similarities with government through representative democracy, market steering models, governance steering models, or by different mixtures of these.

In order to address the issue of system scale I ask the question of: a) which policy areas are subjugated to governance process and control? In order to address the issue of “sphere” I ask the question of: b) Where are political decisions made? In addition, in order to address the issue of influence I asked: c) which and what type of actors have access to participating in making these decisions? These questions will in the following be discussed in the order that they were presented.

### ***Policy Area***

Some of those interviewed as part of this thesis work emphasised that the network/partnership model of working in the Agder region only was concerned with what we loosely can term industrial development in a regional context. The argument was that this was not a question of societal development but industrial development, and that the current limitation of participation into these processes on this basis was justified. My position is that such statements about the boundaries for network development work in the Agder region cannot easily be justified using such arguments.

The main reason for my critique of such views is that what is identified as relevant for industrial development in the Agder region has taken on much larger proportions than what legitimately can be termed as just *directly* relevant for the industries in the region. That is to say that the terms are used so widely, that they encompass in reality



almost every citizen and interest in the Agder region. Something that is confirmed by a read through of what here is conceptualised as the *regional policy agenda* and its three main headings, *competence, culture, and communications*. It seems to me obvious that these areas are so broad, that to narrowly term them as just industrial development is to do both them and their application unjust.

In addition to this we have also seen that the process of financing the new network structures in the region, have consumed significant amounts of common and public resources. Recourses that could have been applied on policy areas that were not related to the new network structures. It is therefore difficult to conclude other than if governance is the correct term to use on steering practices in the Agder region, so is this policy wise a question of a relatively broad and encompassing system, where it actually is more difficult to identify policy areas that is not affected than to find policy areas that are affected. The question of whether this is industrial or societal development, is therefore in this thesis no longer an issue. *Governance in Agder is unquestionably about societal development that affects and concerns every citizen in the region.*

#### ***Where Are Decisions Made?***

The question of *where* political decision is made is at the crux of the governance steering model assumption. If we look at the regional policy agenda much of this was subjugated to a political decision making process in representative structures in the region, the municipalities, and the counties. Therefore, if we limit our view on “governance vs. government” to be about a question of formal decision-making, then the governance system assumption is probably also significantly weakened, and maybe not as relevant to describe the regional politico economical system. However, two other questions are also relevant in this respect. Firstly it is the question of where political decisions are *developed*, and secondly to what extent the “governance system” can and does influence the actual political decision-making process itself. If many relevant policies are developed outside formal representative structures, and if the “network sphere” in addition influences the decision-making process itself, then the question of formal decision-making in representative institutions is also less important to the governance steering model assumption.

In the interviews, I asked all to describe the relationship between the representative sphere and the network sphere in the Agder region. Most then emphasised the fact that most of these policies and agendas have been sanctioned by representative institutions, however when asked what the relationship between these spheres are some could also give many examples of how “weak” the counties were on the regional development arena. Some of the interviewed then used relevant examples of lack of, and little resources, and that the “political level” had little ability and competence to actually develop relevant regional development policies. This is also something that has been discussed and documented in recent research reports, see for instance (J. P. Knudsen *et al.* 2005).

However when asked directly where the power was and who actually influenced who; are the networks steering through the political level or is it the political level steering through the networks. Most of the interviewed then concluded that “the arrow goes in both directions” or that this is “equal”. When I approached the two county mayors with such questions, their view was that through addressing the policies of the networks they secured that the county policies were “relevant” for the regions and its industries. However, when I asked how much *direct* contact they had with the region’s industries both of them had complaints of it being to little time and opportunity for such activities.

In addition to this has we seen that it in the Agder region is set up governance institutions that have as part of its official agenda to directly influence political decision-making processes, not just to implement it. This is of course also central and legitimate purpose of regional interest organisations. In addition, if we let the largest political decision in Agder’s history be the telling example of how the system works, the sales of the shares in Agder Energi, then representative democracy in the region looks significantly weakened. We saw that it in the “Agder Energi story” many indications of a process that was planned and actually led by actors that were outside the elected political apparatus, a decision that seen in retrospect has been of crucial importance for the development of the regional governance system in the region.

There are still many policies that are developed, decided upon, and executed within the representative political system, but there seems to be little question that significant aspects of this have changed in recent years. In this thesis, we have seen

examples of how and why the political levels are fed both policies and development plans by structures outside the representative system. In addition has much of the implementation of the policies been outsourced to the same networks that developed them in the first place, good examples of this in the Agder region is the development task and responsibilities given to both Cultiva and CDFSN. In this view representative democracy has, on certain important regional policy areas, become a temporary stop, that just sanctions policies on their path from development to implementation. I therefore find reason to conclude that; *the regional policy agenda in the Agder region do not originate from broad political processes in representative and democratic institutions, even though parts of it were sanctioned there.*

#### ***Who Participates in Making the Decisions?***

The question then is; from where do the development policies originate. One possibility is that they originate from business leaders or industries in general in the Agder region. This was one of my “tacit” assumptions when I started this thesis work. I have however found few examples and indications of this actually being the case. People I have worked and talked with have also had the opposite view, the industries and businesses in the region were not particularly concerned with regional development issues, some issues and cases yes, but not deeply and systematically involved. The common saying in the region thus it is not the overflow of industries and enterprises that take on societal responsibility. The “phrase” is that too few enterprises and industrial leaders have seen it worthwhile to take on such a role.

In addition, if we look at the member list of the governance institutions in the Agder region the dominating part of the members are not industrial or business leaders. It is the people who have it as their “job description” to run network processes that predominantly also run and actively participate in network processes. This group of people “talks” and “acts” on behalf of the industries and communicates the industries interest to the political level. In general, I have come to believe that this in common is a relatively uncontroversial and accurate picture of the major communication patterns between the representative political level and the region’s industry<sup>1</sup>.

Then the question becomes to what extent the network level is just a communicative tool for the industry, or if it also plays a more independent role in

developing the regional policies. This is a question that is difficult to prove directly one way or another, and as one of the interviewees said –“in the network level the ideas and arguments move back and forth so much and in so many different forums that ideas that you thought were your own might very well be someone else’s. Thus, many people would not hesitate to take credit for the things that I and we were involved in setting up, and that is a good thing”. It is in a way the “nature” of the network system that responsibility is difficult to pinpoint precisely. It is after all not a system based on accountability.

There is however one way that the question of the independent role that the network level has insofar policy development in the Agder region can be addressed. If the network level just was an “instrument” of the industry towards influencing the political level, then it would be expected that the *regional policy agenda* somehow also was a reflection of the *current* industries in the region’s interests. However, as we saw in chapter 2 the dominant feature of the industries in the Agder region is part of what commonly is interpreted as the “old-economy”. In addition, the Agder region has, as almost every other industrialised place, most of its “private” workforce placed within the service sector. While the regional policy agenda, as we saw in chapter 6, is an agenda that clearly is biased towards what commonly is interpreted as the “new-economy”; the “coming” and by implication not yet existing industries. In addition, the private service sectors are neither particularly discussed nor emphasised as important for the region in these documents.

It is then odd, if the network level is just an empty instrument for the industrial leaders and the enterprises in the region, that the industries would contribute to developing regional policies that are disadvantageous or not directly benefits the dominating majority of the industries in the region. Based on this, I find reason to conclude that: *The network level plays an independent and very significant role in constructing regional development policies in the Agder region.*

The consequence of the discussions of these three questions in relation to the politico economical system in the Agder region is that: *The term regional governance can be applied in a meaningful way when describing significant aspects of policy development and implementation processes relating to regional development in the Agder region.*

***On the Subject of Regional Regime***

A governance network system is “just” a complex net of networks, institutions, actors, and policies, that in it self might have a large potential for steering, influence and power, but this potential is not necessarily and by definition realised. The effectiveness of the governance system is much determined by how well and in what way it is meta governed or steered. In chapter 3, we saw that most theories about governance conceptualise such meta steering bodies in relationship to the practices of governance systems. We also saw that such meta governing responsibilities can lay with different bodies. For instance they can very well lie with elected political institutions at the national, regional, or municipal level, it is also possible to theorise that such responsibilities might lie with one important and resourceful actor, institution or organisation.

Central to this thesis is the idea that such responsibilities lie with a regional governing coalition or regime, and that this body performs such meta governing responsibilities. The question then is how and if we can know that this actually is the case. The question is: *How do we, or can we know that the governance system or parts of it are meta steered by a regional regime?* If we apply to the regime definition given to us by Stone (1989), and the specification of characteristics (Dowding *et al.* 1999; Dowding 2001), it becomes possible to meaningfully and systematically address the issue. Dowding (2001: 14), as we saw in chapter 3, identified eight components of the regime concept, where four were necessary in order to label any governing coalition a regime. I will in the following apply to this conceptualisation and compare it to the findings in the two previous chapters.

The first frequent but not necessary components of a regime were: The policy agenda should bridge institutions and community interests by creating ‘partnership’ forms spanning the public-private-sector divide (Dowding 2001: 14). In this thesis it is given many examples of such institutions being set up in the Agder region, as a result of the regional policy agenda. The Value Creation Alliance where the social partners were central participants is an example of this. Here for instance the social partners were represented as they also are in Cultiva and Agderrådet, therefore does this first requirement clearly qualify to Dowding’s conceptualisation of a regime.

The second frequent but not necessary component of a regime was that: The policy agenda was associated with strong or exceptional leadership, capable of entrepreneurially assembling an unusual coalition and linking it with a distinctive political vision (Dowding 2001: 14). This criterion does also clearly qualify to the Agder region. The presence of the regional policy agenda in the Agder region, and this frequently being spoken of, “as something that everybody agrees upon” would not have been possible without strong leadership capable of creating a single vision out of diverse interests.

The third frequent but not necessary component of a regime was that: The policy agenda primarily involved the mobilization of external resources, creating a positive-sum game within the polity and the formation of public-private partnerships, often transcending partisan divisions (Dowding 2001: 14). The obvious example here is that the sales of the hydro-electrical power company was used to finance and set up new governance institutions in the region. However, there are also many others and less dramatic examples of such resource mobilising capabilities. In chapter 6, in the subchapter “regional meta governance” I presented a table that listed some examples of institutional- and policy outputs from the regional policy agenda. It seems clear that the realisation of these developments would have been impossible if there did not also exist a significant capability within the system to mobilise external resources. Therefore, this requirement also clearly qualifies to the definition.

The last common but not analytically necessary component of a regime was that: The policy agenda should also survive personnel and leadership changes or political successions, reflecting a specific ideology or agreement over fundamental values for members of the coalition, which allows continued electoral success (Dowding 2001: 14). The political leadership on both the county level and in the major cities in the Agder region is stable where it is not unusual that mayors held office for both two and three terms, and that this is positions that are held by one of two parties, either the Conservative Party or the Christian Conservative Party, see the appendix. I do not have any data indicating regime activities in the Agder region that goes further back than the period discussed in this thesis. If there were regime practices in the Agder region before this (1990), this regime did not have a regional development orientation, see also discussion in chapter 2. In addition to this, it is not an assumption in this thesis that the

regional regime originates in the political system, which is to say that if political re-elections are a regime issue in Agder then it is a minor one. This is because this thesis sees regimes as a product of and part of the regional governance system, and not as exclusively tied to the political system.

The last four criteria are those that according to Dowding (2001) are the frequent and necessary components for me to characterise meta steering of a governance system as governed by a regime. The first of these is: the policy agenda cross-sectoral or institutional boundaries (Dowding 2001: 14). One example of the regional regimes' ability cross-sectoral and institutional boundaries in order to realise that vital policy aims were the sales process associated with Agder Energi, but also many of the other policy outputs, see chapter 6, are a result of such capabilities. The regional policy agenda in the Agder region works because it can be phrased "as something that everybody agrees upon".

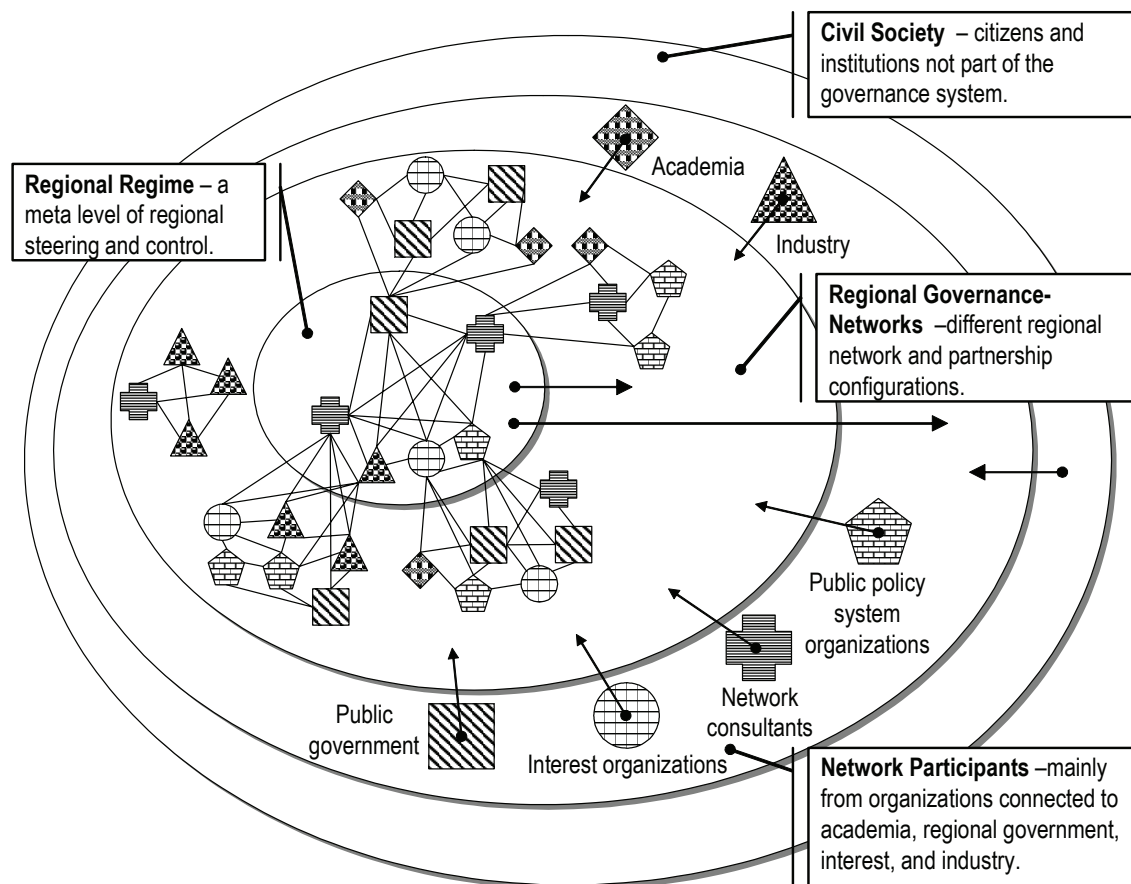
The second frequent and necessary component for the conceptualisation of a regime was that: the policy agenda was sustained by coalitions of interests or personnel not formally or fully specified in institutional structures, often in the form of a 'grand coalition' or large-majority coalition of interests (Dowding 2001: 14). This is also an example of a criterion that immediately qualifies to the definition. In chapter 6 we saw that actors involved in what is conceptualised as regime processes in the Agder region do not originate from one organisation or institution, political party or just performs one societal role. The collaborations are very much informal and are based on that actors sharing certain perspectives and agendas have found a joint platform to act out of. What constitutes a regional regime is clearly not based in one organisation; therefore, this requirement also qualifies to the definition.

The third and fourth frequent and necessary component for the conceptualisation of a regime were: the existence of a policy agenda that was relatively long-lived (Dowding 2001: 14). These requirements are also sufficiently documented in this thesis, and are presented and discussed in some detail in chapter 6, under "the regional policy agenda" and the "regional meta governance" subchapters. If we see the three central regional policy documents, *Common Goals on Agder* (1994), *Common Agenda* (1999), and *Common Goals on Sørlandet* (2003), as an indication of agenda stability it seems to be that the regional policy agenda since it initially was developed in 1994 has been

remarkably consistent. That this agenda also has served as a platform that different and shifting actors and institutions could use during the last decade in the Agder region is also apparent. The regional regime is not one group of people, but a policy platform that various actors and institutions could and have used as a platform for action in the regional governance sphere.

Based on this discussion and the data presented in chapter 5 and 6, I find reason to conclude that: *The concept of a regional regime can be used in a meaningful way when describing the meta steering processes of the regional governance system in the Agder region.* The figure below can be seen as an attempt to graphically depict the role of the regional regime in relation to the regional governance system, the network participants, and the civil society.

Fig. 7-1: Conceptualisation of Regimes in Regional Governance Systems



The concept of regional regimes is discussed in more in detail in relation to the second subsidiary research question. Based on the conceptual clarifications we can



proceed to addressing the first subsidiary research question of this thesis, the question that relates to the conflict in the Value Creation Alliance.

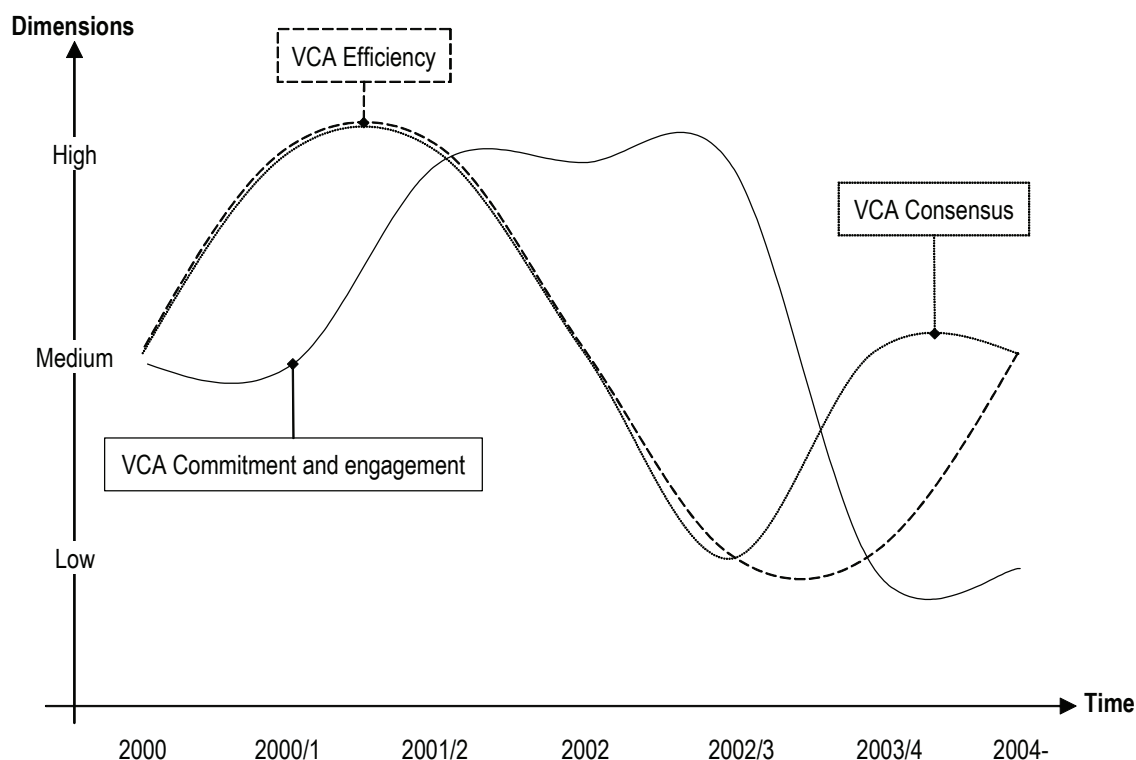
### 7.3 – Regional Development Coalition

The research question that was developed in relation to the case presentation in chapter 5 was: *Why did the Value Creation 2010 project at Agder result in a conflict?* The presentation of the case, the development of the Value Creation 2010 project at Agder emphasising events relating to the Value Creation Alliance, has focused on those events that I believe are most relevant for understanding and interpreting this question. In chapter 5, data presentation was chronologically organised around seven phases:

- 1) From Enterprise Development 2000 to Value Creation 2010 (2000)
- 2) The Enthusiastic Start-up (2000/1)
- 3) Full Exposure (2001/2)
- 4) A Sneaking Sense of Realism (2002)
- 5) A Conflict Unfolds (2002/3)
- 6) Stalemate (2003/4)
- 7) Restart and Reorientation (2004-)

To simplify the analysis the main events in the data presentation are correlated with some dimensions that are of relevance to the research question, and are illustrated in the figure below:

Fig. 7-2: The Development of the Value Creation Alliance (VCA)



The first dimensions are *commitment and engagement*, with this I mean the extent that participants in the project, the Value Creation Alliance members and the research team, seemed to be fully committed and engaged to the project or not. In the data presentation it is clear that this has varied, and that the level of commitment in the project peaked in the period succeeding the official launch of the programme and reaching a low after the conflict. The second dimension is, *efficiency in the project*, with this I mean to what extent the project generated and implemented project activities, this is also something that we in the case presentation saw varied significantly during the project period. The third dimension that I have chosen to emphasise is *consensus*; with this I mean to what extent, there were agreement, shared understandings between the different participants to the project about the “direction” and orientation of the project. These indicators are roughly placed on three levels; high, medium, and low in order to make the illustration. The combination of these elements is graphically depicted with the figure above, note that these classifications solely are based on my interpretation of data.

I believe that the graphical representation correlates fairly well with the events and how they unfolded in the project. They do however not explain why the project resulted in a conflict situation. The data presentation should reveal and give many opportunities for different interpretations of why the project collapsed. This first research question is a question where the problem is not to find a reasonable explanation of the events that unfolded, but actually to sort between the many explanations that exist. This is because the Value Creation 2010 project at Agder involved many people professionally, and the conflict affected many of those involved emotionally as well, there is therefore no shortage of explanations concerning the conflict. It is also to be expected that people involved in these events felt the need to place the responsibility somewhere, I believe this is just as true if you point the finger at the research team, the working committee in the Value Creation Alliance, the other members in the Value Creation Alliance, or to the management at Agder Research.

I will therefore systematically address the most common of these explanations in the following. These explanations of the conflict are all to varying extent supported by the graphical representation above, and data presentation in chapter 5. The following explanations have all been articulated in my presence by either members of the research team involved in the Value Creation 2010 project in Agder, by participants in the Value Creation Alliance at various stages, and others that in different ways have been associated to the project. These explanations are:

- 1) The Value Creation 2010 project resulted in a conflict because of the gap between the expectations to the project and the practical results produced by the project.
- 2) The Value Creation 2010 project resulted in a conflict because it is not possible to do enterprise development and regional development in a meaningful way within the framework of one project.
- 3) The Value Creation 2010 project resulted in a conflict because of inadequate project management.
- 4) The Value Creation 2010 project resulted in a conflict because of internal conflicts at Agder Research.
- 5) The Value Creation 2010 project resulted in a conflict because of conflict seeking researchers.
- 6) The Value Creation 2010 project resulted in a conflict because of lack of progress relating specifically to enterprise development.

7) The Value Creation 2010 project resulted in a conflict because the research team initiated a process aimed at rethinking roles and responsibilities in the project and in relation to regional development in Agder.

8) The Value Creation 2010 project resulted in a conflict because of crossing expectancies to the Value Creation 2010 project, a conflict in expectancies between a) those held by the research team, b) those held by the members of the Value Creation Alliance, c) those held by the Norwegian Research Council, and d) those held by regional actors external to the project.

I believe that all of these explanations have some merit to them. However, there are just some of these explanations that give satisfactory understanding to why the conflict became a reality in the way it did. In the following, I will address each of these explanations to the conflict and discuss their merits in relation to data presented in chapter 5 and 6.

The *first* explanation is that the Value Creation 2010 project resulted in a conflict because of the gap between the expectations to the project and the practical results produced by the project. This is an explanation that is true in the sense that there was a big gap between the ambitions in the Value Creation 2010 project as they were phrased in for instance the application to the Norwegian Research Council (H. C. G. Johnsen & Normann 2001c), and the concrete regional outputs and effects of the project. It was for instance ambitions and promises in the application relating to new workplaces, innovation, welfare etc. that it could not be given any direct indications of what indisputably could be traced back to the Value Creation 2010 project when the conflict occurred. However, given that this was a project that was planned and executed based on a ten-year plan It was probably none of the people involved in the project that actually thought that these high standard ambitions would be reached after just a couple of years of working? I therefore think that the explanatory force of this explanation should not be fully dismissed, but that it is relatively limited. For instance it does not provide any insight into why communication between central actors in the project suddenly broke down, and why the gap between expectations and practical developments could not have been addressed without developing into a conflict.

The *second* explanation is that the Value Creation 2010 project resulted in a conflict because it is not possible to do enterprise development and regional development in a meaningful way within the framework of one project. This is also a possible explanation, that also is mirrored in Technopolis' national mid-term evaluation

report of the Value Creation 2010 programme, where it is argued that Value Creation 2010 is too broad to be practical (Arnold, Muscio, Nählinder, & Reid 2005). This evaluation also present data indicating that it was the Agder module in the Value Creation 2010 project that had stretched its ambitions the farthest committing an equal amount of resources to all of the three “levels” in the project, and Technopolis write in the evaluation report:

Value Creation 2010 is built on a sound set of principles. There is good research – both inside and outside the programme – that shows the importance and usefulness of labour force participation in innovation and organisational development. (On the other hand, there is no evidence that the labour force must always be involved, especially with technical product innovations.) Regional development through strengthening the capabilities of regional actors is undoubtedly important, and there is every reason to believe that more and better research into these questions will allow us to improve performance. Value Creation 2010 combines these ambitions in a single programme, aiming to work at the three levels of in-company organisational development and innovation, inter-company networking and establishing regional development coalitions. A key finding of this evaluation is that trying simultaneously to tackle all three levels is impractical (Arnold *et al.* 2005).

There is no doubt that Value Creation 2010 was a very ambitious R&D programme, and that Agder, if we read the evaluation report, was one of the places that tried hardest to be present at the three “levels” simultaneously. As the first, this explanation is not unreasonable. Value Creation 2010 resulted in a conflict at Agder, and Agder was among those places that stretched its resources the most, and other Value Creation 2010 modules that did not follow this strategy did not have such conflicts. However, in it self this is not a satisfactory explanation. If the regional partners in the Value Creation Alliance shared such an understanding of the project, they could have addressed this situation and chosen to prioritise the resources in the project in a different way, and this could easily have been done without Value Creation 2010 Agder developing into a conflict, a situation that effectively collapsed the project. I therefore regard this as an explanation with merit but also as an explanation that on its own is not satisfactory.

The *third* explanation is that the Value Creation 2010 project resulted in a conflict because of inadequate project management. This explanation represents a possibility that should be seriously addressed, as it should in any project that ends up without realising its intentions. In the meeting between the Value Creation Alliance working

committee, the management on Agder Research, and the project leader in Value Creation 2010 Agder on 13 March 2003, when the project leader is fired, it is this explanation that is used. The main argument that verbally was presented to the rest of the research team from the leader of the working committee in the Value Creation Alliance was that the project leader was fired because of lack of communicative skills. However, this represents an explanation that it is tricky for me to address the merits of, if the working committee meant that the project leader did not do what he was told to do, then pointing to lack of communicative skills is a fair argument. What is odd about the explanation is that it does not explain why and how the project management suddenly should become so much worse at communicating. Data in chapter 5 do clearly indicate that the partners and others involved in the project in the first years of the project were very satisfied with how the project was conducted and how the project leader communicated with the Value Creation Alliance. I therefore regard this as an explanation that could have some merits, but also one that on its own is unsatisfactory in order to explain why the conflict occurred when it did.

The *fourth* explanation is that the Value Creation 2010 project resulted in a conflict because of internal conflicts at Agder Research. I have in chapter 5 presented much data that are supportive of such an assessment. For instance, the dominant role that the Value Creation 2010 got in the Agder Research's organisation did pose problems for others working at Agder Research. When external financiers, and members of the Value Creation Alliance, expected that researchers and consultants working at Agder Research should coordinate their innovation-oriented project proposals with the Value Creation 2010 project leader this was understandably not popular in the organisation. In addition to this, there were problems and disagreements relating to the economic steering systems in the organisation. It was for instance very difficult to know precisely how many resources that was consumed by the Value Creation 2010 project. It is no doubt that this also was something that significantly added to the tension between the management and the project leader in the Value Creation 2010 project. I would however be very hesitant to use the internal situation at Agder Research as a central explanatory factor for the conflict. It did of course not help, and it probably speeded up the process of running the project into stalemate. It is however unclear how much of the internal problems at Agder Research that actually

were known outside the organisation. Myself and many others working at Agder Research had a “feeling” that something was wrong, but we did not know anything with certainty. That members of the Value Creation Alliance should be so much more informed about the situation at Agder Research than those who worked there is something I find to be implausible. It was always in the interest of Agder Research to have the Value Creation 2010 project as “healthy” as possible, since the project generated much ill needed economic recourse to the institution. Keeping a decent “façade” was in the strategic interest of Agder Research; I therefore find that this explanation has little merit to it also.

The *fifth* explanation is that the Value Creation 2010 project resulted in a conflict because of conflict seeking researchers. This explanation has not been articulated by any of the members of the Value Creation Alliance as far as I know. It has however been articulated by people that were not directly involved in the project, but only observed the researches’ reaction to the conflict after it was a reality. The research team in the Value Creation 2010 project did react very strongly to the removal of the project leader. We were also very open in communicating our views about the situation both internally at Agder Research and to people on the outside of the organisation. Our attitude could easily have been interpreted as aggressive and conflict oriented. I therefore do not find it to be unreasonable that this attitude also could have been rationalised as an explanation to the conflict itself. However, as many of the other explanations this is also plausible but unsatisfactory. It does not explain why the research team suddenly should become conflict oriented, and how the Value Creation 2010 project could function reasonably well for almost three years with the same “conflict oriented” researchers and consultants. Therefore I also find that this explanation has little merit to it.

The *sixth* explanation is that the Value Creation 2010 project resulted in a conflict because of lack of progress relating specifically to enterprise development. This explanation represents the second part of the official reason given for firing of the project leader on the meeting held on 13 March 2003. The issues that were discussed in chapter 5 in relation to this was that there were disagreements associated with how the HF-B project was going to be organised, what role it should play in relation to the Value Creation 2010 project, and who was going to be the project leader, etc. This is in

addition to less progress than expected in developing sufficient enterprise internal development projects in Value Creation 2010 Agder. The previously discussed Inno report (Inno 2003), also discusses this aspect of the Value Creation 2010 project. Value Creation 2010 is the only project that is directly mentioned in Inno's report about Agder Research, and this report was as previously mentioned commissioned by the CDFSN. Inno states in its report that Agder Research enjoys a good reputation in the public sector, with satisfied customers, it is however a different story with the private companies. The responsibility for this is in the report almost solely put on the execution of the Value Creation 2010 project:

Private companies, however, cannot either imagine at all what Agder Research could do for them or communicate explicitly their disappointment with Agder Research. To a significant degree, this is due to flaws in Agder Research's PR and marketing in general and in respect to Value Creation 2010 in particular. The Value Creation 2010 target group companies misunderstood two core messages completely, which Agder Research is to blame for: the total project budget and the role of Agder Research. Agder Research reached out to the private companies by communicating significantly too high budget volumes and by letting the companies understand that Agder Research's role was to win money for the companies. The companies wanted the cash and became upset when Agder Research – against their initial expectation – kept it for itself. It is going to be extremely difficult to win new clients in the current situation taking into account the very limited list of enthusiastic private companies that can be used as reference clients (Inno 2003: 36).

I believe that this explanation is an important component in the broader understanding of why the Value Creation 2010 project in Agder resulted in a conflict. However, it does not represent the complete picture. At the time of the conflict, there had been less progress than planned in enterprise internal projects for quite a while. The main reasons for this were that two of the three process consultants had quit Agder Research, and thereby ended their participation in the Value Creation 2010 project. This was known to the working committee of the Value Creation Alliance and the management at Agder Research, and was something that the project leader of the Value Creation 2010 project hardly could be blamed for. In January and February 2003, the enterprise internal projects were also looking promising. The HF-B project funds were granted, and were going to be used to hire process consultants to the Value Creation 2010 project, and a new business network was also close of being set up in April. In addition, two other business internal development projects were running as planned under the umbrella of the Value Creation 2010 project. Paradoxically, there were



actually more business internal development projects in progress at the time of the conflict than it had been all of the previous year. It is however no doubt that the dispute about how the HF-B project should be organised represented a tipping point concerning the actual conflict. Nevertheless, this dispute in itself is not a sufficient explanation. Inno's assessment of the Value Creation 2010 project represents thus the simplified myth about the conflict that some external stakeholders to the project have communicated to Inno post-conflict. The HF-B dispute, and the issues relating to progress in enterprise internal development projects, is as I see it more symptoms of the underlying conflicts that did exist in the project than the actual causes to it.

The *seventh* explanation is that the Value Creation 2010 project resulted in a conflict because the research team initiated a process aimed at rethinking roles and responsibilities in the project and in relation to regional development in Agder. This explanation is also plausible. It can very well be that the research team in some form or another provoked something or someone when we wrote the strategy report asking the Value Creation Alliance members to examine their roles and the legitimacy of their participation (H. C. G. Johnsen *et al.* 2003). The time this report circulated also correlates with the time of the conflict. There are however some difficulties associated with this explanation. First of all, it was the Value Creation Alliance itself that initiated the process of looking at their roles and the working methods in the Alliance, and the Alliance's role associated with the larger development system in the Agder region. Secondly, if the participants in the Value Creation Alliance really did not like this report, it would be much easier for them to just ignore it, than to initiate a conflict based on a report that few others in the region would have bothered with. I therefore find little merit associated to this explanation.

The *eight* and last explanation to why the Value Creation 2010 project resulted in a conflict is because of crossing expectancies to the Value Creation 2010 project. Conflict in expectancies between a) those held by the research team, b) those held by the members of the Value Creation Alliance, c) those held by the Norwegian Research Council, and d) those held by regional actors external to the project. Many of those involved in the Value Creation Alliance had associated themselves and their institution closely to the Value Creation 2010 project. Regional actors had used the Value Creation 2010 project at many occasions as examples of what they did in the region relating to

both regional development and especially as examples of their relevance to the industry in the region. This is true for most of the members of the Value Creation Alliance, it is true for Agder Research, and it is true for the research and consultancy team responsible for running the project from Agder Research's side. It is no hiding in that the researchers involved in the Value Creation 2010 project's primary interest in the project was associated with the research aspects of it. At the time of the conflict, we were just starting to get a grip on how we should address the project as a research project and not just as a development project. Among the research team the main problem with the Value Creation 2010 project was actually that there was not much research writing in the project. We also knew that publications originating from the Value Creation 2010 project at Agder was one of the major expectancies that the Norwegian Research Council had towards the programme. To write and publish was one of the central ambitions the research team had with the Value Creation 2010 project. We also feared that if we did not deliver on this important aspect we would lose funds from the Norwegian Research Council. In addition to this, the Norwegian Research Council increased their emphasis of the importance of the regional and municipal level in Value Creation 2010 as late as November 2002. Because the ministry responsible for regional and municipal affairs was becoming an even more dominant sponsor of the national Value Creation 2010 programme the research team found it impossible to just drop this work, and to just for instance focus on enterprise internally and network activities. Therefore it existed considerable cross pressure within the Value Creation 2010 project both nationally and regionally. In addition to the cross-pressure that existed internally in the project there was also pressure from the "outside".

I therefore asked the former director at Agder Research why the Value Creation 2010 project went as it went, and I will in the following give some space to his answer because I believe he shared important insights to why the project resulted in a conflict:

*Question:* Can you say something more about how you experienced the atmosphere between the partners, and the relation to the industry at this phase? I remember one of the first conferences that Value Creation 2010 Agder held just after the start up, there the industry was heavily represented as I recall. That is more unusual now is it not?

–I experienced very much enthusiasm in the region, many good things happened around the start-up of the Value Creation 2010 project, and the Norwegian Research Council appreciated our application. The industry was supportive; actors in the Value Creation alliance were optimistic. Everything looked very well. What I think then happened was

that one could not deliver the things that one had promised initially, simple as that. It develops a very strong mismatch between the expectations that the industry and the Value Creation Alliance had and the things that actually took place within Value Creation 2010 Agder. This led to huge dissatisfaction on many fronts because of this mismatch, one played up large expectations and it did not become what we had thought it would.

[...]

*Question:* When you initiated the Value Creation Alliance, did you see this institutional building process in relation to other parallel institutional developments in the region? On the other hand, was this a separate issue without relation to anything else?

–Well, I understood Value Creation 2010 as something very different from what we thought that Sydspissen should be. Value Creation 2010 was an initiative to get more content so to speak, in the processes in this region. What we thought of, we who took the initiative to set up Sydspissen were primarily national marketing of this region. It has maybe developed differently so that there will be overlap issues, and conflicts. However, this is due to, in my opinion that Sydspissen did not manage to hold on to the original idea behind the initiative - to be an umbrella over other organisations, and market this nationally. At that time, I did not see any conflict of interest between Value Creation 2010 and Sydspissen. However, what after a while became clear to me were that the Value Creation 2010 structure came into conflict with the counties role as regional development actor. We had the county responsibility reform [ansvarsreformen] in the beginning of the 2000s, where the counties were given clear responsibility for development in the regions by the ministry, and also the responsibility for leading the regional partnerships. Then Value Creation 2010 became a wrong or at least a difficult construction, where Value Creation 2010 Agder and Agder Research as a commercial research institutes suddenly were a central hub in this, a position that the counties should have according to the counties. I do not know how much this has been exposed in the public debate, but I do not think there is any doubt that this eventually became a problematic issue for the counties.

*Question:* If you look back at the project, now in 2006, it is not a big secret that it did not turn out as expected from Agder Research's side, and the project teams point of view. If you shall explain this, what if anything, would you add to the two aspects you already have mentioned, the gap in expectations, and the regional reform?

–Erik Arnold's evaluation of Value Creation 2010, has actually explained what happened in Agder, something that actually was very dramatic. Others were maybe better at handling this. I do not disregard the possibility that the expectations to Value Creation 2010 here at Agder were played out too loud. However, what in particular were played out too strong were the useful dimensions towards the industry. Too many enterprises did not understand what Value Creation 2010 was about. In addition, they talked out aloud about that, they did not experience any use of it. This did of course influence the social partners in the working committee of Value Creation 2010. They took this topic up for discussion repeatedly in the working committee, in relation to me, as project responsible in Agder Research. I experienced that this to a sufficient degree was not considered by the project management in Value Creation 2010, and followed up through practical changes in the project. To be concrete, back in 2002, the working committee of Value Creation 2010 wanted to appoint a separate person in the Value Creation 2010 project that should be responsible for contact with the enterprises, just because that they saw that Hans Chr was not particularly good at talking to the enterprises. The project leader of

Value Creation 2010 Agder (Hans Chr) chose not to accommodate this initiative. It therefore came to a very heavy conflict around this, and the working committee was over time very irritated that their wishes were not heard. That he chose to ignore the crisp clear message they were sending, signals that also to an extent are recorded in minutes from those meetings. That the project had to be organised differently when it came to Value Creation 2010's intervention towards the enterprises.

*Question:* This was important for them because the social partners had invested quite a lot; they had fronted this in media, at conferences etc?

–Yes, they had invested both money and prestige.

*Question:* So the perspective is that the social partners in a way shared destiny with the project's relative standing in the enterprises.

–Yes, and they came to me, I was not member of the working committee, it was the working committee that worked with this on their own. They came to me as director of Agder Research and explained the situation to me. I then took this up with the project leader in Value Creation 2010, and I experienced that nothing happened. There was no will to do the necessary changes, what was said were overlooked. This culminated with us seeing it necessary to do something about the project management just at the end of my time as director of Agder Research.

*Question:* So now the project enters a new phase with conflicts on many fronts?

–Yes, a vacuum emerges of many different reasons. Then things really went wrong. But it is clear in my opinion that all of this happened because the enterprises strong and clear said that they were so displeased, that they didn't have any use of it, that they didn't understand what this was about etc. I was even invited to a separated meeting by CDFSN, were the chairman of the board and the director in CDFSN. I even remember the date; because I became an uncle that day, 19 February 2003. Here CDFSN said very clearly that they think that Value Creation 2010 is a very good idea, but that the project does not work with the current project leader. This was a very clear message also from them, so it was not only the enterprises (that complained), CDFSN are of course not the enterprises in itself, but their point of view of course stem from the enterprises. Then much turbulence evolved around this, you (referring to the interviewer) were part of this team. Our understanding of reality with all of these signals from the industry, the working committee, and CDFSN was miles away from the understanding that you in this core team had. The understanding of reality was miles away.

*Question:* Yes but also on what the project should be about.

–Yes maybe. So then, it was much fuss.

*Question:* If we skip ahead three years we see that what remains of the project becomes fragmented, and not much development work goes on at all except from the Ph.D. projects.

–Yes, this is what I also have experienced, I have not heard much about Value Creation 2010 after that.

I believe the account that the former director of Agder Research gives is relatively right concerning many of the main reasons to why the conflict unfolded, see also my discussion of the previous points. What was new to me and something that I did not realise before this interview was the scale of pressure that actually was put on the director by actors external to the Value Creation 2010 project. When the former director says that he more or less was instructed by regional actors outside of Agder Research to let the project leader go, there is no reason to doubt him. This does also tell us something about the role and status that once was attributed to the function that the Value Creation 2010 project was meant to have in the Agder region. The project did in a sense become too big for its own good, and it could not stay securely under the “radar”. That the CDFSN chooses to involve themselves directly in how projects at Agder Research should be organised is surprising but it is not sensational if we take into account the other meta governance practices that have occurred in the Agder region. See also discussions in chapter 6 in relation to this.

Based on this discussion I find reason to conclude that the answer to the first research question: Why did the Value Creation 2010 project at Agder result in a conflict? is the following: *There were many and crossing expectancies to the Value Creation 2010 project at Agder, what actually realised the conflict was however the presence of influential governance institutions with the capability and will to act on behalf of some expectancies and interests.*

#### 7.4 – Regional Governance

Based on the discussion and analysis of the first research question, I find reason to explore more into some of the characteristics of the regional governance system and regime practices in the Agder region. Both regime and governance represent independent bodies of theories, as we saw in chapter 3. Theories that individually can be used to describe and analyse regional and urban political economic steering systems. Seen independently, governance theories often tell us that representative democracy is weakened and/or that the relationship between the political sphere/ and the private sphere have changed in various and significant ways. On the other hand, regimes can very well be anchored in representative democracy as they are in Stone’s text about

Atlanta (Stone 1989), and both regime theory and a theory about governance can and could have been used independently to analyse data presented in this thesis. However, I believe that when we combine theories about regimes with governance perspectives we also get a more accurate depiction of current practices. The combination of governance theories and regime theories do also have implications for our conceptualisation of the regime. It is not any more so closely and so necessarily connected to representative democracy and the market, as it would have been if it were not integrated in a theory and practice about governance. Representative institutions still play an important role in regional systems. However, since power in the regional political economical steering system no longer exclusively is associated with representative democracy in a governance system, the ‘regime’ in a way also “moves” with this shift in power and influence.

In the literature about regimes, we find many different ‘types’ of regimes. Dowding (2001: 13), lists a few: ‘Maintenance Regimes’, ‘Growth-Machine Development Regimes’, ‘Privatist-Corporatist Development Regimes’, ‘Middle-Class Progressive Regimes’, ‘Mass Mobilisation (working-class) Regimes’, ‘Service-Delivery Regimes’, ‘Pluralist Regimes’, and ‘Hyperpluralist (or no) Regimes’.

I therefore continue with a discussion of the second subsidiary research question that is: *What are the central characteristics of the regional regime and governance system in the Agder region?* This question is going to be analysed using the theoretical framework developed in chapter 3, the three perspectives on regional governance, and I start out with a discussion of the key elements within the three perspectives in relation to the data and analyses that have been presented so far.

### ***On Governance and Regime***

As previously discussed in chapter 3, the *instrumental perspective* represents an economical type of rationality, and it builds on Max Weber’s ideal model of the organization as rational and efficient instruments, meaning that that rules, regulations, instructions, etc. imposed by the leadership will be acceded to (Weber 1978). Rational steering of governance systems is in this perspective both desirable and possible. The reason for such steering being possible is primarily that actors act in predictable and rational manners. Actors are systematically pursuing to realise certain aims, and through

systematic manipulation of these aims the governance system can be controlled and meta steered. The instrumental perspective comes, as discussed in chapter 3, in two “variants”, with respect to collective actors’ dependences on each other. The central issue is whether actors are most meaningfully described as autonomous or interdependent within the governance system in the Agder region. The second question based on this perspective is to what extent data in this thesis support the idea that governance actors are utility maximizing and rational, are instrumental in their actions? We also saw in chapter 3 that the combination of the two ‘variants’ of the instrumental perspective also had implications for how we viewed society it self, if actors were autonomous then governance could work only if actors deliberately sought common good solutions. However, if they were interdependent then governance would also work when there were competing interests on a fundamental level at play in the governance system. Furthermore, governance networks are depending on how actors are conceptualised, in this perspective either horizontal interaction between resourceful and interdependent actors or horizontal coordination between autonomous actors. The rational purpose and legitimacy of governance is associated with the steering capabilities the system represents. Governance has in this perspective emerged because of institutional fragmentation, or to insufficiencies of other coordinative structures in society. Meta governance is in this perspective the regime’s manipulation of the institutional and organisational aspects of the governance framework. If actors are viewed as autonomous steering that seeks preserving the autonomy of individual governance institutions are emphasized.

In the *institutional perspective* is individual and collective action shaped by values, identities, knowledge, and rules that are bound together in socio cultural systems and institutions. Further, they see action as conditioned by socio cultural identities, norms, and rules, which are bound together in a concept of a common good. The normative integration of individual and collective actors gives good conditions for stable societal steering (March & Olsen 1995). March and Olsen’s institutional perspective sees action as culturally conditioned –the logic of appropriateness. Where actors first reflect upon whom we are, and then identify what type of situation this is, and then act based on an assessment of what the institutional context of rules, norms, and conceptions define as appropriate in such a situation. Society is in this perspective

conceptualised as a place where actors intentionally seek common good solutions. Democratic steering and development of governance networks are therefore a central component of this perspective. Governance is in this perspective interactive steering based on institutional norms and rules. The phenomena of governance institutions are in this perspective explained in the same way as they are within the instrumental perspective. They emerge as a response to fragmented and complex steering processes in society. Governance networks can in this perspective, if they are democratically steered, be interpreted as a necessary part of a modern and complex society. Meta governance is in this perspective the regimes re-institutionalisation, shaping, and development of identities and capacities in specific and wanted democratic directions.

Neither the *ideological perspective* conforms to an economical type of rationality, but that actors are bounded rational in their actions. In this perspective actors act based on discursively constructed, motives, strategies, and rationalities, which are embedded in practice, and as the case was in the institutional perspective actors could be understood in both individual and collective terms. At the core of the ideological perspective is the idea that society is an arena where different interests are in competition with each other. In order for societal structures such as governance networks to be viable, there must be a dominant idea or discourse about these institutions' role in society, about development, and about democracy, that all contributes to rationalise and legitimise governance structures and processes in society. Unlike the institutional perspective, the ideological does not presuppose any idea about governance relating to democracy. On the contrary the case is that governance is understood as an institutionalised steering rationality and technology, and exerts a specific form of power. The purpose of this steering rationality and technology is to support the exertion of the dominant development agenda and policy.

The interviews conducted, as part of this thesis work did not provide clear answers to these questions introduced through the perspectives. These questions must therefore be approached indirectly. When I interviewed those that were or could be expected to be involved in governance activities in the Agder region, we often touched upon topics relating to their experiences with working in and with governance networks. I also asked some of them directly why they had chosen to participate, and I asked about



their assessment of various strengths and weaknesses of the system both relating to effectiveness and of more normative issues relating to democracy.

If network actors predominantly gave answers that related to personal or institutional interests, this could be interpreted as a support to the instrumental perspective; actors participate because they have a personal agenda. On the other hand, if actors gave answers that could be interpreted as political or if those interviewed had (in this case) a regional agenda, a vision for regional development that they wanted to participate in realising. An agenda that clearly was outside their personal or institutional interests, then it would indicate support for perspectives indicating that society is a place where common good solutions is sought and actors could very well also be autonomous. On the other hand, if actors showed little understanding for how they work related to the larger regional development picture, if they primarily were preoccupied with their concrete involvement in a development activity. Then this would indicate support for the institutional and/or the ideological perspective. In addition, if actors did little to question the activities they were involved in or other system features then this also would be something that could be interpreted as support for the institutional and/or the ideological perspective. If interviewees independent of my questions actively sought after, or responded unequivocally positive to direct questions relating to more participation and broader and more inclusive development processes, then this would indicate support for the institutional perspective emphasis of democratic governance, as a positive and sought after steering form. If actors “defended” the ‘system’, when approached with critical questions relating to critical issues for instance, participation, democracy, and system effectiveness then this would be something that could be interpreted as support for the ideological perspective.

Data available to this thesis show, and not surprisingly, little support for such simplistic assessments of the system. The picture relating to these questions are in reality very complex, however, my attempt at addressing them begins with grouping governance network actors in the Agder region in one of three categories.

The *first* group is those that showed little sign of being much involved in governance activities, this group could be involved in network work and or development activities, but seldom more than one concrete network or development activity. This group is here conceptualised as *–the workers*. This group of people has

very varying understanding for how “their” activity fit or relates to other regional development activities. This varies from them having a very sophisticated understanding, to them having almost no apparent knowledge about the regional governance system at all. The reason for them being involved in this activity was either that it was their professional business, that participating was part of their “job assignment”, or that the particular activity represented something that they were personally involved and engaged in. Some of the people in this group could be interpreted as rational in the sense that they saw participation as a business opportunity. However, I believe most of them participated more because of it being a part of their “job description”. This group showed few signs of political engagement or having a regional development agenda as something central to their thinking. This group of people is predominantly not the leaders of the organisations they are employed by, they could have managerial responsibilities but this is not the prime reason for their participation. They participate because of their professional expertise and/or because of their direct involvement in a concrete and practical development activity. This group could be project leaders or project participants from either research or academic institutions, consultancies, from the public sector or the industry.

The *second* group of those interviewed and observed were those who were or had been involved in many governance network activities in the region, but without directly expressing a personal and “political” commitment to regional development plans. This group is here conceptualised as *–the masses*. This group could be visionary on behalf of the institution they represented, but they do not communicate and phrase this vision on behalf of the region. This represents the largest portion of the people I interviewed and have worked with in the Value Creation Alliance. This group of people represents in my opinion the usual governance network participant in the Agder region. To what extent they are personally involved in concrete development activities themselves varies much, and is not typical. This group of people tend to held manager, director, and leader positions in various institutions in the region, not necessarily the top position but they do have some kind of formal authority within the organisation that employs them. They often tend to delegate responsibility for implementation to others, and then act as controllers themselves. The interviews also showed to what extent this group of people participated from of a personal or institutional agenda varied much; the majority of

those I have talked to did not reveal any hint of any such agendas to me. They often said that they participated because they were either invited in, it was the defined role of their institution to be represented, or just participated because they believed that it was expected of them to participate.

The *third* group is those that have a vision for regional development in the Agder region. This group is here conceptualised as *–the visionaries*. This group of people is very politically engaged and sees the governance network arena as a place where such ambitions can be realised. This group knows what regional development in the Agder region really is about, and misses no opportunity to communicate it to others. This group of people are engaged in these developments at a very personal level, and I believe that they seldom are in doubt about the legitimacy and justifications concerning this type of work. This group of people tends to possess considerable authority either because of the formal positions they held in the region, and/or because of the charismatic characteristics of their personalities, and/or because of the competence they represent, and/or because of their achievements in business, and/or because of the financial resources that are at their disposal. This group of people participates directly and indirectly (for instance through proxy) on many different arenas in the region. The regional regime in the Agder region is part of or “recruited” from this group of actors.

I therefore found little support for an assumption that the majority of network participants participate out of self-interest. Some probably do, and some institutions have defined this as a strategically important arena to be present at, however, I find little support for the assumption that such mechanisms have driven the growth of governance networks in the Agder region. The idea that actors can act based on rational calculus is in this thesis believed to be an inaccurate and misleading conception about both human cognition and society. Society is simply too complex and many faceted for us being able to act towards our surroundings in what in the instrumental perspective is conceptualised as a strictly instrumental and utility maximising manner. The type of rationality and basis for action conceptualised in the institutional perspective is here believed to be far more accurate in depicting what in “reality” governs our actions than what is held in the instrumental perspective. In addition, the theory of appropriateness is not incompatible, but very compatible, with acting within a discursively constructed

framework. What is conceived to be appropriate action can very well be understood as action within the *appropriate* discursively constructed framework.

The idea that governance networks have emerged because of institutional fragmentation and sector oriented state policies has some merit to it. It is true that the official institutional landscape; municipal and county borders, state ministries, public institutions tend to change at a much slower pace than what is interpreted as the optimal organisation and structure in order to effectively address current development needs. The problem with relying solely at this explanation is that governance networks do little to address this problem, as they only add to the problem of institutional fragmentation and complexity. It is therefore difficult to identify the rationality and logic to solving the problem of institutional fragmentation without adding more complexity and institutional fragmentation. Therefore, I neither see any reason to conclude that this is the major driving force behind the emerging governance networks. However, if we look at what the regional governance system actually does for explanation, then the ideological perspective provides the better explanation. The governance system is, as we have seen, effective in steering development work in specific and wanted directions. This is also the main purpose of regional governance and regime steering of governance networks.

The instrumental and the institutional perspective have another conceptualisation about governance networks that I believe to be inaccurate. This conceptualisation concerns the assumption that governance networks should be primarily understood as horizontal structures. Technically and formally they are horizontal structures. There is very little formal decision-making power within this system. However, as shown here do participants in governance networks in the Agder region not represent a unified group. One could therefore pose the argument that there exists some kind of *informal hierarchy* within the governance network structures. For instance, some are more experienced than others, and some know more people than others, and some have more influence than others, and some have more knowledge about working in a network than others, and some participate on many arenas while others do not, and some have access to more information than others, and some are able to participate in meta steering processes, while others are not. I therefore find it hard to follow the assumption about governance networks, that they represent particularly egalitarian and flat steering structures, the hierarchies are there and they are visible, they are just not a formalised

part of the system. Power in governance networks is based on indirect rule; it is the informal hierarchy that is the central characteristic of the governance network, not the “formal” horizontal structure.

The data presented in this thesis, my interviews with regional stakeholders, and my experiences from working with the Value Creation Alliance do little to support the normative notion found in the institutional perspective about democratic governance. In this instance are both the instrumental and the ideological perspective more empirically accurate, but these perspectives do not represent a normative standard on which societal development should be modelled.

Within the instrumental perspective it was a question concerning whether governance actors best could be described as autonomous or interdependent of each other. The institutional perspective conceptualised actors as being both, and the ideological perspective stated that actors were dependent upon a discursive framework. It is no doubt that governance network actors’ dependence of each other has increased as an important component of the governance development process itself. However to go from that, and to say that the dominant picture is that governance actors are interdependent I have difficulties following. It is however one group that clearly is dependent upon governance networks. This group of actors belongs to the *visionaries*, because for the other two groups, the *workers* and the *masses*, absence of governance networks would mean little less than less meetings. Once again it is the ideological perspective that provides the better explanation, governance networks do not primarily work because governance actors are interdependent of each other, neither does governance networks work because actors are autonomous of each other and that actors intentionally seek common good solutions. Governance networks work because it is meta governed through a regional narrative, a discursive framework that prescribes governance networks as a necessary and beneficiary societal steering form, and that the aims set for regional development work is in the best interest of everyone.

Those that examine the interview extracts reproduced in this text would observe regional stakeholders that actually are quite balanced in their answers as many of them acknowledge problematic aspects and challenges that still need to be addressed in the regional development system. We should also assume that this balance to some extent is reproduced in their practices when working in and with governance institutions. The

informal regional regime collaboration is not an institution that can do anything it possibly wanted to do. It can only act in a meaningful way within the boundaries of what is defined as purposeful for the region, that this is defined relatively broad is here a separate issue. However, my point is that I believe there is a sincere awareness towards being loyal in not saying or acting in such a way that the legality as well as the legitimacy of this work can be questioned. Because these are not dishonest, but politically engaged and visionary people that act in accordance with what they believe is in the best interest of the region. Many of them use much of both their free-time and ordinary work-hours working to realise successful regional development processes, something I doubt they would do if they were not sincere in their commitments.

The question concerning society as a place where actors intentionally seek common good solutions, I can follow a long way. However, this idea becomes absurd if it is interpreted as being the same as it not existing diverging and conflicting legitimate interests in society as well. There are groups of people, organisations, institutions, and physical places where people live that are in conflict over the same limited recourses in society –not everyone can get everything they want, this is just as true in the field of regional development in the Agder region, as it is everywhere else where there is shortage of recourses. There are in a sense more ideas and workforces than there are available development resources. The question then is how and what principle to use in order to distribute these resources in a best possible way also mirrors the interest held by the people that actually lives in that region. The perspective held in this thesis is that such processes are both better, as in efficient, and more normatively justifiable when they are governed by democratic principles rather when they are governed through regime-steering practices. I believe society to be an arena where actors intentionally seek common good solutions. However, actors also need institutional frameworks that are supportive of such intentions, for such common good solutions to be realised. Regional development resources are limited so divergent and conflicting interest must be mediated, and the regional regime is such an interest mediating system, democracy is another.

***Power and the Meta Governance Steering Paradox***

The regime/meta governance steering paradox was that if the development discourse is too hegemonic, one risks blocking new thoughts and loose development opportunities, and on the other hand, if it is too much conflict one risks undermining network negotiations.

Within the *instrumental perspective*, we had a behavioural conceptualisation of power, the consequence of this was that power only could be observed where there was an observable conflict of (subjective) interests, interpreted as expressed policy preferences. Successful meta steering is dependent upon avoiding the exercise of this type of power. This is because the regime/meta governance steering paradox only can be “solved” indirectly, through the organisation of self-organisation. If actors are viewed as autonomous then it will also be a goal to increase actor’s dependences on each other.

The *institutional perspective* had a slightly more “advanced” perspective on power and the execution of power. Through institutional design governance network can in this perspective be steered for instance through setting up institutions with specific purposes and orientations, and through allocating specific resources and people to development initiatives that represents the sought after development paths. Influencing the institutional rules and norms in the network, produce specific forms of knowledge, tell stories of “best practice”, create symbols and rituals, and systematically work with attitudes towards more democratic practices are all examples of how the regime/meta governance steering paradox is addressed in this perspective.

Within the *ideological perspective*, power is exercised when there is general consent to a discursively constructed narrative. Regime steering is in this perspective steering at a distance, and includes in addition to manipulation of the institutional framework, setting the ideological, and normative premises of development. The regime/meta governance steering paradox is in this perspective effectively solved through the regimes ability to mobilise actor’s energies and capabilities within a discursively constructed framework. If actors do not oppose this framework, the system will work.

The exertion of the power in the “one-dimensional” view is, as far as I know, relatively uncommon in the workings of governance systems in the Agder region. The

events relating to the conflict in the Value Creation 2010 project represent a maybe rare exception to this picture, and in this case “outside” involvement was not known until several years after the event in question. There are good reasons for why the exertion of this type of direct power is uncommon. First, it is a fact that there exists very little formal decision-making power within the system. Therefore, even if one wanted to it would be extremely difficult to sustain such use of power. Second, the use of such power tends to call attention to it self, and it is very easy to document and consequently also to criticize. Third, if such uses of power become common one would risk that network negotiations broke down, and one would have failed to address the regime steering paradox, where the single most crucial element is to preserve the impression of network and development autonomy in order to realise the creativity and capabilities of those who participates.

The exertion of the “second-dimension” of power is as shown in chapter 6 more common. The “physical” set up and “staffing” of the institutions in governance system in the Agder region can be viewed as an example of the exertion of this type of power. In addition those development ideas and initiatives that did not make it into the regional policy agenda are in this perspective also organised out of the decision making process, they have become non-decisions.

However, it is the exertion of the “third-dimension” of power that is most ingenious and sophisticated, in the sense that, it is the exertion of this power that has enabled the regional regime to facilitate its solution to the meta governance steering paradox. The challenge was how to coordinate and steer practice that involved many people, with different interests, originating from many different organisations, of which one had very little formal decision-making power, and such steering had to be done without direct involvement and instructional authority, and in a specific and wanted direction.

Whether all of the initiatives and steering efforts that have gone into realising these regional ambitions have been deliberate or directly planned or not I do not know the answer to, probably much is done intuitively and ad-hoc. Nevertheless, looking at the system now, a few years later, and “from the outside”, you cannot avoid being impressed of the sophistication, and that it actually was possible to realise it, and almost without any public debate about the issue.



***Summary of Discussions***

The instrumental perspective represented the architectural approach to governance and the belief that regional governance systems can be instrumentally designed to solve specific societal problems. The institutional perspective was the critique of the instrumental perspective, emphasising normative, cultural components of institutional design, but also expressing a belief in normative values of democracy and the governance systems' potential in addressing democratic deficits and development challenges. Last, the ideological perspective was clear in its focus on governance systems and its institutions as power structures that exert specific views and ideas about society. The table below summarise the findings from the discussions so far:

Tab. 7-1: Summary of Perspective Discussions (I)

Dimensions:	The Instrumental Perspective	The Institutional Perspective	The Ideological Perspective	My argument and understanding
<b>Type of rationality</b>	Actors are utility maximizing and rational, they are <i>instrumental</i> in their actions.	Actors are bounded rational in their actions, and apply to logic of appropriateness.	Actors are bounded rational in their actions, and act based on discursively constructed, motives, strategies, and rationalities, which are embedded in practice.	Actors act within their understanding of what is the appropriate discursively constructed framework.
<b>Type of actors</b>	Actors are conceptualised as collective actors. Further there are two possibilities within this perspective, collective actors can be understood as autonomous or as interdependent of each other.	Actors are conceptualised both collectively and individually and are both interdependent and autonomous.	Actors are conceptualised both collectively and individually. Actors are dependent upon a discursive framework.	Actor's interdependencies have increased as result of governance processes, but are in practice still very much autonomous. Regime actors, and the <i>visionaries</i> , are those that clearly represent the "dependent" group in the regional governance system.
<b>Perspective on society</b>	There are two possibilities within this perspective. If actors are <i>interdependent</i> , then society can be an arena where different interests are in competition on a fundamental level and governance still being a viable societal steering and coordination form. If actors are <i>autonomous</i> , then society also must be an arena where actors intentionally seek common good solutions for governance systems to be a viable societal steering and coordination form.	Society is an arena where actors intentionally seek common good solutions.	Society is an arena where different interests are in competition with each other. In order for societal structures such as governance networks to be viable, there must be a dominant idea or discourse about these institutions' role in society, about development, and about democracy, that all contributes to rationalise and legitimise governance structures and processes in society.	Society is an arena where actors intentionally seek common good solutions. However, actors also need institutional frameworks that are supportive of such intentions, for such common good solutions to be realised. Regional development resources are limited; therefore, divergent and conflicting interest must be mediated. The regional regime is such an interest mediating system, democracy is another.
<b>Conceptualisation of governance</b>	Dependent upon the fundamental perspective of society/actors. Horizontal interaction between resourceful and interdependent actors or horizontal coordination between autonomous actors.	Interactive steering based on institutional norms and rules.	Governance is an institutionalised steering rationality and technology, which exerts a specific form of power.	Technically and formally are governance networks horizontal structures. Power in governance networks is based on indirect rule; it is the informal hierarchy that is the central characteristic of governance networks, not the "formal" horizontal structure.

Tab. 7-2: Summary of Perspective Discussions (II)

Dimensions:	The Instrumental Perspective	The Institutional Perspective	The Ideological Perspective	My argument and understanding
<b>Purpose of governance</b>	To give a strategic or functional response to institutional fragmentation, or to insufficiencies of other coordinative structures in society (market and state).	Response to fragmented and complex steering processes.	To support the exertion of the dominant development agenda.	The governance system is effective in steering development work in specific and wanted directions. This is also the main purpose of regional governance and regime steering of governance networks.
<b>Meta governance</b>	An actor(s), institution(s), coalition(s), organisation(s), or regimes manipulation of the institutional and organisational aspects of the governance framework. If actors are viewed as autonomous there is laid more emphasis on steering that seeks preserving the autonomy of individual governance institutions.	An actor(s), institution(s), coalition(s), organisation(s), or regimes re-institutionalisation, shaping, and development of identities and capacities in specific and wanted directions.	An actor(s), institution(s), coalition(s), organisation(s), or regimes mobilisation of actor's energies and capabilities within a discursively constructed framework.	The regional regimes' mobilisation of actor's energies and capabilities within a discursively constructed framework.
<b>Workings of the regime</b>	Indirect steering is emphasised (the organisation of self-organisation), and instrumental in the sense that the paramount governance objectives are predefined. If actors are viewed as autonomous then it also will be a goal to increase actor's dependences on each other.	Influencing the institutional rules and norms in the network, and produce specific forms of knowledge, tell stories of "best practice", create symbols and rituals and systematically work with attitudes.	Steering at a distance, through premising the institutional, ideological, and normative bounds of development.	Steering at a distance, through premising the institutional, ideological, and normative bounds of development.
<b>Conceptualisation of power</b>	Emphasis on the one-dimensional view of power. Focus on behaviour in the making of decisions on issues over which there is an observable conflict of (subjective) interests, interpreted as expressed policy preferences.	Here is the two-dimensional view of power emphasised. Focus on the institutional conditions for decision-making and agenda setting.	Here is the third-dimension of power emphasised. Power is exercised when there is general consent to a discursively constructed narrative.	I find examples of uses of all of the three conceptualisations of power when interpreting the development of the regional governance system in the Agder region. It is however, exertion of the "third-dimension" of power that has provided the regime with its solution to the meta governance steering paradox.

Based on these discussions we can approach the second research question directly, but before I do, we should “revisit” the table from chapter 3 depicting what the central features of governance networks are.

Tab. 7-3: *Features of Governance Networks –Revisited*

<b>Governance networks are:</b>	<b>Description:</b>
<b>Institutions</b>	<ul style="list-style-type: none"> <li>▪ Governance networks represent relatively stable and institutionalised social interaction, governed by and understanding of shared cause.</li> </ul>
<b>Self organised</b>	<ul style="list-style-type: none"> <li>▪ Governance networks are seldom spontaneous and self-organised as they are deliberately set up to in order to realise certain development aims. The network participants themselves seldom directly decide upon whom it is that can participate and who cannot.</li> </ul>
<b>Loosely coupled</b>	<ul style="list-style-type: none"> <li>▪ The actors in a governance network are not formally linked hierarchically, but this do not mean that they are on the same footing. Governance networks are deliberately steered and controlled through informal and tacit means.</li> </ul>
<b>Inter-organisational</b>	<ul style="list-style-type: none"> <li>▪ In the Agder region it is organisational membership and representation that is the key to participation.</li> </ul>
<b>Based on negotiations</b>	<ul style="list-style-type: none"> <li>▪ Voting procedures occurring in governance network I do not know of any examples of. The strong emphasis on consensus, makes room for very little critical debate and disagreements. Few actors are willing or able to challenge dominant views on regional development.</li> </ul>
<b>Based on trust</b>	<ul style="list-style-type: none"> <li>▪ Trust is not evenly distributed within the system. Some people have a close and trusting relationship. However, there exist also clear conceptions of whom not to trust. Trust is not a central explanatory component of, or something that binds the governance system together.</li> </ul>

The second research question was: What are the central characteristics of the regional regime and governance system in the Agder region? Given that the regional regime in the Agder region is primarily oriented towards regional development activities, and that these developments are meta governed by a strong predisposition towards the implications of the “new-economy”. Based on this I find reason to characterise the regional regime and the governance system in the Agder region in the following way: *Agder has a ‘New-Economy Development Regime’ (NED Regime), where policies and concrete development efforts are rationalised, justified, and legitimized by the regional development concepts –the new regional narratives. The regional governance system is a hierarchical steering structure; it is not based on or dependent upon trust to be present, but it is dependent upon consensus.*

Few of the participants in the regional governance system are able to challenge the dominant views on regional development, and if they did, they would relatively quickly risk finding themselves to be excluded from further participation. At current stage the

governance system in the Agder region is starting to mature, to find its form. Put another way, the regional governance system in the Agder region is well advanced on the process of being institutionalised into a natural and necessary component of the regional political steering and development system in the region.

To the extent that regional governance practices increasingly is becoming present in regions, regional governance also represents something new in the sense that they represent both new possibilities for action and collaboration, and new in the sense that they represent new possibilities and problems for democracy. Regional governance processes aimed at exercising agenda setting, development processes, and concrete implementations by necessity possess considerable power and influence on society. If they did not would regional governance institutions simply be unable to act. The change and influence emerging governance and regime processes have on politico economical steering of regions necessarily also represents consequences for the exercise of democratic steering and practice. This is also the kernel of the main research question of this thesis. Therefore is the last component needed to address the main research question is to attend to the topic of democracy directly in relation to emerging governance and regime practices. In the following is therefore the third and last subsidiary research question of this thesis addressed.

## 7.5 – Democracy

*We need not suppose that when power resides in an exclusive class, that class will knowingly and deliberately sacrifice the other classes to themselves; it suffices that, in the absence of its natural defenders, the interests of the excluded is always in danger of being overlooked, and, when looked at, is seen with very different eyes from those of the persons whom it directly concerns<sup>2</sup>.*

–John Stuart Mill

### **Introduction**

At the end of chapter 6, I gave a brief recapitulation of a public debate concerning regional governance in the Agder region. In retrospect, it is apparent that the debate that was represented here produced three major outcomes. Firstly, it produced a lot of anger among those who felt hit directly or indirectly by the criticisms presented in the newspaper. Most of them probably felt that the criticisms were unjust and inaccurate<sup>3</sup>. This is understandable, because as discussed here, most of those that are involved in

such practices act out of what I understand to be a genuine political engagement and commitment to the development of the region. A political commitment that is both time and resource consuming, in addition, they were not engaged in illegal activities of any kind. On the contrary were they realising what many other regions were doing at same time in a similar fashion, and they were also acting according to what was the guidelines given by the national government on regional development. These activities were in this perspective both legal and legitimate. It is therefore very understandable that many of the involved actors meant that the criticisms were unreasonable.

Secondly, did the newspaper debate lead to some minor institutional changes in the region, for instance did politicians withdraw from direct participation in *Sydspissen*.

Thirdly, from now on regional stakeholders realised that they had to be painstakingly prudent in maintaining on every occasion possible that they were not involved in politics<sup>4</sup>. What has *not* yielded from the debate is also significant, for instance has...

...it not been given satisfactory explanations into exactly how democracy is challenged by the emergence of governance networks.

...few if any challenged the presumption that these structures so undisputedly are necessary in order to realise regional development aims.

...no one given a proper answer the fundamental point articulated by the Save the Children representative in Agder, Inger Tonstad, who initiated the regional debate in the first place, that these governance structures represent specific interests, and when they get to dominate they take attention and resources away from other legitimate societal interests.

...no one answered how the relationship between market interests and politics is attended to when the open interaction, like in for instance through *Sydspissen* not longer is an option.

...no one answered what the relationship between democracy and development exactly is and should be.

I believe these are all important unanswered questions that deserve attention and that they should consequently be dealt with systematically. What we also can deduce from the 2003 newspaper debate in *Fædrelandsvennen* is the articulation of it somehow exist a conflict between democracy and “getting something done”, and that we consequently must be willing to “sacrifice” some small bits and pieces of democracy in order for the region to be competitive. Therefore are all of these questions important and

urgent to address. To fully address and give satisfactory answers to them all exceeds the ambitions of this thesis work. The last part of this thesis can however be viewed as an attempt to start to give some initial perspective onto these important questions.

#### ***A Democratic Benchmark of Regional Governance***

Based on this I continue with a discussion of the third and last subsidiary research question that is: *What democratic values can justify some of the significant regional governance issues discussed?* It is not possible within the framework of this thesis to discuss all relevant aspects of the events and issues discussed in this thesis against democracy. In the following are therefore the discussion limited to five issues and events introduced in chapters 5 and 6 discussed against the three conceptualisations of democracy that were introduced in chapter 3. The five issues and events are *first* the sales process associated with Agder Energi, *second* the conflict in the Value Creation 2010 project, *third* the regional policy agenda, *fourth* the institutional setup of governance networks, and *fifth* the regional regime.

There are many more elements than those discussed here that deserves discussion and analysis, however I have chosen to focus on a few elements believed to be useful both in illuminating the differences between the three theories of democracy and simultaneously contribute to analysis of practice. As shown in chapter 3, must, for a system to even be considered as democratic, at a minimum, satisfy the criteria of minimalist competitive democracy. As we have seen do the other conceptualisations of democracy put more stringent demands on what it is that qualifies democracy, and the strictest criteria are those put forth through procedural democracy. I have chosen to limit the discussions of procedural democracy when data not satisfy the minimum standard of approaching procedural democracy in a narrow sense (see chapter 3). In those instances when ‘voting equality’ and/or ‘effective participation’ is missing, are not other approximations of procedural democracy reachable. When this obviously is the case, I do not conduct any further detailed discussions and analysis of this.

The sales of Agder Energi shares discussed in chapter 6, under the ‘financing governance subchapter’ were as a process that was concluded by majority vote in Kristiansand City Council. It has also here been provided arguments and examples of that this process seems steered and controlled in ways that des not satisfy the *rights* of

what came to constitute the minority, in that relevant information was withheld, distorted, and often biased, see for instance discussions of the role of AAGCF and the regional newspaper. The orchestration of the sales process itself was also blameworthy, in that the elected officials in Kristiansand City Council were too little involved and had too little influence on the sales process, see for instance timing of the strategy discussions and the general discussions of the process in Kristiansand municipality in relation to this. The sales process seems neither to have related to public opinion, public opinion that always has been very critical towards selling energy shares. The sales process itself has the hallmarks of being planned a long time ahead, see for instance discussions of the regional policy agenda in relation to this.

If we were to discuss the sales process against a theory of participatory democracy what then is important is to what extent it involved participants affected by the potential outcomes were involved in the discussion to sell. We have seen here that the strategy committee/reference group (see chapter 6) was relatively broadly composed, in that both politicians, administrators from Kristiansand municipality, and management, board representatives, and employee representatives from Kristiansand Energiverk (KEV) were represented in this forum. This was a temporarily organisation that in itself addresses a participatory democratic understanding. However, given that the sales of Agder Energi came to involve and have consequences that were much wider than “just” involving this group, and those that these represented. This group was therefore not “broad” enough in its composition to sufficiently satisfy the demands put forth by a participatory theory of democracy. That involvement, of what came to constitute the minority in Kristiansand City Council, that the minority was so little directly involved, and that the decision was forced through by majority vote, is also in violation against the principles of participatory democracy.

Assessing the sales process in terms of a competitive theory of democracy is relatively straightforward. The decision to sell is in accordance with a competitive theory of democracy. That the minority and its views more or less were ignored is also in accordance with this theory of democracy. It is not “undemocratic” that a majority uses its legal right to make majority decisions in this perspective; it is a sign of effective steering.



Assessing the sales process according to procedural democracy is also relatively straightforward. All of the criteria set forth in procedural democracy were also undisputedly and systematically broken.

The conflict in the Value Creation 2010 project in the Agder region is, as discussed in chapter 5 and 7, an example of a conflict that was manifested because of conflict of interest and perspective, and triggered by external intervention. The existence of the conflict is in itself not in violation of a theory of participatory democracy, neither is its outcome. What is of interest here is what was done in order to resolve it. If the processes surrounding the build up to the conflict and attempts to resolve it had been opened up and involved for instance the whole Value Creation Alliance, and not just the working committee. If CDFSN, industry representatives, the researchers, management at Agder Research, etc. all had been directly involved in discussions surrounding the nature of the conflict and what could be done in order to resolve it, if they all had put forth their views in an open forum. Then could both the conflict and the outcome be legitimate in terms of a participatory theory of democracy. That this also probably would have resulted in that the conflict could have been avoided is also a relevant and interesting consideration here. However, as events played out the conflict is in violation of the principles of participatory democracy.

A theory of competitive democracy cannot inform this conflict. The conflict itself is not in violation of the principles of competitive democracy.

As for the participatory theory of democracy is the presence of a conflict in itself not in violation of procedural democracy. In addition, what is of interest is how the conflict situation is handled. Also in this instance are all of the criteria set forth in procedural democracy broken. For instance in that not all directly affected become directly involved in attempts to resolve the conflict.

In chapter 6 and 7, I discussed the regional policy agenda and its role and function in the region. This agenda was formalised in three separate documents, which were relatively similar. Representative institutions sanctioned two of these documents. A group of unelected people did the construction of these documents and this group was not broadly composed.

The existence of a regional policy agenda is in it self not in violation of a theory of participatory democracy. The central questions here are how the process of

constructing these documents was organised. Was for instance everyone affected by the policy content of these documents involved in some way or another. As this clearly is not the case in relation to the construction of the regional policy agenda in the Agder region, it is also in violation of a theory of participatory democracy.

If we view the issue of the regional policy agenda in light of a theory of competitive democracy, is the central question what the role of representative democracy is in relation to these documents. As two of these documents are sanctioned by majority vote in representative institutions, and political leaders indirectly supports the third document both through fund allocations and through direct participations. Therefore is the conclusion that the construction of a regional policy agenda in accordance with a theory of competitive democracy. That the documents in it self were not developed in representative institutions or by elected officials is of no concern to this.

If we shall interpret the regional policy agenda through the glasses of procedural democracy, we should ask whether the demos' interest and opinion given equal attention, whether the demos had adequate and equal opportunity and possibility to discover what their interest were to the subjects in question, and whether those concerned with the outcomes were involved etc. As this is not the case, it is also in this instance, a question of whether not all of the criteria set forth in procedural democracy are broken.

The intuitional set up of governance system in the Agder region is in particular discussed in chapter 6 and in this chapter. The goals set forth in these network institutions are predominantly to promote regional growth, innovation, and development.

That many of these network structures are consensus driven do in itself lay the ground for processes that are in accordance with principles set forth in a participatory theory of democracy. More arenas do in it self represent more arenas and more possibilities for democratic participation. The perspective held in this theory is in a sense –the more arenas the better. The existence of many arenas with the possibility for democratic participation is in itself in accordance with a theory of participatory democracy.

Regional governance networks are also in accordance with a theory of competitive democracy, as long as and only if, they are approved by and sanctioned by representative institutions. As this is the case for the majority of networks in the Agder region, must also governance be in accordance with a theory of competitive democracy.

If we look at the institutional set up of governance networks in the Agder region and compare it to the theory of procedural democracy, we should observe the following. If we start with *inclusiveness*, does this criterion say that demos must include all adult members of the association except transients affected by binding decisions. In chapter 7 we saw that one of the arguments that were put forth in order to limit participation in governance networks was that this association only was concerned with industrial development in an regional context and not broad social development, and that limitations on the demos therefore were justified. Here I also provided arguments that repudiated such views. Given the validity of this repudiation, this implies that the regional governance system as it functions today does not meet the inclusiveness criterion. Thus, regional governance does not meet the full standard of approximating procedural democracy.

The third criterion of procedural democracy was *enlightened understanding*. Simplified this criterion says that each citizen should have equal access to information, adequate and equal opportunity for discovering what his or her preferences are on the matter to be decided. Thus, alternative procedures for making decisions ought to be evaluated according to the opportunities they furnish citizens for acquiring an understanding of means and ends. Since participation in regional governance is skewed, it is also reasonable to assume that access to relevant information is skewed, and therefore the basis of making informed decisions is also skewed in the demos. Therefore, regional governance does not meet the enlightened understanding criterion either. Thus, regional governance neither meets the standard of approximating full procedural democracy with respect to an agenda and in relation to demos.

The fourth criterion of procedural democracy was *final control of the agenda*. This criterion says that the demos must have the exclusive opportunity to make decisions that determine what matters are and are not to be decided by means of procedural democracy. If we compare this criterion to how the regional policy agenda was set up, developed, and exercised in the Agder region, (see discussion in chapter 6),

then it seems clear that neither this criterion qualifies to the standards of procedural democracy. Thus, regional governance neither meets the standard of approximating full procedural democracy in relation to a demos.

The second criterion of procedural democracy was *effective participation*. This criterion says that the citizens must have an adequate and equal opportunity, for expressing his or her preferences as to the outcome. This means that citizens must have an equal opportunity for placing questions on the agenda, and for expressing reasons for endorsing one outcome rather than another. Since participation is limited and information is unevenly distributed in the regional governance system it is difficult to argue other than that neither this criterion of procedural democracy is met.

The first criterion of procedural democracy was *voting equality*. This criterion says that in order to make binding decisions the decisive stage must be taken into account and equally into account, the expressed preferences of each member of the demos as to the outcome. In an agenda driven and consensus oriented system as the regional governance system, it is difficult to argue that different interests are equally looked after. It is therefore difficult to conclude otherwise than that neither this criterion is met, thus, regional governance neither meets the standard of approximating procedural democracy in a narrow sense.

The last issue discussed in relation to democratic theory is the presence of a regional meta governance steering body, conceptualised as a regional regime.

The presence of a regional meta steering institution is in it self not in violation of a participatory theory of democracy, if it is broadly viewed as necessary in order to achieve efficiency. However, a theory of participatory democracy would put relatively strict demands on how such an institution should be organised and what role it should have in relation to regional development. At a minimum should such a structure, if it was viewed as necessary, be open and transparent, its operating rules should be known, and it should be possible for everyone affected to join. As this clearly is not the case here, the existence of a regional regime is in violation of a theory of participatory democracy.

The presence of a regional regime is also in accordance with the principles of competitive democracy. However, this is only the case if the regime is instructed by and act in accordance with instructions given by majority leaders in representative

democracy. As this thesis concludes that this is not the case in the Agder region, the existence of a regional regime is also in violation of the principles set forth in the theory of competitive democracy.

The existence of a regional regime is also in clear violation of all of the principles set forth in procedural democracy. These findings are summarised in the table below.

Tab. 7-4: Summary of Benchmark

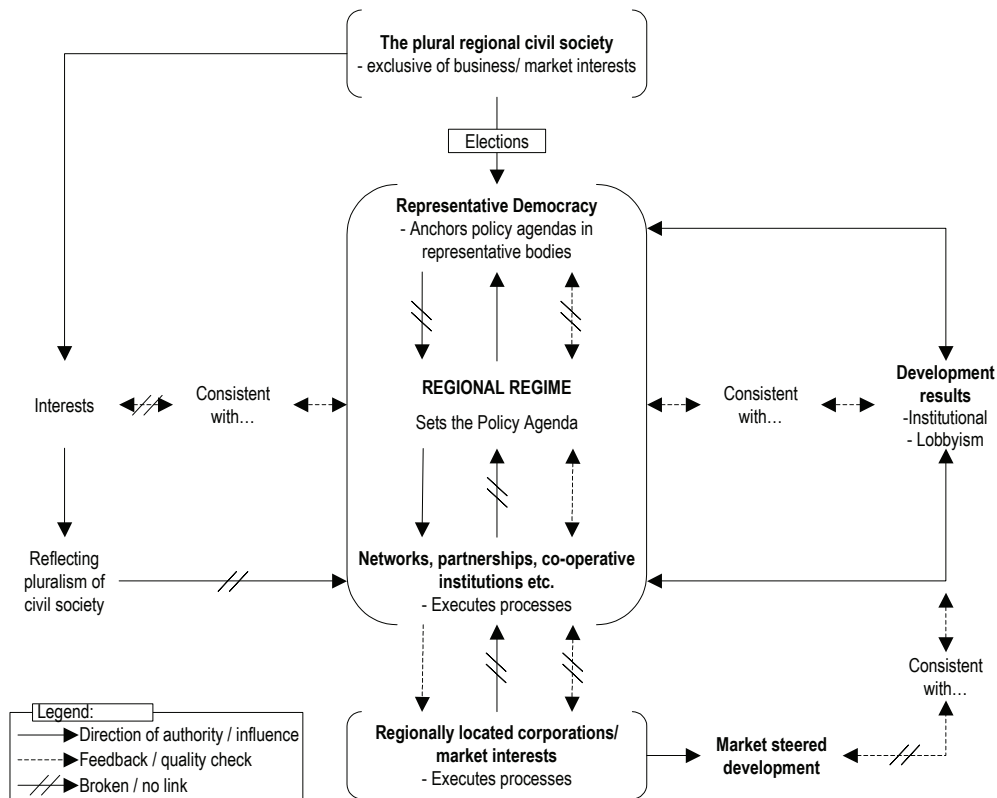
	<b>Participatory Democracy (PAD)</b>	<b>Competitive Democracy (CD)</b>	<b>Procedural Democracy (PD)</b>
<b>The sale of Agder Energi</b>	<b>In violation of:</b> As the decisions to sell was made by majority vote, and not involved all concerned, is the sales process in violation of a theory of PAD.	<b>In accordance:</b> Decision to sell made through majority vote is in accordance with a theory of CD.	<b>In violation of :</b> As all the criterions of PD clearly are broken is the sales process itself in violation of PD.
<b>The conflict in the Value Creation 2010 project</b>	<b>In violation of:</b> The fact that a conflict of interests occurs is in itself not in violation of PAD. What is of interest is how conflicts are attempted resolved. A broad, open, and inclusive process where every interest surrounding the conflict is adequately and equally heard is a minimum requirement. This was not the case and the conflict is therefore in violation of PAD.	<b>Indifferent:</b> The conflict as it unfolded itself is not in violation of principles in CD. The theory itself does not provide grounds for assessing one-way or the other.	<b>In violation of:</b> Conflicts of interests are in it self not in violation of PD. The central question is how such conflicts are mediated. As all the criterions of PD clearly are broken is the conflict in violation of the principles set forth in PD.
<b>The regional policy agenda</b>	<b>In violation of:</b> The presence of a regional policy agenda is in it self not in violation of a theory of PAD. However, this presupposes that the development of the regional policy agenda is done through participatory processes. This was not the case here. It is therefore in violation of a theory of PAD.	<b>In accordance:</b> As long as the regional policy agenda is anchored in representative institutions, or indirectly approved by the majority of elected official is this not in violation of a theory of CD. That the regional policy agenda itself is not developed in the political system is of no concern here.	<b>In violation of:</b> The presence of a regional policy agenda is in itself not in violation of a theory of PD. However, this agenda must be developed on PD principles if it should be in accordance with PD. All of the criterions of PD are broken also in this case.
<b>Institutional setup of governance networks</b>	<b>In accordance:</b> In itself, is the set up of many arenas for development dialogue and participation, through temporary organisations, networks, development coalitions, partnerships, etc. in accordance with a theory of PAD. More arenas mean more possibility for democratic participation.	<b>In accordance:</b> As long as it is anchored in representative institutions, or sanctioned by elected official is this not in violation of a theory of competitive democracy. As the institutional governance landscape largely is financed by public resources, and thus sanctioned in representative institutions is this in accordance with a theory of CD.	<b>In violation of:</b> The set up of arenas for democratic participation represents a potential for democratic change and participation of the demos. However to the extent that such institutions are meta steered they are in violation of PD.

	Participatory Democracy (PAD)	Competitive Democracy (CD)	Procedural Democracy (PD)
<b>The regional regime</b>	<b>In violation of:</b> The existence of regional meta steering institutions as far as they are necessary to achieve efficiency is not per definition in violation of PAD. However, this requires at a minimum that such structures are open and transparent, that membership rules are known and that it in theory is possible for everyone to join. This is not the case here so this is also in violation of PAD.	<b>In violation of:</b> The presence of a regional regime is only in accordance with the principle of CD, if the regime is instructed by, or is a part of the steering apparatus of representative democracy. As this thesis concludes that this is not the case the presence of a regional regime is in violation of a theory of CD.	<b>In violation of:</b> The existence of regional meta steering institutions are in violation of all the principles of PD.

The third subsidiary research question which was: What democratic values can justify some of the significant regional governance issues discussed? Discussions in this chapter have shown some of the complexity surrounding the concept of democracy. We have also seen that an answer to the third research question is that: *Regional governance is best legitimated in terms of democracy if we choose the minimalist standard and value of democracy.*

If competitive democracy is the value and standard of which new regions shall be built can also almost all of the issues and events discussed in this thesis, with exception of the regional regime, be defended using arguments relating to democracy. However, we have also seen that the moment we raise above the minimalist standard, and apply a broader understanding of democracy, when we view democracy as something more than simply a method for achieving effective steering, then do many of the events and issues discussed in this thesis become much more problematic seen from a democratic perspective. This also is the basis for my conclusion that regime/meta steered regional governance networks not are making a positive contribution to a more democratic society. The main reason for why this is so is that the regional governance system, with its current configuration, is unable to address the plurality of interest in society. This is schematically outlined with the figure below:

Fig. 7-3: The Networked Region —Depiction of Some System Features



The figure schematically illustrates the relationship between the regional regime, the governance system, civil society, the regional industry, and the interests articulated in the system. The figure should be compared with the similar figure presented in chapter 3 under the subchapter ‘Democracy’. The version that where presented there aimed at illustrating what a e major difference is that this version not addresses democracy and plurality of interest in development.

## 7.6 – Summary

Werner Fricke and Peter Totterdill’s *Action research in workplace innovation and regional development* (Fricke & Totterdill 2004) reveals shared and similar perspectives as them presented here on the challenges regions are facing. They also largely share a similar perspective on what the driving forces behind these challenges are. The globalisation of markets, the increasing willingness of some social democratic parties to embrace market driven approaches, the erosion of public services etc. (Fricke & Totterdill 2004: 1). They also share perspectives presented here on how these challenges

could and should be adhered to, sustainability in an uncertain environment has to be based on collective and cumulative learning. Traditional rules of public and corporate governance based on assumptions of predictability and instrumental rationality have been fatally challenged (Fricke & Totterdill 2004: 2). They therefore salute the trend within action research, starting in the early 1990s, to move away from only doing research on single cases or single organizations, to now also focusing on and doing research on regional development processes (Gustavsen 2003; Fricke & Totterdill 2004).

What we have seen in this thesis is that “just” introducing industrial democracy into the regional governance arena did little to address the underlying challenges relating to regional learning, democracy, and consequently regional development itself. The problem is that we do not have a theory on how to facilitate local learning when it contradicts the systemic power embedded in the region (Stone 1989). This implies that our perspective, viewed through the glasses of regime theory, is flawed, because only developmental efforts that are in line with or reinforces dominating views are likely to succeed. To paraphrase Stone, local stakeholders must be expected to utilize their pre-emptive power if they sense that their position or interest is not best served. This also implies that the dynamic, innovative capacity or learning potential of a given region is not as large as one could be lead to think if we take the “birds-eye” perspective on regional development.

There is however no question about the potential for democratic change still being present. Given that the public itself finance the clear majority of the work that is done within regional governance networks, there is really no room for arguing that these institutions in a democratic society not also should be governed by democratic principles. In reality it is so easy as if public funding were cut “today” governance would cease to exist “tomorrow”. Given this simple insight, do representative democracy still possesses the theoretical capability of taking control of and to include regional governance back into democratic society.

Both democracy and regimes are oriented towards the same aim –to mediate diverging and conflicting interests. How the regime approaches the problem of addressing the problem of diverging and conflicting interest at the same time as regional development is secured has now been discussed, the question then is: what it is that



constitutes the democratic alternative to development based on regime meta steering? This is a question that not is directly answered in this thesis but that I still believe is an important question if we seek to challenge and change current practices, for the reason that the potential for change most of all lies in that democracy is the Achilles heel of regime steered governance networks. Because why cannot, and should not you and I as members of democratic society be allowed to participate and directly influence the development of the place where we live? In the next and last chapter of this thesis, we conclude the discussions trough addressing the main research question and summarising some of the consequences of applying to minimalist standards of democracy have had for regional development in the Agder region.

## Notes

<sup>1</sup> A systematic analysis of such communication patterns, using social network analysis, was planned but not commenced as part of this thesis work, see also notes chapter 4, and recommendations for further research in chapter 8.

<sup>2</sup> Referred in (Dahl 1986b: 219)

<sup>3</sup> I know this through discussions with many of the involved parties.

<sup>4</sup> This point of not being part of politics has almost become a ritual; at one stage following the debate did someone at almost every meeting in the Value Creation Alliance mention it.

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## Chapter 8 – Democracy in Development

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*The question of leadership has always been difficult to advocates of democracy, and not least for its theorists. To portray a democratic order without leaders is a conspicuous distortion of all historical experience; but to put them into the picture is even more troublesome. Whether by definition, by implication, or simply as a fact, leaders, as individuals, exercise more direct influence on many decisions than ordinary individual citizens. Thus the superior influence of leaders violates strict criteria for political equality. [...] Because leadership is a general problem of democratic theory and practice we should neither expect nor require self-governing enterprises to solve it better, either in theory or in practice, than other kinds of democratic organizations, including local and national governments. Although some writers have tried to justify workplace democracy on the ground that it will be more participatory, more egalitarian, and generally more democratic than the democratic process applied to the state has so far proved to be, the justification given in this book does not hinge upon such a claim. For my argument is that self-government in work need not be justified entirely by its consequences, for, as in the state it is justified as a matter of right. And just as the imperfections of the democratic process in the government of the state do not justify abandoning democracy in favour of guardianship, so its imperfections in economic enterprises would not justify our accepting guardianship as better in the government of economic enterprises.*

– Robert A. Dahl, *A Preface to Economic Democracy* (1985: 152-3).

### 8.1 – Introduction

Dahl's argument, quoted above, is easily and logically transferable from the context of the economic enterprise to the context of the region. In fact, one could argue that Dahl would have an easier task of arguing the validity of his claims in these contexts. Because he could then side-step the issue of property rights altogether. Dahl's argument should be listened to, because what he says is that democracy need not be justified in terms of its consequences, it is justified as a matter of *right*.

In previous chapters we have seen examples of that the new regional narrative has not lived up to its promises, the change paradigm has failed to address both emerging development challenges based on the concrete demands and needs posed by current and existing regional 'realities'. In stead, one has found comfort and inspiration in transformational ideas that is rooted in contexts that are significantly different from the context it is meant to work and operate. The results produced by the current development system are more a result of creativity and local adaptations conducted by people directly involved, than a result of 'visionary' long term planning and agenda

setting. Regional meta steering bodies, “the regional guardianship”, as it now is structured fails to address the needs of the region, and it is not a fair system. In addition, the new regional narrative has failed to address, to find a solution to the challenges and problems its introduction poses to democracy. That a system is neither particularly effective nor particularly democratic is, in effect, an undisputable call for re-thinking and system redesign.

## 8.2 – The Main Question

The paramount research question of this work is: *Why is democracy disappearing from regional development?* Throughout this thesis, we have seen that there is one perspective on regional development that is dominant of others. This mechanism is well known and understood in the relevant literature. The state-market divide does, as it emphasised by the pluralists (Dahl 1961; Lindblom 1977; Dahl 1979; 1982) and within urban regime theory (Elkin 1987; Stone 1989), set the stage for regional stakeholders, politicians and administrators to give power to market interests over other societal or group interests. This would be the case in any capitalist system supported by democratic institutions. Politicians can only limitedly control or steer business priority setting at the same time, as they are dependent upon decisions from such settings.

However, what we have seen in this thesis is that in the regional governance system not so much is a question of the market ‘finding’ the political level, and the political level ‘finding’ the market, but that a new and influential sphere of society has gained more influence through recent ‘regionalisation’ processes. We have seen that this system independently of the existing industries, and the pluralism of interest in society, has developed a significant capability of developing influential policies and agendas. This system of regional governance had to, to justify its existence, produce policies, be visionary, and show that it contributed in the best interest of everyone. In the process of doing so, it also wanted to show the supremacy of this system compared to representative democracy, it wanted to be more effective. Therefore does the regional governance system represent the effective short cut with respect to the development of regional policies, design of institutions, and steering of regional processes, and not the democratic and efficient path to development.

The meta governance steering paradox had to components effectiveness and efficacy. If the development discourses is too hegemonic there is a risk of blocking new thoughts and lose development opportunities – one loses on efficacy. On the other hand, if there is it too much conflict there is a risk of undermining network negotiations – one loses on effectiveness. We have seen the argument presented in this thesis that the regime/meta governance steering paradox in the Agder region has been addressed in terms of effectiveness and not efficacy. The meta governance steering paradox therefore remains to be solved. This also represents an answer to the main research question of this thesis, which is that: *Democracy is disappearing from regional development because regional governance gives priority to effectiveness over efficacy.*

When the basic requirements set by ‘procedural democracy’<sup>1</sup> not only were neglected but also systematically undermined, important components were also necessary for the establishment of socially robust development processes lost, mechanisms that could have provided necessary qualitative checks of development relevance and applicability. It is because of this, and that democracy is a right and a natural component of modern society, that democracy also is a necessary component of regional development. In this is also the recognition that democracy in itself poses a powerful alternative to current meta steered practices.

Much of what is written in this thesis is done with the idea of a *region in a transitional phase* in mind. I have argued that central components in the workings of the societal structure of regions are changing. We do not know yet if the system that is developed represents a temporary interlude, or something that is here to stay into the unforeseeable future. What we do know is that influencing such systems and processes as those described here only can be done in ‘real-time’ and in the ‘real-world’. Just waiting and seeing what happens, to experience what the long-term consequences *really* are, seems to me a risky strategy. A strategy that seems equally uncertain whether your concerns are development or “only” democracy.

What we do know is that more knowledge is needed in order to address these challenges forcefully. Examples of some tentative research strategies are therefore briefly outlined in the following.

### 8.3 – Recommendations for Future Research

What not has been addressed in this thesis are the concrete institutional changes needed to address the challenges posed by regional governance – the arenas that could facilitate democracy in development. Therefore, a central component of the future regional research agenda should be oriented towards more concrete, practical and theoretical work devoted to the institutional design of democratic regional development processes. This thesis has showed that it is a potential for development that is pent-up in current practices. The central questions should be concerned towards what we could do in order to unleash this potential. The central future research questions thus concerns institutional design and facilitation of more democratic regional development processes.

Theories about governance and practical empirical studies have showed the need for some form of meta governance, if such structures shall be a part of how society chooses to organise itself. This thesis should be read as an argument in favour of making such meta steering processes more transparent, accountable and efficient. We should therefore systematically work to find a way that enables us to move from the “NED-regime” to the democratic development regime, a “DD-regime”. We should therefore also have as a central component of our future research ambitions to readdress democratic governance and democratic steering aspects.

More concrete knowledge about the actual workings of the regional governance system is also needed in order to address these important questions. We need more in-depth and detailed knowledge about how these systems work and operate in order for us to change them in wanted and desired democratic directions. Much can be achieved through traditional qualitative and quantitative studies and through practical engagements with practice through Action Research studies, a fourth approach should however also be tried and preferably in blend with other approaches.

Social network analysis was developed in the 1960s as a quantitative method to study social relations. Social Network Analysis combined with software such as UCINET provides the user with graphical representations which show how close network actors are connected, how central they are, which clusters that are created, and how open or closed the networks are. Social network analysis is very useful if we want to say something about the structure of a governance network at a macro level (Freeman

*et al.* 1992; Wasserman & Faust 1994; Degenne & Forsé 1999; Monge & Contractor 2003). I had early on planned to use social network analysis in order to provide this thesis with such structural analysis. Constraints on time did however make this a task to be done another time. However, as I read up on the literature on social network analysis I came to firmly believe that social network analysis is and will be an important supplement to other methods if we are occupied with research on regional governance and regimes. It is difficult just through using traditional methods of inquiry to trace information flow and knowledge generation processes, in systems as complex as regional governance networks. If used in this thesis social network analysis would have provided us with better documentation of the assumption that the network level has a substantial and independent policy making capability.

In this thesis, I use the word discourse and I write about some discourses becoming dominant in relation to regional development policy and practice. The term discourse is in this thesis understood in sociological and not linguistic terms. Patsy Healy defines the term policy discourse as: “a system of meaning embodied in a strategy for action and expressed in concepts, metaphors and a storyline” (Healey 2006: 277). This thesis does however not constitute a full attempt to perform an analysis of the discourse itself – a discourse analysis. Even though many of the elements of what could constitute the basis of such an analysis are present in the text. That the discourse performs an important influence on societal development is central in one of the perspectives discussed in this thesis (the ideological). The claim that the discourse performs such a “function” is in a sense preset in this thesis. This means that I assume the validity of the claim in the perspective without actually scrutinising or analysing the discourse itself.

If I were to compare my discussions relating to the influence assumed preformed by neoliberal ideology, the regional policy agenda, the regional narratives, and the regional development concepts in this thesis to a discourse analysis of these phenomena, I would see the discussions conducted here most affiliated with empiricist use of the discourse concept. Empiricists and positivists argue that discourses are best viewed as ‘frames’ or ‘cognitive schemata’, by which they mean “the conscious and strategic efforts by groups of people to fashion shared understandings of the world and of themselves that legitimate and motivate collective action” (McAdam, McCarthy, & Zald

1996: 6)<sup>2</sup>. When a discourse is viewed as frames, discourses become instrumental devices that can foster common perceptions and understandings for specific purposes, and the task of discourse analysis is in this perspective to measure how effective they are in bringing about these ends (Howarth 2000: 3). This understanding of a discourse is of the wide variety of different theoretical, epistemological, and ontological approaches to discourse, and discourse analysis probably the most common sense and generally accessible understanding, and the understanding of a discourse that most resembles what I have done in this thesis. This means also that the discussions and topics in this thesis are potential subjects of further research that in a better and more sophisticated way than done here utilises the potential that discourse analysis represents for understanding current practices and changes. Important questions such as what the boundaries and limits to the discourse are, its non-instrumental functions and effects, how and why discourses and society can change if discourses are hegemonic or dominant are just some examples of important questions relating to discourse and discourse analysis that are not discussed in this thesis.

My only defence of this, to discourse interested parties, is that context should be illuminated and understood before discourse analysis can be forcefully performed. For instance before one could do discourse analysis and find out why e.g. the Apartheid regime in South-Africa was able to sustain as a legitimate and legal position among so many for so long, one would be required to provide empirical data documenting the existence and effects of the regime. The similar case can be that I use much space on documenting work-methods, institutional configurations, and practical effects relating to regional governance and regime steering, which should support others in their efforts for instance relating to scrutinising the discursive and meaning constructing effects of this system of governance and development.

#### 8.4 – Conclusion

One important question that should be addressed in the end is if the findings in this thesis really matter. I have argued, and provided empirical examples to show that many of the practices and changes in the Agder region are best defended in terms of democracy if we apply to the minimalist standard. However, some could probably



argue, even if they were to accept that this regional system of governance and regime steering does not address the fullest potential of democracy, that it does not really matter. Because, this system does something else, it performs another function that is more important. A function that is so important that the future of the region, so to speak, depends upon it being preformed. They can argue that the system is effective, and they would be right in the sense that this system enables the realisation of predetermined goals and strategies in a very effective way. However, there are other standards, and I would argue, standards that are more important if the production of socially robust knowledge is the goal of regional development, and not the realisation of specific predefined goals.

In chapter 3, I briefly discussed the distinction between effectiveness and efficiency, and related them to two different understandings of democracy. I said that the effectiveness standard was one of the central aspects of competitive democracy, and the realisation of an effective steering system, while I argued that efficiency becomes the central standard when more participatory understandings of democracy were introduced. The current regional governance system might score relatively high using standards relating to effectiveness, but it is not a very efficient system. In this thesis, I have provided many examples illustrating this distinction and in the following, I will conclude this thesis by summarising some of these.

The regional policy agenda has been effective in the sense that it has achieved many of its predefined aims. The regional development discourse has become oriented away from the “old-economy” and is now strongly oriented towards “new-economy” industries. The consequence of this has been that much of the regional development resources also have been allocated towards these new regional and industrial development efforts. One should however question how efficient this strategy has been. Vest-Agder County was in 2006 the largest export county of processed products in Norway. It is the process industry, metal and metallurgical industries the “old-industries” in Vest-Agder that have realised this regional excellence. Vest-Agder County exported processed products for NOK 28 billion in 2006 and was with this the number one county in Norway, the next county on the list, Hordaland, exported products valued NOK 18.6 billion in 2006. The average of all counties in Norway is NOK 9 billion<sup>3</sup>. If the regional policy agenda should have been viewed as efficient it

should have addressed the competence and restructuring needs of the process industry as its prime objective and not regional development as a marketing and/or cultural challenge. Instead of just wrongfully anticipating this industry's disappearance, and thus reallocating development resources to other areas of the economy, that had not manifested but were believed to be the future, the regional policy agenda should have taken on this challenge. If plurality of interests had been addressed, if the development of the regional policy agenda had been an open, participatory, transparent, and an enlightened process, if the development of the regional policy agenda simply had been a more democratic process, I believe it is highly unlikely that such a mistake ever could have happened.

The regional regime was also very effective in that it was able to realise the sale of "old-economy" hydro-electrical production facilities, and realise the sales into new governance institutions aimed at supporting the creation of new work places, culture, and competence. This is effective because the defined aims of just doing this were realised. However, as we have seen the strategy and implementation were not very efficient. In chapter 6 we saw that the municipality of Kristiansand alone has lost between NOK 1.6 and NOK 2.4 billion in real values between 31.12.2002 and 2006, and that Cultiva alone represents a loss in real value that is close to NOK 1.1 billion in the period. If Kristiansand municipality had used the share dividends from Agder Energi directly, they could have used NOK 135 million more on culture purposes in the 2003-06 period, and that without selling a single share inn Agder Energi. So, also here does the central argument of this thesis find support. If the Agder Energi sales process had been conducted more democratically, if the process had been transparent and open, if plurality of interests had been addressed, then it is also highly unlikely that the process would have gotten the outcome that it got, and the citizens in the Agder region would not have lost so much resource and development capability.

One can also view the conflict in the Value Creation 2010 project as effective in the sense that it realised the aim of changing the project management. This is also an example of an event that was effective but not very efficient, because after the conflict the Value Creation 2010 project in Agder project more or less faded away and constituted in the end "only" three Ph.D. projects. I cannot "prove", but I do believe that the conflict could have been avoided and that the project could have gotten back on

track, if the processes surrounding the events relating to the conflict had adhered to democratic practices.

The larger configuration of governance networks in the Agder region is in many ways more faceted than depicted in this thesis. However, I would argue, based on findings in this thesis, that the main purpose of the majority of governance networks in the region is to realise the regional policy agenda, and that the governance networks, as discussed in chapter 6, have been very effective in doing so. In this thesis, I have argued that the network level and the regional regime have a significant policy making capability, and that this capability is used to develop policies that are believed to address coming and future regional development needs and challenges. These networks are however not very efficient, at least if the goal is to provide politicians, academic institutions, and the industry with relevant information about current development needs. Therefore what I argue in this thesis is not that it is too much contact between the industry and the politicians, and between the industry and academic institutions, I argue the opposite, that it is *too little* contact. If politicians want to develop regional strategies that are relevant for its industry, if academic institutions want to work with the industry and support them, and if the industry wants to contribute directly back to society, then must the involved actors also talk directly with each other. The current set-up of governance networks is predominantly redundant in realising such ambitions, there is no need for the industry, politicians and academic institutions to filter their information through proxies and network representatives, even though it in many instances probably is easier and more convenient to do so.

The regimes' solution to the meta governance steering paradox is also effective in the sense that it has made it possible to realise many of the defined aims. However, I would argue that the solution not is efficient. Effectiveness in realising regional development strategies is qualitatively different from efficacy relating to addressing actual regional needs and interests and realising the full creative potential of people living in that region. It is this last part of the meta governance steering paradox that the regional regime so far has been unable to realise, this is because creativity and effectiveness, understood as realising predefined goals, in reality are incompatible entities.

The governing idea behind this research initiative was to make a contribution where a discourse on democracy is given renewed relevance onto the regional development sphere and discourse. Not only as a value in itself, but to make a contribution where democracy in everyday situations gains relevance as potentially changing outcomes of developmental processes. In itself, democracy holds the potential to support actors in their efforts to generate and execute new development initiatives. Initiatives that can break through ideological frameworks, that now restrain actors. The rationale behind this is given by how democracy can mediate interests and power, in such a way that outcomes not necessarily are given beforehand, but are a result of a process where different alternatives are given equal attention and an equal chance to sustain. Because; *Democracy* means that no interest or policy agenda by definition is given supremacy. *Development* means that the region faces up to its challenges. *Democracy in Development* means that the region uses its resources to face up to the right challenges.

## Notes

<sup>1</sup> See discussions in chapter 3 under the ‘A Unifying Position?’ subchapter.

<sup>2</sup> Referred in Howarth (2000: 3)

<sup>3</sup> Source: <http://www.ssb.no/emner/09/05/muh/tab20-01.shtml> using Standard International Trade Classification (SITC).



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## Appendixes

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### List of Chairmen (1976-2006)

Tab. A- 1: *Aust-Agder County Mayors 1976-2006*

Name	Party	Period	Years in Office
Kristian Sundtoft	H (The Conservative Party of Norway)	1976 – 1983	8
Erik Mørch	H (The Conservative Party of Norway)	1983 – 1995	12
Jon Fløistad	Sp (The Centre Party) <sup>1</sup>	1995 – 1999	4
Oddvar Skaiaa	KrF (The Christian Democratic Party)	1999 –	7

Tab. A- 2: *Vest-Agder County Mayors 1976-2006*

Name	Party	Period	Years in Office
Torvald Kvinlaug	KrF (The Christian Democratic Party)	1976 – 1979	4
Niels-Otto Hægeland	KrF (The Christian Democratic Party)	1979 – 1987	8
Ludvig Hope Faye	H (The Conservative Party of Norway)	1987 – 1995	8
Kjell Svindland	KrF (The Christian Democratic Party)	1995 – 1999	4
Thore Westermoen	KrF (The Christian Democratic Party)	1999 –	7

Tab. A- 3: *Kristiansand Municipality Mayors 1976-2006*

Name	Party	Period	Years in Office
Harald Synnes	KrF (The Christian Democratic Party)	1976 – 1978	3
Paul Otto Johnsen	H (The Conservative Party of Norway)	1978 – 1991	13
Björg Wallevik	H (The Conservative Party of Norway)	1991 – 2003	12
Jan Oddvar Skisland	KrF (The Christian Democratic Party)	2003 –	3

Tab. A- 4: *Arendal Municipality Mayors 1976-2006*

Name	Party	Period	Years in Office
Ørnulf G. Christensen	H (The Conservative Party of Norway)	1972 – 1987	(16) 12
Ivar Bollmann Pedersen	DNA (The Norwegian Labour Party)	1987 – 1991	4
Einar Livolden	Sp (The Centre Party)	1991 – 1995	4
Sigurd Ledaal	H (The Conservative Party of Norway)	1995 – 1999	4
Alf - Eivind Ljøstad	KrF (The Christian Democratic Party)	1999 – 2003	4
Torill Rolstad Larsen	DNA (The Norwegian Labour Party)	2003 –	3

## Interview guide

Regional stakeholder interview-guide /translation of the Norwegian version

*Introductory text (read and explained to the interviewee):*

This interview represents parts of the data gathered in connection to an ongoing PhD thesis. Data from this interview is going to be presented to members of the regional partnership the Value Creation Alliance on Agder in form of a memo. The purpose of this memo is to serve as part of the background information in the process of developing a new strategy for the Value Creation Alliance. Questions I will ask you are concerned with regional development issues in general, what it is, what it should be, and the role that partnerships and networks can and should play in the context of regional development. My preference is to not make the interviews fully anonymous (unless you insist), I will not use your name in the texts but the function you held in the region will be accounted for. This means that it will be possible for insiders to identify your statements when reading the text, please keep this in mind when you answer. If you wish to contact me regarding your statements in the interview, you are free to do so and I will adjust to your revision.

*Bibliographical data*

- Name
- Work role
- Background/education

*1. I would as a start ask you to describe your understanding of these concepts.*

*Regional networks*

- Regional partnerships
- Value Creation

*2. What types of challenges do you mean that the Agder region is faced with now and further on?*

- Do different collaborative institutions in the region (networks/partnerships) add value to the process of facing these challenges?



3. Describe your own role in connection to networks and partnerships in the Agder region.

- In your opinion what function does regional partnerships and networks in Agder have?

4. How do you understand the significance of the set of networks and partnerships in Agder?

- Has this set of institutions in your opinion changed significantly in the last 10 years (numbers and characteristics)?
- Should/can one rationalize the work around fewer institutions, and if so, why?

5. Describe your knowledge to the Value Creation Alliance at Agder.

- Present and past partners are asked to give an account of the institutional history of the Value Creation Alliance, in addition to their understanding of the present situation.
- Describe the development themes that have dominated the work in the Value Creation Alliance?
- Is it and has it been a sufficient understanding for the roles and borders of corporation within the Value Creation Alliance?

6. What role do you mean that the Value Creation Alliance can/should play in the region? For instance:

- Steering group for joint projects
- Coordination function for projects that the partners co-finance
- Creative forum
- Project executioners
- Fund
- Other
- Politicians, administrators, or development agents, are these different roles?

7. What interests do the partnerships/networks reflect in society?

- Is it much difference between the types of interests that are represented between the partnerships and networks at Agder in your opinion?
- What and who do you believe that the partnerships and networks in the region represent?

- How and why do you believe that different partners and network participants argue the way they do on the direction that the region should develop? Do they get their inputs from: -whom they represent, other network actors, politicians, mostly personal opinions, other?

*8. Do the actors participating in networks and partnerships at large contribute towards what you would describe as beneficial societal work?*

- In what way do the networks and partnerships contribute towards industry and commerce in a way that is beneficiary?
- Are there any results or events that you would like to highlight as beneficiary?
- Does the work done in partnerships and networks in the region contribute to economical growth in the region?

*9. Are the networks and partnerships in the region important institutions in the sense that they have influence?*

- How and in what way?

*10. In what way do you see that regional networks and partnerships contribute to democracy in the region?*

- Is it a clear division between the political level and the network level connected to network and partnership work?
- Are the partnerships and networks the prolonged arm of regional politics?
- Is the work done in partnerships and networks political work?
- How would you describe the set of actors that participates in networks and partnerships at Agder?
- Should we think in new ways regarding participation in such forums?
- In what way is participation bound and legitimized now?
- Should other interests from civil society be more integrated than they are now?
- What role do you think democracy plays in development processes?
- Should democratic issues have a distinct function in development processes?

*11. What is the future for regional partnerships and networks at Agder?*

- What types of development themes should be on the future agenda?
- Do you have any inputs for future strategies?
- How should this work be organized?

## Key figures Agder Energi 2002-2006

Tab. A- 5: Key figures Agder Energi Sale and Value Alteration 31.12.2002-2006 (NOK mill.)

Agder Energi (AE) key figures and estimates:	NOK mill.
a. AE net real value 31.12.02 before tax (whole company sold) <sup>2</sup>	11 400
b. AE net real value 31.12.02 after tax (whole company sold) <sup>3</sup>	9 500
g.   a-b   AE tax 31.12.02 (whole company sold)	1 900
c. AE share dividend 2003-06 <sup>4</sup>	1 800
d. AE value 01.01.2006 (est.) <sup>5</sup>	20 000
h.   d-a   AE rise in value 31.12.02-06 whole company (est.)	8 600
i.   h+c   Sum AE rise in value 31.12.02-06 and share dividend 2003-06 (est.)	10 400
j.   d+c   AE rise in value total 31.12.02-2006 (est.)	21 800
k.   i/a   AE percentual increase in real value 31.12.02-06 (est.)	91.2%

Tab. A- 6: Cultiva and CDFSN Disbursements 2001-06 (NOK mill.)

Institution:	2001	2002	2003	2004	2005	2006	SUM	u. SUM 2003-06
Cultiva disbursement				67.6 <sup>6</sup>		24.5 <sup>7</sup>	92.1	92.1
CDFSN disbursement	11.8	23.5	36.5	40	47.5 <sup>8</sup>	50 <sup>9</sup>	209.3	174.0

Tab. A- 7: Key figures Cultiva and CDFSN Value Alterations 31.12.2002-2006 (NOK mill.)

Cultiva and CDFSN key figures and estimates:	CDFSN	Cultiva
e. Ownership position AE 31.12.01	5.805 % <sup>10</sup>	12.632 % <sup>11</sup>
p. Market value capital 31.12.2002	595 <sup>12</sup>	1 440 <sup>13</sup>
w. Market value capital 2006	750 <sup>14</sup>	1 591 <sup>15</sup>
x.   w-p   Capital increase	155	151
y.   u+x   Real value increase 12.31.2002-06	329	243
q.   w+u   Sum value 2006	924	1 683
m.   e*j   Sum AE rise in value 12.31.02-2006 and share dividend 2002-06 w/no sale (est.)	1 265 <sup>16</sup>	2 754 <sup>17</sup>
t.   q-m   Value difference sale vs. no sale (est.)	-341 <sup>18</sup>	-1 071 <sup>19</sup>
z1-z.   y/p   Percentual increase in real value	z1: 55.3%	z2: 16.9%

Tab. A- 8: Difference in Real Value between Selling AE Shares and Not Selling (NOK mill.)

AE Owners:	e. Ownership position AE 31.12.01 <sup>20</sup>	i.   e-f   Percent sold	f. Ownership position AE 31.12.02 <sup>21</sup>	m.   e*   Sum AE rise in value 31.12.02-2006 and share dividend 2003-06 w/no sale (est.)	n.   f*   Sum AE rise in value 31.12.02-2006 and share dividend 2003-06 w/sale (est.)	o.   j   Difference sale vs. no sale AE rise in value 31.12.02-2006 and share dividend 2003-06 (est.)	p.   b   Value sold ownership position after tax <sup>22</sup>	q.   (p*z)+p   High estimate: Value of alternative fund application (based on CDFSN value increase)	r.   (p*z)+p   Low estimate: Value of alternative fund application (based on Cultiva value increase)	s.   (p*k)+p   Comparison figure: Value of alternative fund application (based on AE value increase)	t.   (q+n)-m   Value difference sale vs. no sale high estimate (CDFSN) <sup>23</sup>	u.   (r+n)-m   Value difference sale vs. no sale low estimate (Cultiva) <sup>24</sup>
Arendal	8.78%	2.39%	6.39%	1 913	1 393	520	227	352	265	434	-168	-255
Audnedal	2.06%	1.67%	0.39%	449	85	364	158	246	185	303	-118	-178
Birkenes	1.73%	0.47%	1.26%	376	275	102	44	69	52	85	-33	-50
Bygland	1.11%	0%	1.11%	242	242	-	-	-	-	-	-	-
Bykle	1.01%	0.28%	0.74%	220	160	60	26	41	31	50	-19	-29
Evje og H.	1.53%	0%	1.53%	333	333	-	-	-	-	-	-	-
Farsund	2.55%	1.25%	1.30%	555	283	272	118	184	138	227	-88	-133
Flekkefjord	2.52%	0%	2.52%	548	548	-	-	-	-	-	-	-
Froland	1.77%	0%	1.77%	386	386	-	-	-	-	-	-	-
Gjerstad	1.35%	0.66%	0.69%	295	150	145	63	98	74	120	-47	-71
Grimstad	4.56%	1.60%	2.96%	994	646	348	152	235	177	290	-112	-171
Hægebost.	2.06%	0.70%	1.36%	449	296	153	67	103	78	127	-49	-75
Iveland	1.06%	0%	1.06%	232	232	-	-	-	-	-	-	-
Kristians.	27.80%	22.50%	5.30%	6 060	1 155	4 905	2 138	3 319	2 498	4 088	-1 586	-2 407
Kvinesdal	2.33%	0%	2.33%	507	507	-	-	-	-	-	-	-
Lillesand	2.67%	0.40%	2.27%	583	495	87	38	59	45	73	-28	-43
Lindesnes	2.23%	0.74%	1.49%	486	324	162	71	110	82	135	-52	-79
Lyngdal	2.35%	0%	2.35%	512	512	-	-	-	-	-	-	-
Mandal	3.00%	1.00%	2.00%	654	436	218	95	147	111	181	-70	-107
Marnardal	2.10%	0%	2.10%	458	458	-	-	-	-	-	-	-
Risør	2.29%	1.12%	1.17%	500	255	245	107	166	125	204	-79	-120
Sirdal	2.07%	0%	2.07%	451	451	-	-	-	-	-	-	-
Songdalen	2.25%	0.75%	1.50%	489	326	163	71	110	83	136	-53	-80
Søgne	2.38%	0.79%	1.59%	519	346	173	75	117	88	144	-56	-85
CDFSN	5.81%	5.81%	0%	1 265	-	1 265	595	924	695	1 138	-341	-
Tvedest.	2.08%	1.02%	1.06%	453	231	222	97	150	113	185	-72	-109
Valle	1.13%	0%	1.13%	246	246	-	-	-	-	-	-	-
Vegårshei	1.21%	0.40%	0.81%	264	176	88	38	60	45	73	-28	-43
Vennesla	3.00%	1.00%	2.00%	654	436	218	95	147	111	181	-70	-107
Åmli	1.22%	0%	1.22%	266	266	-	-	-	-	-	-	-
Åseral	2.02%	0.99%	1.03%	439	224	215	94	146	110	179	-70	-106
Statkraft	0%		45.53%	-	9 924	-	-	-	-	-	-	-
SUM:	100.00%	45.52%	100.00%	21 800	21 800	9 924	4 368	6 784	5 104	8 353	-3 140	-4 820

## Governance Networks in the Agder Region

Note that the list below containing organisations, institutions, and networks from the Agder region is not complete. The purpose is only to provide a schematic indication of the scale and complexity of the governance phenomena in the Agder region. I have therefore not prioritised a systematic quality check of all of the entries as part of this thesis work; it is therefore likely that the list contains entries that are invalid, and that there exist several institutions/networks that are not on the list that should have been on the list. This list contains some entries that are best defined as projects, some that are examples of public-public collaborative structures, some private-public structures, and some private-private structures. Some of the entries are financing and investments institutions. The common denominator between them is that all of the structures have collaborative features and in different ways are configured towards addressing regional and industrial development issues, and are located, and primarily operates within the Agder region.

Tab. A- 9: Governance Networks in the Agder Region

Network and institutions conceptualised as part of the governance system in the Agder region:	
17k	8k
Agder Gass Forum	Agder Maritime Forum
AgderLink	Agderparken Næringsforening
Agderrådet	Areal og transportutvalget for kristiansandsregionen
Arena (project)	Arendal Kunnskapspark
Arendal Næringsforening	Audnedal Næringsforening
Aust-Agder Kompetansefond	Aust-Agder Markeds-Forum
Aust-Agder Næringssselskap as	Bestra AS
Birkeland Innovasjon, UiO	Bykle og Hovden vekst
Centre for Entrepreneurship	Centre of Excellence
Cultiva	Den Norske Dataforening (national)
Designformidling Agder	Destinasjon Sørlandet
Det digitale distrikts-Agder	Digitale Sørland
Easier	Ectist
EIC	Elinor Agder
E-remote	Etablerersenter Vest Agder (EVA)
Etablerersenteret Aust-Agder	EtablererService Aust-Agder (project)
Euro Info Centre (EIC)	Evje Næringsbed AS
Evje og Omegn Næringsforening og Nettkroken AS	Evje Utvikling AS
Farsund Næringssselskap AS	Farsundsbassenget
FDV-Forum Sør	Female Future
Flekkefjord Handelsforening/næringsforening	Flekkefjord IT- og Kompetansesenter (FIKS)
Forny	Forum Longum Park
Froland Handelsforening	IKON
Inkubatorprogram i Arendal – Grimstad – regionen	Innovasjon 2010

<b>Network and institutions conceptualised as part of the governance system in the Agder region:</b>	
IT Ringen Agder	IVAR (Indre Vest-Agder regionråd)
Jernbaneforum Sør	Knutepunkt Sørlandet
Kompetansering sør	Kompetansetorget
Kristiansand Kunnskapspark AS (incubator & knowledgepark)	Kristiansand næringsfond
Kristiansand næringsforening camber of commerce	Kristiansand næringssselskap
KS Agder	Kvinner på Agder
Lillesand Handelsforening	Lillesand Næringshage AS
Lister Industrimiljø AS	Lister Næringshage
Listerregionen	Listerrådet
LO Aust-Agder	LO Vest-Agder
Longum Park	Longum Teknologi og Kompetansesenter II AS
Lygna Næringshage, Lyngdal	Mandal Industriforening
Mandal Næringsråd	Maritimt forum (nasjonal)
Markedsføringsforeningen i Kristiansand	Mobil Kulturinkubator
Møteplassen	Nettverk av næringshager og kunnskapspark
Nettverk for virksomhetsstyring	NHO Agder
nHS	NODE
Nordiske Sommernetter	Næringsforum Flekkefjord AS
OPS E-18 Grimstad-Kristiansand	Partnerskap Aust-Agder (county level partnership)
Partnerskap Vest-Agder (county level partnership)	Petroleumsforeningen for Sørlandet
PFI Technology AS investment fund risør	Rederiforening (Aust og Vest Agder)
Regionalt Næringsfond østregionen	Risør Etablerersenter AS
Risør Næringshage AS	Senter for Entreprenørskap
Setesdal næringsråd	Setesdal Regionråd
Sirdal Næringsforening	Sirdals Vekst
SIVA - Selskapet for industrivekst	Sjøsandens Næringshage AS (incubator)
Stamvei aksjonen	Stiftelsen Nera
Sydspissen	Søgne Handelsforening
Sørlandets Gassforum	Sørlandets Industrisenter AS (incubator)
Sørlandets Teknologiforum	Sørlandets Teknologisenter (Incubator & knowledgepark)
Sørlandetskompetansefond (CDFSN)	Sørlandskonferansen (annual regional conference)
Sørlandsparken Næringsforening	Sørlandsreiser AS
Såkkorn i Sør (Agder Energi)	Såkkorninvest Sør AS
Trainee Sør	Ungt Entreprenørskap Agder
Universitetskomiteen	Universitetstiftelsen
Utviklingskoalisjon Vennesla	Value Creation 2010
Vennesla Næringspark incubator	Vennesla Vekst AS
Venturos AS investment company Farsund	Verdiskapingsalliansen (Value Creation Alliance)
Vest - Agder fylkeskommune - regionalutvikling og forvaltning	Østregionen
Åseral kommunale kraftfond	

In addition to the list above I have included some more detailed descriptions of a few of the regional governance institutions that have emerged in the Agder region in recent years, this in order to both illustrate some of the variety of the institutional set-ups, but also provide additional thickness to the descriptions given in chapter 6 and 7.

Tab. A- 10: FDV-Forum Sør (public-private network)

<b>Brief description of FDV-Forum Sør:</b>	
<b>Description:</b>	FDV is short for Administration, conduct and building maintenance [Forvaltning, Drift og Vedlikehold], it is a non-profit organisation aimed at gathering all the FDV actors in the region under one umbrella.
<b>Sum members:</b>	36 (2005)
<b>Type members</b>	Private businesses on the delivery side and some public institutions in addition to private enterprises on the buyer's side, suppliers (3), building owners (12), consultants (11), contractor (9), and architect (1).
<b>Institutional history:</b>	The FDV-forum was formally established in 2003.
<b>Organisation:</b>	FDV-forum has a board consisting of members from all of its five member groups; suppliers, building owners, consultants, contractors and architects. The board consists of two public institutions, from Kristiansand municipality and Vest-Agder County. The rest of the board consists of representatives from firms. The board meets regularly, 8 meetings in 2004. The FDV forum has a manager that coordinates the forum activities.
<b>Purpose:</b>	The FDV-forum states as its main vision; "together for better property management". They seek to improve the general knowledge on managing large building and maintenance projects in the region, increase communication between different actors involved in such projects.
<b>Vision for the region:</b>	None other stated than a general increase in the knowledge on how to best strengthen the competences and knowledge in the region concerning the management of large construction and maintenance projects.
<b>Work methods:</b>	Works-groups covering different topics of interest to the forum.
<b>Sources:</b>	<a href="http://www.fdv-forum.org/">http://www.fdv-forum.org/</a> (accessed 11.23.05)

The FDV-forum Sør is by large an engineers network that consists of people with a technical expertise on a specific subject, namely how to build, keep in repair and manage buildings. It is set up in a way that all involved parties in such processes ideally should be and to a certain extent are represented in the network. Since the local and regional governments own a large agglomeration of buildings, they are attractive partners for the network, but also private building owners are represented. The majority of network participants are however, those who sell services and products connected to this type of projects.

Tab. A- 11: *Kompetansering Sør (public-private network)*

<b>Brief description of Kompetansering Sør:</b>	
<b>Description:</b>	The institution is set up to enhance the leadership competencies of its members and indirectly contribute to the competitive ability of participating businesses.
<b>Sum members:</b>	32 (2005)
<b>Type members</b>	The members consist mainly of managers from private businesses, however are Agder University College, Kristiansand municipality, Vest-Agder County, and the local hospital members. Kompetansering sør is therefore listed as a private-public institution.
<b>Institutional history:</b>	Kompetansering sør was established in 1989 with public funding. Originally, the institution focused on international relations issues, especially relationship between local enterprises and the EU. In 1997 did the institution change to its current focus namely competence development in a broad sense for its members.
<b>Organisation:</b>	The institution has a board, which in 2004 consisted of 8 members, 6 private and one public (Agder University College) and one interest group (NHO). The board was relatively active with 6 meetings in 2004. The institution has a manager that initiates and oversees activities. The secretariat is located as a project at Agder Research AS. The possibility for a merger between Kompetansering sør and Sydspissen is being examined (2006).
<b>Purpose:</b>	Develop leadership and manager competencies in the region.
<b>Vision for the region:</b>	The main vision of the institution concerning the region is that it shall focus on contributing to competence development to the best for its members and through that contribute to a more vital region.
<b>Work methods:</b>	The internal organisation of Kompetansering sør consists of several sub networks within the main network. A top executive forum, a personal forum, a leader recruiting forum (NEXT), a network for those who previously have participated in the leader recruiting forum called X-NEXT, a mentoring forum where experienced leaders coach young leaders to be, and an economic forum. In addition to this, the network arranges lectures and seminars on various topics of interest to its members.
<b>Sources:</b>	<a href="http://www.kompetanseringen.no/">http://www.kompetanseringen.no/</a> (accessed 11.23.05)

Kompetansering sør is a network with a strong emphasis on leadership and management. Building competencies regarding the qualities required of a “good” leader are at the heart of the network’s work. The network does not discriminate between the management challenges in public and the private sector, it therefore consists of participants from both spheres. It is however fair to say that the network is dominated by private institutions, this is a network for managers by managers.



Tab. A- 12: Sydspissen (public-private network)

<b>Brief description of Sydspissen:</b>	
<b>Description:</b>	Sydspissen is an interest organisation for industry, businesses, commerce organisations, and growth parks located in the Agder region. I have categorised Sydspissen as a private-private network, because there are no members from the municipalities or the county.
<b>Sum members:</b>	43
<b>Type members</b>	Sydspissen is a network of networks. Many of the member institutions are networks and growth parks (15). Roughly, half of the members are businesses (19). There are few public owned institutions listed as members (3). Other members are two research institutions and an interest organisation (NHO), and a couple of consultancies.
<b>Institutional history:</b>	Sydspissen was founded in November 1999, by private associations and public actors in the Agder region. In 2001 a manager was hired to coordinate the activities on a full time basis. Up until 2004 did the municipalities and the two counties participate as members in the network, the municipalities, and the two counties left the institution in 2004. A collaborative agreement was drawn between the two counties, and the network to replace direct participation. A new manager was hired in 2005.
<b>Organisation:</b>	The network is organised with a board consisting of business representatives (5) and one representative from Agder Research. A manager oversees the activities, and the work is organised through project groups.
<b>Purpose:</b>	Improve the working conditions for business and industries in the region. The idea is to coordinate efforts for marketing and develop the region as a competence- and innovative region. In its statutes it says that Sydspissen shall work to coordinate regional business interests towards political authorities regionally and nationally.
<b>Vision for the region:</b>	It states: "contribute to make the Agder region [Sørlandet] into the most attractive region in Norway", as its main vision.
<b>Work methods:</b>	Seven project groups are organised within the network focusing on topics such as; Conference arrangements (the annual regional conference), broadband (in the Agder region), drilling coast (work towards the maritime cluster at Agder), Interaction public sector and business, Agder University College (relevance to the Agder industry?), and a Foresight project (vision development).
<b>Sources:</b>	<a href="http://www.sydspissen.no/">http://www.sydspissen.no/</a> (accessed 11.24.05)

In Sydspissen's statutes, it lists as one of its main purposes to influence decision-making processes in local and regional government (see also chapter 6). This is interesting seen in the light of the network excluding representatives from the municipalities and counties in 2004. The given reason for this was clearer roles and more effective work methods. An argument that was presented by both local politicians and representatives from Sydspissen, probably partly as a result of a debate and much criticism in the regional newspaper *Fædrelandsvennen*, see chapter 6. At least part of the thinking seems to be that the network is more efficient at influencing public decision-making processes when public institutions are not formal members in the network (*Fædrelandsvennen* 2005a).

Tab. A- 13: Knutepunkt Sørlandet (public-public network)

<b>Brief description of Knutepunkt Sørlandet:</b>	
<b>Description:</b>	Partnership between 6 municipalities in Vest-Agder County, with the city municipality Kristiansand in the centre.
<b>Sum members:</b>	6
<b>Type members:</b>	Municipalities
<b>Institutional history:</b>	In 1990 did the six participating municipalities sign a letter of intent where they stated a joint agenda for developing the municipalities into efficient service providers. The intermunicipal cooperation started with a joint focus on the municipalities' work towards its industries. In the beginning Knutepunkt Sørlandet was a forum where administrators responsible for industry and entrepreneurial activities in the municipalities met to discuss joint projects. In 1996 was this work formalised with basis in state regulations. Statutes were developed, and it was agreed that Knutepunkt Sørlandet should be an organisation for mayors and chief officers in the six municipalities. In august 2005 was a suggestion for new statutes forwarded (still pending) which would give the partnership wider warrants.
<b>Organisation:</b>	The municipal councils in the six participating municipals are the only body that decides upon statutes. The municipal councils delegate decision-making authority to the <i>board</i> that consists of mayors and chief officers in the six municipalities. Hierarchically below the board you have a body that steers the day-to-day activities, this body consists only of the chief officers in the participating municipalities. Below this level are a secretariat, and six committees and a project section. The project section has currently 8 active regional projects.
<b>Purpose:</b>	Coordinate intermunicipal cooperation between participating municipalities, work to promote measures that generates effective and good solutions to the regions citizens and the regional industry.
<b>Vision for the region:</b>	Not explicitly stated.
<b>Work methods:</b>	Knutepunkt Sørlandet uses its budget mainly on salaries to people working in the municipalities that participate in projects initiated by the partnership. In addition are several smaller funds set up to finance various projects.
<b>Sources:</b>	<a href="http://www.knutepunktsorlandet.no/">http://www.knutepunktsorlandet.no/</a> (accessed 11.24.05)

This partnership is an example of an institution that seemingly has little direct contact with the local industry and business interests. Even if it originally was set up with this in mind, it is now a partnership with a much broader focus. Industry contact, and direct industry funding is in 2005 less than 10% of the total budget. The long term goal for at least some of the participating municipalities is that this partnership will be the basis of one large city municipality, 2010 is presented in the media as a possible timeframe for this (Fædrelandsvennen 2005b). Knutepunkt Sørlandet can also be viewed as a direct follow-up of *Common Goals on Agder* (see chapter 6), with its emphasis on improving the attractiveness and municipal service levels.

Tab. A- 14: IKON (collaborative project)

<b>Brief description of IKON:</b>	
<b>Description:</b>	IKON [Innkjøp-Offentlig-Næringsliv] purchase-public-industry is a project financed by the two counties at Agder and Innovation Norway. IKON is an office where interested parties, potential contractors, can take contact to get more information.
<b>Sum members:</b>	A consultant is financed by regional public institutions in order to help local businesses to be better sellers of products and services, in the national competition for tenders.
<b>Type members</b>	None other than the board and reference group.
<b>Institutional history:</b>	A new law on public biddings reduced the amount needed for public calls for biddings from 1.6 mill. NOK to 200.000 NOK in 1999. This caused, or at least should cause more competition among contractors for publicly financed projects. For the Agder region this meant that local business to a much larger extent had to compete with other contractors on relatively small projects. IKON is set up to address this challenge.
<b>Organisation:</b>	IKON has a board led by a consultant working for Vest-Agder County, The rest of the board is: Agder University College (1), Vest-Agder County (1) Businesses (5). In addition has IKON a reference group consisting 12 members, Innovation Norway (1), municipality mayor (1), NHO (1), businesses (9). A project leader that runs his own private consultancy manages the project.
<b>Purpose:</b>	The main purpose of this project is to increase businesses in the Agder regions capabilities towards winning more public contracts; a "bigger slice of the public cake".
<b>Vision for the region:</b>	How to use the public market to develop the industry in the region.
<b>Work methods:</b>	A consultant is hired in on fulltime basis to run the IKON office, in addition various seminar and conferences are being held.
<b>Sources:</b>	<a href="http://www.ikon-agder.no/">http://www.ikon-agder.no/</a> (accessed 11.24.05)

IKON addresses one of the regional policy agendas set up in *Common Agenda*, (see chapter 6) as the explicit goal of IKON is to support the businesses in Agder to get a bigger slice of public resources.

## Notes

<sup>1</sup> Sp: (Senterpartiet) The Centre Party (conservative/centre party).

<sup>2</sup> Source: (PwC 2005).

<sup>3</sup> Source: (PwC 2005).

<sup>4</sup> Source: (AE 2003; 2004; 2005; 2006a), NOK 600 mill estimated as share dividend in 2006 (Udjus 2006).

<sup>5</sup> Estimated 2006 value of Agder Energi, see discussion in chapter 6.

<sup>6</sup> 2003–05 source (Cultiva 2006).

<sup>7</sup> NOK 19.5 mill was distributed on 30. September 2006 an additional NOK 5.0 mill was planned (Valvik 2006).

<sup>8</sup> 2001-05 source (Fjellstad 2006). Disbursement in 2001 and 2002 was possible because of share dividends from CDFSN's ownership position in Agder Energi.

<sup>9</sup> Source: (CDFSN 2006).

<sup>10</sup> Source: (AE 2002).

<sup>11</sup> NOK 1440 mill. is equivalent of an 12.632% ownership position in Agder Energi when the company was sold to Statkraft.

<sup>12</sup> Source: <http://www.kompetansfond.com> CDFSN has paid NOK 77 mill. in taxes (Reinertsen 2006), in addition did CDFSN get NOK 61.5 mill of Agder Energi share dividends (AE 2002).

<sup>13</sup> Source: (Cultiva 2006).

<sup>14</sup> Source: (Fjellstad 2006). 2002 capital base is consumption price index adjusted in addition is there buffer capital.

<sup>15</sup> Updated 30 September 2006 source (Valvik 2006). 2002 capital base is consumption price index adjusted in addition is there buffer capital.

<sup>16</sup> CDFSN has distributed NOK 69.5 million more in the period 2003-06, than what would have been possible through just using share dividends equivalent of a 5.8% ownership position in Agder Energi in the period (NOK 104.5 mill.), but the NOK 69.5 million figure is close to CDFSN's part of share dividends from AE (NOK 61.5 million).

<sup>17</sup> If Kristiansand municipality, in stead of using Cultiva, had used a share dividend equivalent of a 12.6% ownership position in Agder Energi directly they could have used NOK 135.3 million more on culture in the period (2003-2006).

<sup>18</sup> CDFSN break even if Agder Energi value is set to NOK 14.1 billion. The municipalities in Vest-Agder County have in reality lost NOK 340 million on the CDFSN investment (2006).

<sup>19</sup> Cultiva break even if Agder Energi value is set to NOK 11.5 billion. Kristiansand municipality has in reality lost close to NOK 1.1 billion on the Cultiva investment (2006).

<sup>20</sup> Source: (AE 2002).

<sup>21</sup> Source: (AE 2003).

<sup>22</sup> Actual figures are lower, fees to lawyers, consultants, brokers in addition to other expenses associated with the sale should also be subtracted from this amount.

<sup>23</sup> CDFSN investments are reportedly giving very good returns, a part of the explanation for this is that CDFSN could use share dividends from Agder Energi (NOK 61.5 million in 2001) as buffer capital. I therefore believe it is highly unlikely that any of the investments from the other previous owner positions come close to matching that of CDFSN.

<sup>24</sup> Figures in the last two columns indicate how much the owners have lost up until 2006 on their Agder Energi sales. The losses are in practice higher since many of the municipalities have not invested all of their returns, but used much of it as a part of their ordinary municipal budgets.



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