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# Economic Perspective 1

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## THE DEVELOPMENT AND IMPLEMENTATION OF A STRATEGIC ROLE WITHIN SCOTTISH ENTERPRISE

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### Introduction

In all the discussion which has surrounded the establishment of Scottish Enterprise (SE) over the past two years, relatively little public attention has been given to the desired strategic direction in which the organisation could, or should, develop as it moves from the extended preparation phase into implementation. There has for example been much talk of the core body providing a measure of strategic leadership for the new network, without too much consideration of the likely processes by which this may come about. Equally there has been a recognition in both the design of the initiative and in public comment that an overall sense of direction and associated co-ordination are essential if duplication of effort and fragmentation of impact are to be avoided.

This paper commences with an examination of the strategy formulation process within this initiative and thereafter considers some of the determinants of Scottish Enterprise strategy against the background of the actual and prospective needs of the Scottish economy over the next five years or so. It does so in the light of the powers and functions which the enabling Act (1) makes available to the new body, and bearing in mind the level and nature of its funding.

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Equally any such consideration has to be in the context of the organisational framework within which Scottish Enterprise is required to operate both at the Governmental level, and within the disaggregated network of Local Enterprise Companies (LEC's) which are responsible for the delivery (and progressively for the design and development) of a substantial proportion of its services.

### Strategy Formulation Processes

By far the most fundamental, but yet the least considered element of strategy formulation for Scottish Enterprise, surrounds the question of what type of core role is expected to emerge in the short to medium term. (2) Depending on how that develops, there may be little or much to be either offered (or accepted) in terms of strategic direction for the initiative as a whole. Without such direction, however, its effectiveness will be in jeopardy and much of the opportunity which it offers in principle will be missed. (3)

It should be stressed at the outset that, on paper at least, there is considerable clarity as to the starting point in strategic matters relating to Scottish Enterprise. Appendix 1 sets out the statement made to the House of Commons by the Secretary of State for Scotland in July 1989 which defines the strategic role of the core. Inevitably that statement, however unequivocal, was made in a static context, free of the dynamic tensions of the new network and of the operational processes by which direction is both to be given and received. Thus while explicit within it, and in cognate Government statements made elsewhere, is the expectation of leadership in direction-setting, policy, monitoring and in the exclusive exercise of key functional areas from the core of Scottish Enterprise, each of the specified components within its role is open to greater or

lesser degrees of challenge in practice. Thus, depending on how this remit is interpreted, implemented and supported by Government, its strategic role will either be strong and powerful, or weak and impotent.

Options for a core role: In practice many different variables will determine the strategic direction of Scottish Enterprise, and there are therefore several quite different ways in which the role of the core could develop, each of which follows on from the way in which it is initially perceived by Government and LEC's alike. Three of these are now briefly considered.

- a) It could be principally viewed as a channel through which Government funding is negotiated, a means by which terms and conditions of project evaluation are standardised and a framework within which a measure of network coordination and impact assessment is accepted at the margin. If it is, the core will have a short, frustrating and tempestuous life. This approach would simply define it out of existence as the LEC network matures.
- b) An alternative view would regard the core of Scottish Enterprise as a national economic development agency in its own right which implements a strategy agreed with Government reflecting national economic needs. This strategy may or may not entirely coincide with all those being pursued by its 'associates', the LEC's, but they would be consistent with each other. Put another way, the whole would be substantially greater than the sum of the parts.
- c) Yet another way of regarding the core would be to envisage it as an organisation whose strategy is largely driven by the desire to facilitate the work of LEC's. This would require the core to focus its attention on the development of products and services for local delivery, and in assisting smaller LEC's with joint projects. Taken to extremes, and it would be in certain quarters, this approach would quickly erode any core concept as the LEC's gained experience, pushed for independence and developed their own product range. In effect, in the manner of the booster rocket for the lunar module, when it had served its purpose, the core would simply fall away as

an active contributor to the network. Anything that remained would be for statutory and constitutional purposes only, but strategic leadership or agenda setting activity would be out of the question.

As matters stand at the moment, none of these options exactly defines the role of the Scottish Enterprise core, yet there are elements of all of them present in some aspects of the structure, in perceptions and in the rhetoric about the initiative. Item (b) is perhaps most accurate, yet rarely used to describe the concept since it smacks of a down-scaled SDA and not of a body in tune with the new environment. Unfortunately none of these options provide a wholly stable basis for setting strategy for the network in what is after all a small country, with many common and recurring economic development problems. The essential prerequisite is therefore to determine more precisely how the core role will work in practice, otherwise any attempt to exercise leadership, however defined, will be frustrated simply because it may progressively be regarded by the LEC's as of marginal relevance. So long as the balance of power and political expectation is inclined in the LEC direction, as it has been from the outset of this exercise, this will remain an issue for debate.

While some of these underlying uncertainties remain, a set of procedures is now in place to give force to the strategic lead which is attributed to the core. These are now examined both in design and in implementation.

Formal planning procedures: By some measures, the network of economic development agencies which operate as Scottish Enterprise should not be short of strategies. At the core level, the annual corporate planning process inherited from its parent bodies will ensure that, via the Industry Department for Scotland as its sponsoring Department in The Scottish Office, the relevant Departmental and Ministerial interests are taken into account and associated with its annual allocated budget.

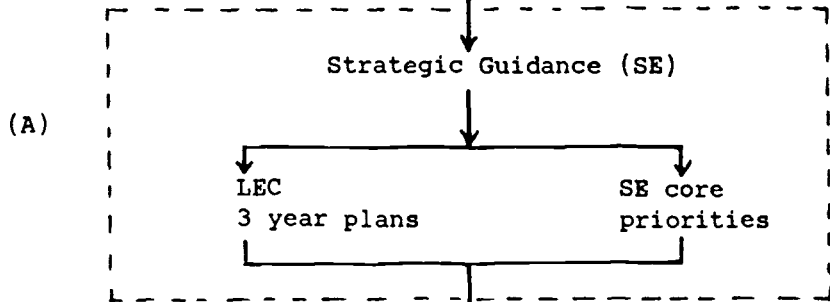
Figure 1 indicates the broad outline of how the formal planning process for Scottish Enterprise as a whole is likely to work and the way in which it relates to the public expenditure round. It also draws attention to two specific time periods in which discussions and negotiations take place which are now crucial to the success of the

Figure 1

Scottish Enterprise : Outline Planning Process

December  
(year 1)

Assessment of Economic  
Environment (SE:Scottish Office)

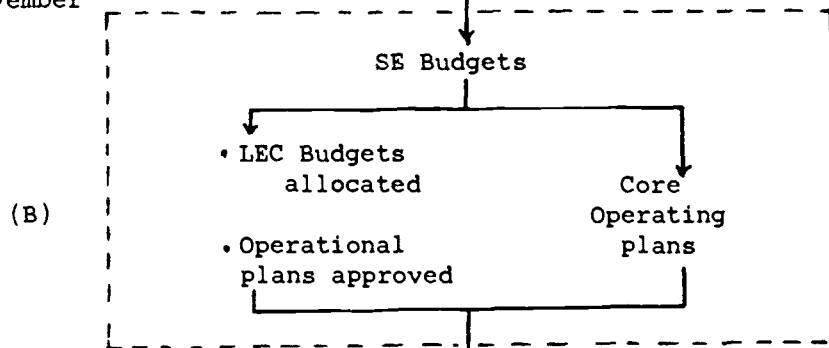


SE Corporate  
Plan

Scottish Office  
Consideration and Approval

Public Expenditure  
Survey (Treasury)

October/November  
(year 2)



SE Operating  
Plan

February/March  
(year 2)

• LEC plans approved  
• Annual contracts  
signed

Continuous SE  
Monitoring

network concept and material to the considerations in this paper. Of these A is particularly critical and involves the process by which guidance is determined, specified, transmitted, and factored into the three year plans of the LEC's; and conversely the extent to which feedback is two-way and results in a cohesive Scottish Enterprise corporate plan to which all parties are committed. Downstream of that and ever contentious is area B where budgets and operational plans are reconciled. Although Figure 1 does not suggest a formal joint evaluation of the LEC plans on the part of Scottish Enterprise and Scottish Office, this is to be expected especially in the early years. It is also desirable, given the pressures which would flow if these plans were subsequently shown to be within the powers of Scottish Enterprise yet outwith current Government policy. The very existence of LEC's means that the gap between powers and policy will be a contested area simply because their Boards will bring a different perspective to both the acceptability and validity of policy guidelines.

It will be evident that although the overall planning process in Figure 1 is similar to the past, and is one shared by cognate bodies, the whole exercise is now quite a different one in this case in that it has to consolidate the outcomes of the extensive business planning processes of thirteen LEC's. The nature of such a 'consolidation' exercise is delicate in itself, bearing in mind the strenuous efforts at the LEC level to differentiate themselves in order to reflect local needs, opportunities and interests. This is to say nothing of the fact that many of these companies have powerful boards whose members are not used to leaving someone else to negotiate resources on their behalf! In that regard, much back door lobbying and special pleading is to be expected. It should be noted that the formal process suggested in Figure 1 has no direct LEC/Scottish Office link, nor should it have. Informal links, and their impact on the whole process, are of course quite another question. If the model of Scottish Enterprise is however to be implemented in a cohesive manner with Scottish-level interests dominating, Ministers would be well advised to change the locks on their doors sometime soon and ensure that both the formation of overall strategy and the allocation of budgets is undertaken at arms length through the Board of Scottish Enterprise. As Figure 1 indicates there is in any event ample scope within that mechanism

for shaping the initiative to accord with Government policy.

LEC's and the core: All of the issues considered above are made the more critical when the role which strategy and planning have played within the LEC's in the formative twelve to eighteen month period before April 1991 is borne in mind. Initially in order to gain approval as the preferred bidders for their respective areas, the prospective LEC's had to bring forward their outline plans and vision, distinguishing their particular contribution. In a number of cases where there were contested bids, different approaches to this task were evident. This process was subsequently reinforced and extended after the award of development funding in the first six months of 1990 when significant effort and resource were put into the preparation of business plans for submission later that year. Simply because the LEC's were not able to trade under contract with Scottish Enterprise at that time and there were relatively few operational decisions to be made, the inevitable focus of attention was on reviewing and planning. This is not to say that specific projects were not considered, but generally this was a secondary dimension in these early stages.

There can therefore be fewer organisations in this field which have spent more time preparing to do business, without actually doing it - a matter of no small frustration to many of those concerned. Proportionately they have been able to place much more emphasis on strategy than has the Scottish Enterprise core, given its inevitable responsibilities with all aspects of the initiative, and particularly with the detailed mechanics of its implementation, with the building of relationships with the emerging network, supporting the staffing and development of LEC plans and so on. In short, some of the LEC's would regard themselves as being equally as well prepared to lead a 'bottom up' strategy, as Scottish Enterprise is to give them 'top down' strategic guidance at the national level. However, this difference of emphasis in the early months may well prove to be beneficial. The LEC's clearly did require relatively more time to formulate their local strategies, while the core had much more of a direct inheritance in methodology and content. Provided the two perspectives can be balanced in implementation, and Scottish Enterprise was designed to enable that, the outcome may well be a better overall

sense of direction for economic development at national and local level. To achieve that balance will however take both time and patience.

#### Implementation

Much of the initial preparatory work discussed above is once and for all and more attention will inevitably be devoted to the overall direction from which the gains associated with this initiative will come as the network begins to operate in earnest from April 1991. This section thus turns to implementation viewed from two perspectives. The first looks at the practical mechanisms adopted to achieve the balance discussed above at the early stages of this initiative, in the light of the needs of the Scottish economy. The second concerns some of the fundamentals for the success of Scottish Enterprise in the linking of strategy and operations at the structural and policy level.

Mechanisms: In order to begin to implement its strategic leadership role, the Board of Scottish Enterprise adopted a series of strategic priorities in the summer of 1990. These were founded on a detailed analysis of the long-run performance of the Scottish economy and informed by the powers and functions which would become available to Scottish Enterprise. Seven strategic priorities were identified for project and programme development, namely competitiveness, access to capital, human capital, environment, product development, internationalisation and technology. This paper does not allow scope for a detailed evaluation of these choices, but it is not surprising that they reflect the inherited priorities of the SDA and the Training Agency (TA). Both bodies had founded their strategies on historic analysis of the same economy, while Scottish Enterprise will continue to be able to deploy the same powers and functions and hence seek to make a contribution in similar areas of activity. The priorities were presented in a manner which left ample scope for individual LEC creativity and initiative. In each case a briefing paper was prepared detailing the background and rationale for the focus on that particular issue, together with an assessment of the Scottish relative position, objectives which should be set for SE action, guidance on methods which might be adopted to address the problem or exploit the opportunity and so on. All of this material was made available to LEC boards and was accompanied by extensive dialogue on the part of

SE core executives with them and their embryonic local executive teams. It was correctly regarded as a fundamental ingredient of network building; as an essential input into the planning processes of the LEC's which were already well underway by summer 1990; and as a means of providing structure to the initiative, as well as ensuring continuity since LEC's were destined to inherit a considerable number of actual programmes and projects from both of the merging bodies.

It was inevitable that the strategic priorities would fall into the two broad categories of enterprise and environment; while it was recognised that the lines between several of the seven priority areas were soft and that the key to success lay in planning activity which would enable the maximum interaction between them. Equally it was important to ensure from the outset that at the strategic level, the SDA and TA functions were integrated and that LEC's were given guidance on how that could be achieved. LEC's were moreover encouraged to focus specific attention on both realising opportunities for, and removing blockages to, development as they saw them. There were other important reasons for the working up and dissemination of these priorities. Chief among these was the need to make it plain that overall SE funding priorities would be driven by them, while also providing a clear and early signal about the way in which LEC 3-year business plans would require to be crafted in order to have their annual operating plans and budgets approved.

All of this can therefore be viewed in the context of the initial stages of the process set out in Figure 1. Furthermore, it attempted to handle the sensitivities of providing strategic leadership in this new context where SE is a development agency which guides and funds independent contractors, whose principal (and initially sole) reason for existence is to contract with this single entity. Of considerable importance, both within the setting of 1991/92 LEC planning and as the basis for future relationships, is the fact that there has been widespread acceptance of these strategic priorities as being substantially correct as a point of departure for the new network.

Of course this procedure has only sufficed to start an inter-linking process and ensure that it follows a broadly common direction; and there are obviously other ways in which this will be achieved. Strategic priorities have in turn to be refined by the recognition of operational

priorities which actually influence spending patterns and give substance to planning. History will play an important part in this within the 1991/93 spending patterns of most LEC's as projects in the pipeline reflect previously established priorities, some of which they may wish to revisit in due course. On the other hand, where there is competition for resources, and when appraisal methodology is applied to a range of proposed projects, questions concerning their impact at the level of the Scottish economy and the extent to which the project succeeds in leveraging private funds alongside those from Scottish Enterprise and other public sources, become very material. In other words, meaningful operational priorities when applied to projects utilising government funding through Scottish Enterprise, cannot be determined independent of these wider considerations. However, this will not always command widespread acceptance.

This can be readily illustrated. For example, historic rankings have placed a high priority on projects involving land assembly or factory provision for inward investing companies. This has been the case for reasons associated with the scarcity of these projects, the competition involved in attracting them and, most significantly, the additional benefits accruing for the Scottish economy in having secured them. In contrast, although certain types of environmental projects may well be of considerable local benefit, they usually have a lesser impact on the economy as a whole. Such projects would therefore feel the pressure of cash limits and rephasing some time before inward investment projects. Of course, many areas of Scottish Enterprise work involve less clear choices and more precise judgement on relative rankings than in this example but it does illustrate the principle of how operational priorities will have to link to the portfolio of activity in all parts of Scottish Enterprise.

It is clear then that if a 'strong strategic role' (Appendix 1) is to be implemented, the onus will rest on the core to spell out its operational priorities and indicate clearly which impact measures are acceptable in order to guide the planning and bidding process. The early signs indicate that, as this process gets underway, most proposals within LEC business plans are in fact within the stated operational priorities. This is not to suggest that they are tame, unchallenging documents which lack creativity or ambition, quite

the contrary at times. But it does suggest that a high level of realism has been applied during the initial stages, with the focus on continuity. Ambition would appear to be principally confined to the lodging of funding bids beyond the historic spend in their respective areas and occasional questioning of SE operational priorities and of Government policy, especially towards training. Neither of these are of course small matters. They merely serve to give evidence of the strength of feeling in LEC Boards both about the acceptability of guidance and about the politics of competitive bidding. They also fuel concerns about 'strategic roles' in the near future.

All of the mechanisms discussed in this section are necessary components of developing and implementing a strategic direction for Scottish Enterprise. But there are still outstanding, and to some extent much larger, questions to be addressed. It is almost inevitable that, given the background to this initiative, more attention has been devoted to process than to principle. For example, this has not encouraged discussion on what types of SE activity have the maximum impact on the Scottish economy and whether substantial additional resource should be allocated in these directions, to the detriment of others - and what impact that would in turn have on spending patterns in LEC's. Equally, the system is not yet geared to assessing the relative efficiency of different types of project and delivery mechanisms, and communicating these throughout the network. Both of these examples raise questions of principle, but also of practice.

It would be frankly wasteful if Scottish Enterprise as a whole was encouraged to find its own solution to each of these types of question without paying attention to the cumulative experience of the past. This particularly applies to SDA functions and spending simply because it is more discretionary than that of the TA. Put another way, the challenge is to stimulate creativity without encouraging a laissez-faire approach which discounts previously validated experience. There is little doubt that this is one of the critical success factors for Scottish Enterprise, but, as the next section suggests, there are others.

Critical success factors for the future: While these initial mechanisms have served to set the process in train and provide direction and coherence, there are other issues to be faced in

the near future. They involve all the relevant parties and are concerned with the link between setting a strategic direction and its implementation as the network gains momentum and as LEC's flex their muscles. Some of these issues call into question aspects of the present structure and distribution of responsibilities, others presume a willingness to re-examine allied aspects of policy towards economic development in Scotland in the near future. It is however acknowledged that if both the spirit and letter of the statement in Appendix 1 were to hold, many of the concerns expressed in the following paragraphs would be less pressing. Thus the juxtaposition of strategy and implementation are explicitly recognised in projects and programmes in industry and enterprise where these span the SE area; in major investments; inward investment; and in large physical projects. A not inconsequential aspect of these being at the core is that, since it is a Government agency and not an independent company, it can more readily act on Ministerial instruction whether that involves action at national or local level. However, setting this aspect aside, there are several other issues to be borne in mind.

1. Firstly, there is the question of the delineation of national and local interests. Given the SE structure, all parties will have to subscribe in principle and in detailed practice to there being an overarching economic interest at the national level. There are activities where this principle is relatively clear, such as inward investment and large physical projects which create national assets. In these instances both national economic interests and national implementation are vested in the core, as Appendix 1 makes clear. But even there the practice will require careful monitoring and absolutes will be hard to specify. Moreover there are relatively few functions where there is that level of clarity, not least because most of the LEC business activity areas are also represented at the core. It is true that, as Scottish Enterprise is set up, the initial levels of delegated spending authority are among the features distinguishing the core from the LEC's. But this applies to implementation, not to impact and a temporary level of delegation in project or programme finance will not delineate the Scottish as distinct from the local level of interests. Indeed it was never designed to do so. The more basic issue is not who does what but rather whether the economy of Scotland genuinely benefits

as a whole from what is done.

The methods of project appraisal which the Treasury requires bodies such as Scottish Enterprise to employ, validly distinguish between the gainers and losers from the implementation of a specific project, and are particularly concerned with matters such as displacement and additionality. It is therefore possible to argue that 'Scottish level interests' could be determined principally by the application of such procedures at the earliest possible stage in the development of a project. Such techniques clearly have an important role to play, but are far from infallible in their methodology, and for the first time will now be subject to both more public and more private sector scrutiny, especially if LEC's have important projects rejected after long periods of planning. Moreover to rely exclusively on such mechanisms, and in effect use them negatively to define a vital element of strategy, would be wholly against the spirit of establishing a supportive set of core-LEC relationships upon which the Scottish Enterprise model essentially depends. What it is in the national interest to do has to be established and adhered to long before then. At the same time the acceptance in principle that the application of these procedures will inevitably lead in the last resort to the Board of Scottish Enterprise having to make some tough allocation decisions over certain types of project is vital to the integrity of this model. There are testing times ahead in this regard.

2. There is then the question of what type of strategic guidance and leadership should be provided by the core to the LEC's in the steady state, namely after the initial mechanisms as described earlier are in place. At the root of that question is the need for clarity as to what the guidance is designed to achieve. There are various levels at which it could be answered. The first is that Scottish Enterprise is responsible for the effective operation of the LEC's. By definition, the LEC's have to be given operational priorities which reflect SE and Government strategy. These companies are the mechanism which the Government have currently specified as providing a very substantial part of local delivery. And while they are independent, they are only assured of renewed operating contracts on the basis of their performance to preset standards. If they fail, and if all efforts to help them fail, Scottish Enterprise remains responsible for delivering its functions within

the geographical area concerned, even if that means doing so directly.

The second is that the criteria which determine the type, and to some extent (depending on the programme), the pattern of spending in Scottish Enterprise are common to the network as a whole. Therefore, while remembering that this is not a corporate model, and the core is not a corporate headquarters determining all aspects of the strategy, product and service mix of the thirteen LEC's which are in no sense its subsidiaries, the network as a whole is designed to pursue overall goals by broadly common means. In effect it is assumed that, more in the mode of a 'mother-daughter' organisational relationship, the core will provide national leadership to the system as a whole while recognising that it operates with largely autonomous associate businesses.

The third dimension is whether this structure allows of the possibility that the strategy which an LEC proposes to implement is capable of being rejected outright by the core on whatever grounds. Of course every effort would be made to avoid this outcome, but it is difficult to see where countervailing power comes from for Scottish Enterprise if such limiting cases are not explored. In reality such authority would only be able to be asserted with the full backing of Ministers.

All three of these considerations have a part to play in determining the strategic role of the core. The ongoing relationship with the network is founded on the presumption (however unpalatable) that the core does not actually have a primus inter pares relationship with the LEC's. Its monitoring, supportive, agenda setting and final arbitrar roles will indeed have to be carefully balanced, but only one body can exercise a 'strong strategic role' in this network. Thus while the corporate planning processes and mechanisms discussed earlier are a necessary element of the core contribution to strategy, these in themselves are not sufficient. Their insufficiency stems primarily from the fact that they could readily be seen as too static, being the annual talisman to which contract related obeisance is paid. They have necessarily to be supplemented by the concept for the core introduced earlier in the paper, whereby as a 'national economic development agency' in its own right, it is consistently seen to be pursuing relevant national initiatives in a proactive

manner some, but not all, of which will filter into strategic and operational directives for LEC's. Such a route will, for reasons of national interest and national benefit, be essential in order to continue to position Scotland in the externally competitive development environment which prevails in Europe in the 1990's.

3. This leads on to a third consideration. The concept of Scottish Enterprise started in the minds of its initiators with LEC's (or a close equivalent) as a given, before the design of a core of a meaningful kind was seriously considered. In no sense therefore was Scottish Enterprise able to evaluate local delivery options and itself make a strategic choice between them.

Its Board did not exist until long after the LEC concept was established, for reasons largely associated with the TEC developments in England and Wales where there was no equivalent core to have a strategic role. One outcome of this is that the Board of Scottish Enterprise took on a role where much of its scope for decision making has been narrowed into particular areas, only a few of which are strategic. They include financial allocations, appraisal mechanisms, and large project approval. Within that is of course included the assessment of LEC business plans and Solomon-like judgements on resource allocations for these, as well as approving the overall corporate plan. It is true that there is considerable scope in these latter areas for staking out some strategic turf and making positive and fearless choices. This would involve Scottish Enterprise consistently acting as the body which is accountable for this network, rather than one which is forced towards restricted scope for decision-making because of the politics of the establishment of LEC's. Indeed, in the judgement of this author, such an exercising of the accountability principle and with it the taking of strategic decisions in key policy matters, is essential if the core role is in any sense to be proactive and not be seen as residual. Otherwise the 'strategy' of Scottish Enterprise will be little more than the sum of its parts and the pressure will be on the reconciliation of bids rather than on the development of initiatives. Such a route to its strategy can in no way be regarded as generating a meaningful, and coherent programme for deploying its total resource to best effect for the Scottish economy. For instance, it is already clear that some LEC's regard the core as little more than a banker and as having to



justify its existence in absolute terms, rather than look to it for overall strategic direction - hardly a desirable starting point!

4. The final issue to be faced is whether the interests of exercising a strategic role may not be best served were the core to be progressively developed to ensure that it does undertake the distinctive functions which were originally conceived by Government for it. It may then need to be given permission to supplement that role by taking on others where it is in the national interests to do so. This may in turn require the redefining of some responsibilities both within and outwith SE. Under the present terms of reference, the search for distinctiveness would have to be in areas where the national perspective was readily definable and agreed at Ministerial level. This however is not a simple matter. Scottish Enterprise is designed to be a network of 'full function' development agencies where each of the principal powers and functions is represented within all the LEC's, and whose application of these is governed principally by delegated authority levels. In that sense the LEC's largely mirror the core, which also has equivalent, but larger levels of delegation from its sponsoring department.

Nevertheless there is a need for progressively more clarity in the exercising of certain functions. Pursuing this line of approach might lead to the identification of groups of activity where it could be persuasively argued that the direct linking of both national strategic direction and leadership in implementation (or in securing it) are essential, principally on grounds of efficiency, effectiveness, and competitiveness. These would include, firstly, activities where the effective operation of the function requires a UK national or international presence. The obvious example of this is inward investment, and the status of Locate in Scotland is preserved within Scottish Enterprise. There is a strong case for taking this approach further into most, if not all, trade related activity.

To do so would require the establishment of a new trade organisation for Scotland which integrated the efforts of all bodies operating in trade promotion and trade development at national level, with Scottish Enterprise taking the lead. At present SDA, the Export Office in the Industry Department and Scottish Council (Development & Industry) are all operating at the 'national'

level with many local institutions, even before LEC's become fully operational (4). It is improbable that this could ever be achieved without a central support structure and clear thinking on how this body would mobilise LEC inputs to best effect. Indeed there is a distinct lack of cohesive planning in this vital area of economic development, and early evidence that as presently structured, the establishment of Scottish Enterprise will lead to further diffusion and fragmentation of effort in the absence of a major new initiative involving the public and private sectors. The politics of this are complex and sensitive, but so were they in 1980 when inward investment integration was planned! Then the potential pay-off was seen as being worth the short term pain, so why not charge SE with such a strategic task for the 1990's?

Another activity in this category is marketing. There is every reason for arguing that, in support of a body which is charged with the responsibility for developing a strategic response to enterprise, economic regeneration and training, a strong presence has to be maintained in this area. Appendix 1 implies just such a presence. But in exactly the same manner in which Governments wish credit from funding development agencies, LEC's will wish to deploy marketing resources to promote their achievements. It should be relatively easy to control this by budget allocations and avoid wasteful effort, but if LEC's decide to use their own funds to promote nationally and create further noise in a busy market place, there is little Scottish Enterprise can do to stop them.

The issue however goes far beyond budgets, to the question of identity and all the implications which flow from the requirement to establish it at each level. At present all of the LEC's have made some degree of commitment to the principle of recognising their presence within a network, by adopting a means of linking their identity to the Scottish Enterprise house style. The levels of enthusiasm for this have varied widely, however, and few people would regard the outcome as satisfactory viewed strictly from the national perspective - particularly when compared to the unitary external perception created by the SDA in the past. Clearly it is essential for LEC's to develop an identity from within the raft of support bodies in their geographical areas, and this is indeed where the emphasis should be placed. The vital promotional question is how these two interests are balanced. For the

purposes of this discussion, there is much to be said for UK wide and international marketing of all types being regarded, as a matter of policy and reinforced by budgetary control, as an activity where Scottish Enterprise has primacy. In short this is another area where the strategic and operational roles are best integrated at the core, irrespective of pressures to the contrary.

If the approach advanced in the above paragraphs were to be adopted it would bring some considerable clarity to the mechanisms by which strategy for Scottish Enterprise is formulated and implemented in the near future. Moreover, taken in conjunction with the responsibility to give leadership to the corporate planning process for the network as a whole, it would provide a clearer basis for a complementary relationship to emerge on operational matters as between the core and the LEC's. As long as the present funding system and reporting structure is in place, there is the basis for complementarity in matters of finance and accountability, but on operational matters it is less secure, simply because it is less clear.

Having said that, however, much of the distinctiveness of the strategic contribution from the core will not come from the possession of further functions, helpful though that might be. It will emerge more from the style in which it is managed, the perspective which it brings to Scottish economic affairs, the innovative nature of its thinking, the effectiveness of its co-ordinating of the whole network and the manner by which it grasps the lead responsibility which it has by statute. There is, for example, little doubt that one of the SDA's principal strengths has, in the eyes of both its customers and competitors, been its ability to provide an integrated delivery mechanism. Scottish Enterprise offers the possibility to maintain and develop that at two levels (namely both national and local) and it is essential that the potential for both are realised if there is to be real net gain to the Scottish economy. Moreover, it is only by exercising this lead role that the fundamentals of economic development policy will be addressed. For example in recent months there has been little consideration as to whether, when fully operational, Scottish Enterprise as a development mechanism will actually improve Scotland's competitive position in the aggressive world of industrial development. And yet who will unflinchingly ask such questions, provide answers and if necessary suggest new directions if the

core body does not? This is precisely the reason for having an empowered body operating at arms length from Government, a role which Scottish Enterprise can readily play.

## Conclusion

This paper has explored a number of important issues surrounding the implementation of a particular policy statement which lies at the heart of Scottish Enterprise. It is correctly positioned there since no organisation and no initiative with this inherent level of complexity can be without the commitment to provide it with a strategic direction from the outset. A useful start has been made, but there is much still to do and many inherent pressures towards fragmentation. The solution is regarded as lying in several related dimensions. The first involves exercising both the spirit and letter of the strategic role as established, and all concerned accepting that this is what they signed on for. The second involves the content of the work of a national agency in its own right, progressively clarifying roles, as well as being viewed as adding value through its creativity and initiative. The third will require, at the margin, the drawing of lines as to where LEC's may or may not stray. The fourth demands the championing of important policy causes where initiative is clearly required but existing structures or inclinations are not in the best interests of the Scottish economy and where no one else will face up to the consequences of inactivity. Anything less will not begin to provide a Scottish solution to Scottish problems, and will merely fritter away the potential gains associated with this initiative.

## Appendix 1

"The central bodies (referring to Scottish Enterprise and Highlands and Islands Enterprise) will have a strong strategic role and will therefore set the policy framework and monitor the local companies; design, develop, and secure the implementation of projects and programmes, particularly in industry and enterprise development with an applicability across their areas; approve major projects that fall out with the companies' competence; and handle certain functional activities including major investments, inward investment attracted by Locate in Scotland, marketing and the design and implementation of major physical programmes. They will ensure that

the Government's Great Britain-wide training policies and priorities are pursued and Government guarantees fully satisfied. They will also ensure that programmes in support of enterprise delivered on behalf of the Department of Trade and Industry are being satisfactorily discharged and provide central support services."

Secretary of State for Scotland, Hansard, 26 July 1989.

#### Notes and References

1. Enterprise and New Towns (Scotland) Act, 1990.
2. For the purposes of clarity the term 'core' is used throughout to describe the headquarters functions of Scottish Enterprise based in Glasgow. Technically the core (so defined) is Scottish Enterprise, but that title has been widely and rather loosely used

to cover either the whole network (of the core plus the 13 LEC's) or the initiative itself, thus embracing the parallel activity of Highlands and Islands Enterprise.

3. Many of the wider dimensions were considered in N Hood, Scottish Enterprise: The Basis of a Scottish Solution to Scottish Problems?, Fraser of Allander Quarterly Economic Commentary, Vol 16, No 2, December 1990.
4. This proposal is confined in the first instance to the integration and refocussing of what presently exists, but it could go much further. For example, several national development agencies in Europe have developed commercial arms which provide economic and trade related advice (often with the aid of the EC or International Agencies) to other countries. Appropriately designed and operated jointly with private sector interests, such a body could play an important role for the Scottish economy in the medium term.