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PUBLIC
ENTREPRENEURSHIP
Is local government necessary to deliver economic development?

Lorraine Johnston and John Fenwick

Introduction
This chapter is concerned with the role of local government in initiating and supporting public entrepreneurship, a role which is increasingly important in times of austerity but simultaneously more difficult to achieve due to constraints on public resources. Public entrepreneurship may underpin the innovation necessary in troubled times, requiring different skills on the part of public managers than those traditionally possessed by bureaucratic actors. Innovation may also be secured through local government functioning as a collaborator in enterprising public/private institutions, bounded by place and community as local government, throughout Europe and elsewhere, remains territorially defined. The question arises of whether entrepreneurship is ultimately assisted or hindered by the received structures and cultures of local government.

Bartlett and Dibben (2002) refer to local government as ‘champions’ and ‘sponsors’ of entrepreneurship. In his recent update of his article, Bartlett (2017) argues that much is unchanged since the first paper was written, with the significant exception that there is now more emphasis upon ‘open innovation’ wherein entrepreneurship is based upon open-ended collaboration between actors and institutions manifested, for instance, in local authority shared services. Conceivably this ‘opens up’ entrepreneurship but it also raises potentially problematic issues, particularly those linked with the governance and co-ordination of collaborative partnerships (Fenwick, Johnston Miller and McTavish 2012) and place-making (Hambleton 2015b).

The chapter begins with a detailed consideration of the nature of public entrepreneurship, its relationship to innovation and the importance of tribal governance. We then go on to consider local authority enterprises in more detail, in particular focussing upon the importance of place to the local community. The discussion is then positioned in an international context of public entrepreneurship before offering overall conclusions.
What is public entrepreneurship?

A synthesis of public entrepreneurship

Public entrepreneurship is synonymous with innovation policy and attempts to introduce entrepreneurship into the public sector (Leyden and Link 2015; Audretsch and Link 2016). These ideas reflect an emergent international theoretical literature (see for example, Zerbinati and Souitaris 2005). Seminal authors equate public entrepreneurship with ‘collective action’ (Olsen 1965; Ostrom 1990, 2014) and efforts to create a ‘public value’ mission (Moore 1994) enacted through strategic management processes that enhance government competition. Klein et al. (2010: 1) express public entrepreneurship as a nebulous term which they argue is ‘enabled and constrained by a political system and institutional context’.

An assortment of ideas constructs public entrepreneurship as multi-method and multi-dimensional (Schnellenbach 2007). The recent resurgence of the public entrepreneurship term, driven to some extent by technological expansion (Leyden and Link 2015) and new global uncertainties, has driven government institutions to focus attention towards the supposition that entrepreneurial belief systems can enable innovation strategies that boost service delivery mechanisms and, in effect, to ‘do more with less’. Klein et al. (2010) call for greater responsiveness to the constraints of public entrepreneurship. Similarly, Liddle (2016) questions the oversight of public entrepreneurship from within the mainstream entrepreneurship literature. The public entrepreneurship discourse is fortified by historical economic, political and management influences and underpinned by state-centred (Swyngedouw 2006) ‘urban entrepreneurialism’ in policy-making (Pike et al. 2017: 52).

Conversely, an upsurge in public entrepreneurship studies that focus on local government has sought to enhance the scope of public value through knowledge transactions and innovation-led local economic development (Benington and Moore 2011; Leyden and Link, 2015). Yet the challenge of public entrepreneurship is that it remains an assortment of categorisations, divergences, fads and polemic (Llewellyn and Jones 2003). Edwards et al. (2002: 252) distinguish public entrepreneurship through far-reaching features of ‘service innovation’; ‘new venture creation’ and ‘innovation in service delivery’. In contrast to this, Swyngedouw (2006, 1991) depicts competing paradigms and intersectional concepts as diverse as ‘new governmentability’, ‘governance-beyond-the-state’ and ‘social innovation’. He argues these ‘institutional fixes’ operate at the core of theories of public entrepreneurship (ibid.). Public entrepreneurship in local government pursues opportunities beyond ‘top down’ policy-making towards more pragmatic ‘outside in’ tactics. Scholars point to dimensions of reciprocity, cohesiveness and creativity in public entrepreneurship relationships. The multidimensional nature of public entrepreneurship exemplifies the struggle of its peculiarity and eccentricity to evolve innovative, if untried, methods of doing ‘what matters’.

Exploratory studies locate public entrepreneurship practice at the intersection of ambiguity and risk-taking. As Boyett (1996: 49) sums the matter up, public entrepreneurship occurs in the public sector where there is an uncertain environment, a devolution of power, and at the same time re-allocation of resource ownership, to unit management level. It is driven by those individuals, particularly susceptible to the ‘manipulation’ of their stakeholders and with a desire for a high level social ‘self-satisfaction’, who have the ability to spot market opportunities and who are able through follower ‘manipulation’ to act on them.
New public entrepreneurship thinking is a kaleidoscopic paradigm that seeks to transfer entrepreneurship to the public sector. Prevailing Schumpeterian notions imagine that innovation characteristics exist in a continuous process of ‘creative destruction’ (Schumpeter 1934). Acting as responsive ‘agents for change’ (Schneider et al. 1995), and ‘alert’ to the economic function in the market through ‘opportunity recognition’ (Kirzner 1973, 1997, 2000), these accepted wisdoms perceive that innovation is driven by ‘public entrepreneurs’ (Schneider et al. 1995; Ács et al. 2014) embedded in a ‘national system of entrepreneurship’ (Ács et al. 2014: 477). Here, Ács et al. (ibid.: 476) challenge the quandary of ‘entrepreneurship’ as a ‘silent’ accessory in the collective ‘systems of innovation’ (Edquist and Johnson 1997; Lundvall 1999).

As a result, public entrepreneurship is a contested space (Mintrom 1997). Studies overlook the distinctive roles of public entrepreneurs in entrepreneurship as characterised by Joseph Schumpeter (1934) in fashioning the evolution of economic development strategies beyond the market (Feldman et al. 2016).

Correspondingly, the public–entrepreneurship synthesis also draws on Adam Smith’s (1976) earlier classical liberalist ideas in the Theory of Moral Sentiments and The Wealth of Nations, which interpret public value to be a distinctive characteristic in contrast to ‘trickle down’ modes of entrepreneurship. Drawing on Phillipson (2010), characteristics of public value are intrinsic in normative visualisations of outdated top–down hierarchical ‘command and control’ public policy mechanisms. In response to Smith, Phillipson (ibid.) invokes ‘human beings who inhabit the types of society about which he writes are driven by moral, intellectual and aesthetic as well as material needs’. To some extent, the above sentiments paved the way for a new wave of innovative policy studies, resolute in their interpretation that public entrepreneurship matters for local government (Bernier 2014).

More contemporary studies observe the influence of public entrepreneurship in enterprising partnerships and are informed by the co-evolution of mutual public–private values (Mazzucato, 2015). These studies involve ideas of self-governance, co-creation and collaborative innovation in partnerships as a means to restructure socio-political and social-economic interactions. Fundamentally, these interpretations show the capacity of socio-political systems to impact upon innovation. In addition, endogenous and exogenous factors influence rational decision making in policy communities. This point of divergence confirms that socio-economic innovation systems can disrupt exogenous economic development (Myerson 1991). Wider studies indicate that purposeful interaction habitually employs game theory in an effort to grasp the features of cooperation when exposed to rational decision making. Such choices guide how actors operate in uncertainty contexts. Here, risk taking is an element of enterprising behaviour. In particular, it proves by what means conflict and uncertainty in decision-making informs a process of brokering at the interface of enterprising places (Crowley et al. 2012) and interactive forms of co-operative strategic partnerships.

Smith’s (2014) inductive Swedish study alerts us to the challenge of public entrepreneurship and the need to maintain institutional distinctiveness in public and private partnership, perhaps exposing ‘public entrepreneurship’ as a contradiction. Notwithstanding this, Boyett (1996) asserts that the private sector through necessity can learn from public entrepreneurship to create ‘public value’. Despite this, studies understate the multifaceted nature of public entrepreneurship. In making sense of the embeddedness and intricacies of public entrepreneurship relations, Jessop (1999: 390) drew attention to these strategic relationships through his account of ‘reinventing government’ towards enterprising ‘governance’ in public services (see also Osborne 1993). By the same token, Tilly’s (1999: 418–419) research alerts us to the ‘repertoires of contention’ in an attempt to validate the strategic-relational approach she depicts as a ‘place
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of culture in state-linked social processes’. Tilly is persuasive in her consideration of strategic-relational policies which, she argues, display aspects of conflict together with skirmishes that crucially bond distinctive social characteristics. Her four-stage typology exemplifies:

- First, ‘embeddedness in complex networks among multiple parties having competing interests’.
- Second, ‘engagement in communication among those parties and coordination of their interactions’.
- Third, the ‘use of compressed codes whose comprehension depends heavily on prior experience and previous interaction with the same parties’,
- Finally, ‘activation of previously negotiated agreements, implicit and explicit, concerning the conditions and limits of different sorts of interaction among the parties’ (Tilly 1999: 418–419).

Public entrepreneurship and innovation

Hartley (2005: 27) identifies public entrepreneurship as a process of open innovation in public services (see also Moore and Hartley 2008). Consistent with this, public entrepreneurship studies view open innovation as rooted in entrepreneurial governance mechanisms and the political arrangements of local government. Similarly, local government studies concerned with collective action (Olsen 1965; Ostrom 1990, 1998, 2014) personify enterprise as a detectable capital resource that originates from open innovation. Significant institutional studies recognise aspects such as cross fertilisation, rational choice, trust, reciprocity and reputation (Ostrom 1998) to be important. In particular, original studies present ‘public entrepreneurs’ as ‘heroic’ with a capacity to adapt the ‘rules of the game’ (Mintrom 1997; Ostrom 1998; Klein et al. 2010). This judgement clarifies the symbolic nature of public entrepreneurs as ‘agents for change’ (Schneider et al. 1995). In consequence, as Cantillon’s (1973) earlier classification reveals, capitalists in pursuit of profit espouse capabilities that exploit human and capital resources. More exclusively ‘added value’ that inspires innovative simulations leads to success in revenue terms. In turn, ‘entrepreneurial profits’ are gained by the accomplishments of public entrepreneurs (ibid.). Moreover, this demonstrates that public entrepreneurs play a key role in risk-taking. Of course, risk-taking opportunities may be depleted in a context of limited resources. This may be countered by efforts toward multi-level governance: Hartley (2005), for instance, contends that public entrepreneurs are competitive when they co-exist in a process of ‘networked’ governance to deliver public services (Rhodes 1996). This point clearly reveals the limitations of local government acting alone: something it simply cannot do in the light of ever-diminishing resources.

We now consider the relevance of ‘tribal governance’ in framing our understanding of public entrepreneurship and, indeed, governance as a whole.

Tribal governance and local government sovereignty

Tribal governance is a feature of indigenous communities seeking state sovereignty and self-governance (Niezen 2003; Hibbard 2006; Shaw 2008). From this perspective, local government is sovereign and its autonomy is representative of community governance through devolved powers. Ortiz (2002: 466) regards sovereignty as a ‘feudal system of medieval Europe’. In the same vein, he contends sovereignty ‘is a right of self-government’ (ibid.: 460). Further, he claims tribes are ‘stepchildren in the family of government’ due to their
capability to assume ‘many powers equal to the states but remain subordinate to the federal government and that government is the trustee of tribal lands but more often acts as the taker of tribal lands and therefore raises a potential conflict of interest’. In Ortiz’s (2002: 459) study he posits American Indian and Alaskan native tribal governance to be traditionally rooted in an ‘awareness of tribes’. Conversely, as Papillon (2011) explains, an alertness to intrinsic tribal characteristics such as past tribal histories, tribal cultures and tribal social values can be beneficial in progressing tribal governance. Of fundamental importance in how tribal governance works is the extraordinary ongoing academic debate, which draws attention to the inherent struggle in ambiguous local government and local community relations. This characteristic illustrates the rigidity in intergovernmental interactions and demonstrates the problematic nature of state-tribe collaborative dealings.

Extensive and more critical European studies draw attention to multi-level governance and a wealth of rich culture in tribal communities (Nelles and Alcantara 2011; Marks and Hooge 2004; Ongaro et al. 2010). Multi-level governance studies assert that the characteristics of tribal governance support the spread of creativity and knowledge in the advancement of tribal governance developments, particularly in multi-level governance regimes (Nelles and Durand 2014). Explicitly international scholars annotate a plethora of ground-breaking legal challenges and exploits in case studies – as demonstrated in the legal action of Canada, the United States, Australia and New Zealand federal governments in direct competition with indigenous tribes (Alcantara and Nelles 2013). Case studies portray the consequences of futile intergovernmental state-tribe indecisiveness. Moreover, indecisiveness was a central motive in the failure of intergovernmental inaction in state-tribal disagreements (Papillon 2011; Nelles and Alcantara 2011). These divergences illustrate the farce which impacts upon state-tribal collaborations, particularly when faced with obligatory governance regimes. On the contrary, multi-level governance studies observe that enforced state-tribe interactions also demonstrate the capability of actors to revert to ideal types – conflict administration, arbitration and resolution of purpose are renowned characteristics and the outcomes of unstable and unbalanced leadership positions, which as Papillon (2011) explains, if left undetected can unsettle marginal boundaries. Correspondingly, the consequences of forced state-tribe interfaces are testament to reciprocal interactions that transpire in an assigned space (Marks and Hooge 2004). Conversely, European studies illustrate that substitute strategies counteract more dominant state-tribe behaviours. In the same way, as Papillon (2011) stresses, the close examination of state-tribe traits observes that primary personas imitate contradictory characteristics – scepticism, mistrust and the vulnerability of tribes. Fluctuating traits are an essential component of fluctuating path dependencies particularly those that seek to overcome institutional, political and cultural restraints. Moreover, as Papillon (2011: 293) argues ‘institutional layering’ can adapt behaviours and is a useful mechanism in which ‘actors position themselves within and in relation to the existing institutional framework’ to change planning tactics.

Moreover, state-tribal scholars elucidate that collaborative relationships evolve over time. Thus far, these studies chart the danger of overlooking vital facets – context, diversity and histories. These studies contend that a cautious approach in conjunction with reflexivity is a way forward. Similarly, the preservation of these aforementioned prerequisites is essential to gain trust in state-tribe interactions prior to evolving reciprocal solutions between – enterprise, state and local government. Broome and Christakis (1988) report ‘conflict’ is characteristic when tribal governance is deficient in community consensus. They caution the need to pay attention to cultural tribal governance concerns as ‘a lack of intentional efforts to build consensus; poor communication; differing perceptions in the distribution of power, resources, recognition . . . and inadequate institutions to deal with problems’ (Broome and Christakis 1988: 111).
Hitherto, Foucault (1991; see also Lindroth 2011) found characteristics of both power and resistance feature within indigenous communities in their struggle between tribal governance and the State. Latterly, the policy trend towards community self-governance and autonomy necessitates the expansion of local government sovereignty to collect local taxes. Similarly, this rapid shift devolved decision making responsibilities for economic development from the State to local enterprise partnerships, generating compliant local government within national State actor relationships. As mentioned above, public entrepreneurship can be traced back to transformations in local government and the dynamic bond between state and locality. Thus the idea appears increasingly fashionable in the social sciences. Notable studies exemplify a series of factors that influence this progressive trend.

- First, the drive towards public entrepreneurship is embedded in theories that reject the administrative nation state in favour of decentralised power through a denationalised, deregulated and self-governed state.
- Second, the legitimacy of the welfare state’s role and function exemplifies a shift from ‘government to governance’ (Harvey 1989; Rhodes 1996).
- Third, neoliberal governments exhibit the sporadic nature of ‘new public management’ policy reforms, leading to fragmented policies (Rhodes 1996).

Consistent throughout the public entrepreneurship discourse are attempts towards decentralised decision making powers, often anticipated through collective action, trust and mutuality in partnerships: all critical for self-governance. This is extensive in Perkmann’s (2007: 861) comparative study of cross-border governance in European city regions of EUREGIO (Germany/Netherlands), Viadrina (Poland/Germany) and Tyrol Euro (Austria/Italy). He found administrative and institutional aspects exist in multi-level governance structures and these relationships influence city regions’ absorptive capacity. Essentially, diversity is a fundamental characteristic of cross border institutional governance. As a result, diversity impacts on public entrepreneurship and the motivation for policy entrepreneurship. Correspondingly, as Nelles and Durand’s (2014: 104–105) study of the progressive city regions of Lille and Luxembourg show, de-bordering city regions can steer them towards the ‘intensification of functional interdependencies and the institutionalisation of informally defined cross-border metropolitan spaces’. Moreover, they reason that liberal cross border structures require time to foster territorial and political capabilities. At this juncture, more sustainable cities necessitate the ‘coordination of policies at multiple scales and across institutionally diverse territories’ (ibid.: 120). Furthermore, they concede that adaptations of new institutional forms and innovative political space may be interpreted as ‘political rescaling’ (ibid.).

In summary, the concept of public entrepreneurship presented so far in this chapter represents a multifaceted notion that is embedded in past historical representations that have emerged over time. These diverse influences, including academic disciplines and policy debates, illustrate the wide-ranging opinions and often conflicting archetypical views that emerge from studies of public entrepreneurship and its relationship with local government. Moreover, the diversity inherent in public entrepreneurship is evocative of a more holistic approach in which to view and understand broader interpretations of the idea. These interpretations offer investigative methodologies associated with our focus on more public modes of entrepreneurial governance (Harvey 1989). Moreover, the review of extant public entrepreneurship theories presented here offers a conceptual framework in which to depict the essential characteristics of more entrepreneurial forms of local government, enriching our understanding of public entrepreneurship.

We now consider the importance of place in the understanding of local entrepreneurship.
Local partnerships and place-making

Local governments throughout Europe, as elsewhere, are bounded by territory and defined by place: the leaders of our great cities and small municipalities alike are linked to the area they serve. On one level this is unremarkable: even if only for pragmatic reasons the scope of local administration must by definition be linked to locality. On another level however the nature of ‘place’ is both more important and more problematic. Place offers the opportunity to examine more closely the remit of local partnership and of local governance.

Hambleton and Sweeting (2014) consider the practice of local leadership in Europe, with a particular focus on directly elected mayors in urban areas. This includes the institutional design of local government, the ‘outward facing’ nature of leadership, the relationships between elected figures and paid officials, and the links between leaders and followers (Hambleton and Sweeting 2014: 316–317). This emphasis upon ‘place-based leadership’ (Hambleton 2015a, 2015b) raises the question of how partnerships and collaboration are to be managed – and by whom. The ‘outward facing’ nature of local urban leadership echoes the call for ‘open collaboration’ discussed above. Yet the focus of Hambleton and Sweeting upon executive mayors creates some problems, in particular the question of how far such individuals represent real ‘places’ (rather than artificial administrative areas) at all (Fenwick and Elcock 2016).

How then might we approach the links between place and local entrepreneurship? Hambleton (2015b) has examined the ‘new civic leadership’ in Germany and Australia and we may consider the extent to which such leadership characterises attempts at local entrepreneurship. This particularly involves consideration of local actors brought together to achieve economic development. To some degree elected executive mayors may succeed in doing this but experience is highly uneven in England (Elcock and Fenwick 2012) and in Germany (Wollmann 2014). The real issue is the extent to which (and how) place-based leadership may play a role in ‘releasing energies’ – especially the entrepreneurial energies with which we are concerned – even in the light of financial constraints (Hambleton and Howard 2013).

Releasing entrepreneurial dynamism has a direct link to modes of governance and this takes us back to the role of local government and its basis in indigenous communities. There is a time lag in this relationship. Modes of local governance in Europe were largely forged at a time of confident public spending. Local authorities served to distribute public funds and to raise funds locally and directly (albeit decreasingly so in the UK) but as austerity has become the normal climate for raising and spending money so the local link with entrepreneurship has become ever stronger.

International examples of public entrepreneurship in local government

Pike, Rodríguez-Pose and Tomaney (2017) have reviewed the international practice of local and regional development and the evolution of competing theoretical perspectives. From their discussion it is significant to point to the relevance of governance, whether through mayors or other institutional arrangements. ‘Well-functioning institutions enable human flourishing in cities and regions, but they can also facilitate regressive and unproductive forms of development’ (Pike et al. 2017: 52). This is important for it casts doubt on many of the debates about governance of the local area such as whether the mayoral system works or not. It depends. The local government level is crucial: Graute (2016) points out, for instance, that the UN Sustainable Development goals adopted in 2015 ‘cannot be achieved without being implemented at a local level’. But the manner of implementation can vary widely. The solution is to find local ways of
leading ‘economic development’ that fit the circumstances of the country and the locality. For the purpose of this chapter we adopt Feldman et al.’s definition of economic development:

the expansion of capacities that contribute to the advancement of society through the realization of individuals’, firms’ and communities’ potential.

(Feldman et al. 2016: 8)

Likewise:

Economic development is a sustained increase in prosperity and quality of life realized through innovation, lowered transaction costs, and the utilizations of capabilities towards the responsible production and diffusion of goods and services. Economic development requires effective institutions grounded in norms of openness, tolerance for risk, appreciation for diversity, and confidence in the realisation of mutual gain for the public and the private sector. Economic development is essential to creating the conditions for economic growth and ensuring our economic future.

(Feldman et al. 2016: 10)

Furthermore, they argue that economic development ‘occurs when individual agents have the opportunity to develop the capacities that allow them to actively engage and contribute to the economy’ (ibid.: 7).

Lee (2016) refers to local authorities with similar objective characteristics being likely to work together in economic development, and she perhaps significantly suggests that this tends to happen in closed network relationships – in contrast to the open collaboration we refer to above.

Unlike closed network relationships, open collaboration is characteristic of collective and networked community governance and, as local government studies illustrate, is more useful in the development of cross boundary independencies particularity those embedded in intergovernmental and inter-institutional practices in network relationships (Stoker 2005). For example, in a Canadian context, Johns et al.’s (2006) collaborative study of federal provincial territorial structures articulates how unforeseen intergovernmental interactions in policy innovations enhanced technical committee relations. By contrast, the OECD discourse on entrepreneurship networks distinguishes between horizontal and vertical interdependencies (Rodrigo et al. 2009). Here, Casson (1982: 119) states, vertical networks connect physical networks and service societies. In contrast, community horizontal networks bond individuals through dispersed knowledge. In turn, horizontal networks can usefully influence economic development. Of practical importance in open collaboration network relationships is the facility to take on social processes within spatial parameters (Johnston et al. 2010). Similarly, Johnston and Blenkinsopp’s (2017) empirical study on hybrid local enterprise partnerships report the haphazard and unstructured nature of collective voices in governance regimes as a feature of public entrepreneurship. In local government, economic development policies are also confronted by the fragmented governance in states undergoing stark financial severity. These case studies illustrate the collapse of global fragmented governance in liberal regimes and the complex challenges and causalities in states as dissimilar as Ireland, Greece and Spain (Dellepiane-Avellaneda and Hardiman 2015). For example, Ó Riain (2014) sequences the fragmented governance catastrophe of the Irish boom-and-bust ‘Celtic Tiger’ initiative.

Swyngedouw et al. (2002: 561) demonstrated that entering local governments’ contribution to public/private partnerships may have served to implement neoliberal socio-economic
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development policies and redefined and proliferated local government entrepreneurial roles toward ‘steering’ economic development. In turn, emergent forms of enterprising government began to inspire ‘pluralistic governance’ (ibid.: 561) and regulatory governance innovations began to boost economic activity and partnership at multiple levels of government. For example, in the UK, public entrepreneurship flagship studies are exemplified by the Urban Development Community (UDCs) projects of the 1970s and 1980s (Castells 1977; Lawless 1981; Loney 1983) and the UDCs that subsequently emerged in the 1990s (Imrie and Thomas 1999). The innovative potential of public entrepreneurship experiments was consistent with decentralised urban development policies that continue to impact on the enterprise activity of local governments. In particular, auxiliary trials were deemed to be a failure (Loney 1983) due to the constraints of macro level political structures (Catney and Henneberry 2016), and the challenge of social-economic disparities (Crowley et al. 2012) left their mark on what were seen at that time to be entrepreneurial local governments.

Governance and its problems

Considering these transitions, Swyngedouw (2006) draws on Greek tradition to depict the ‘Janus face of governance beyond the state’. These relationships illustrate the inherent complexities in the effect of horizontal and vertical social interactions between UDCs and urban renewal policy. Earlier, in a 1997 comparative study of Urban Restructuring and Social Polarization in European Cities (URSPIC), Swyngedouw et al. (2002: 547) drew on the findings of thirteen European cities to express these dichotomies (see also Moulaert et al. 2003). The study states that six European cities – Berlin, Bilbao, Brussels, Dublin, Naples and Vienna – sponsored public entrepreneurship strategies through the ‘indirect promotion of entrepreneurship’ (Swyngedouw et al., 2002: 547). Fundamentally the findings show competitive strategies that resist entrepreneurial distinctiveness inform a process of so called ‘selective deregulation, stripping away red tape, and investment ‘partnerships’” (ibid.: 552). According to the OECD, good practice public governance models show ‘the shared goal should be the reduction of costs for citizens and businesses and the improvement of service delivery in an efficient way and without additional burden on bureaucracy’ (Rodrigo et al. 2009: 10).

Significantly, Swyngedouw’s et al. (2002: 547) portrayal of large-scale urban development projects and new forms of entrepreneurial governance in urban policy exemplify how uncertainty and local government prototypes remain misunderstood. Congruent in these studies is the view that competitive European capital cities can reimagine and reconstruct urban space and place-making through outside competition for economic development impact (ibid.). On one hand, the findings validate the need to raise political and cultural aspects in place-making. And on the other, the limitations of flagship urban development corporations (UDPs) to wield decision-making power and influence in local economic development policies to generate innovation in local communities are evident. Further, the study argues that mainstream UDP growth plans simply fragmented territorial governance. Moreover, against this backdrop, the ‘functional and physical separation’ of authorities create ‘limited’, ‘ambiguous’ and ‘negative’ local impacts (ibid.: 567–568).

The ideas and debates behind ‘reinventing government’ have been replaced by ‘enterprising governments’ (Osborne 1993). As mentioned earlier, Rhodes (1996) depicts the comprehensive paradigm of local government in transformation as a shift from government to governance. International exemplars of effective representative democracy illustrate examples of bottom-up enterprising governance in major cities of Brazil, Mexico, United States and India. These case studies draw on Ackerman’s (2004) accounts of ‘co-governance’ for democracy undertaken
through: ‘participatory budgeting’ in Porto Alegre, Brazil; ‘accountability’ in Mexico; ‘beat teams’ in the Chicago Police reform; and grass roots ‘anti-corruption’ in India. Ackerman’s (2004: 452) message is clear for institutional activists: ‘governments need to take civil society into account in the design of the participative mechanisms’.

Here citizens influence local government policy making from the outside (Ackerman 2004). As suggested above, local governments with innovative capability to transmute public services can also mobilise risk-taking – a local government powerhouse – of what Rhodes (1996) argues to be ‘self-organising’ and ‘inter-organisational networks’. Wider appraisals of enterprising local government show that ‘public value’, performance and impact are embedded in ‘regional innovation systems’ (Asheim and Isaksen 1997; Cooke and Morgan 1998; Morgan 2016), and resilient local governments as Rodriguez-Pose and Di Cataldo (2015) found in their study of the Basque Country. Yet for local government to succeed, as Travers (2012: 23) spells out, ‘blockages’ must be removed, alongside the negotiation of a ‘new settlement’ (Travers 2015).

Similarly, an increase in innovative performance management studies demonstrates the effects of path-dependent local government economic policies and the power dynamics required to prove local government capabilities in transformations of regional competitiveness (Valdaliso et al. 2014). For example, Vecchi et al. (2014) from an Italian context, demonstrate management enactment in policy activities is vital to focus collaborative effort and can affect enterprise competitiveness in economic development. Similarly, Uyarra (2008) simplified how the process of path-dependency in evolutionary local government economic policies can stimulate smart specialisation. In contrast, beneficiaries of ‘collaborative entrepreneurship’ have considered the effects of give-and-take two-way collaboration and innovation in economic development policies in regional collaborative learning (Morgan 2016). In Morgan’s study of the Basque Country, he reflects on the collaborative entrepreneurship consequences in regional innovation systems (ibid.: 1544).

Moreover, he posits that past economic development capabilities can inform future prospective policy intricacies. His study exemplifies the perplexing nature of economic growth dependence and its impact on indigenous communities. The study confirms that innovation exemplars must be ‘adaptive and dynamic enough to meet the challenges of the future’. He contends that ‘the Basque Government can fairly claim to have played a major role in introducing new initiatives – with respect to new sectors like biotech and nano-tech; new innovation and talent-related agencies’ (Morgan 2016: 1544). He notes ‘the criticism levelled at the Basque Government is not that it failed to introduce change/novelty, but that its policy initiatives have been compromised by a disjuncture between supply and demand in the policy design process because demand side measures have received much less prominence than supply-side measures’ (ibid.: 1555). Moreover, he reasons the sharpness of gravitational pull is universal and intrinsic in ‘the age of austerity and the challenge of smart specialisation’ (ibid.: 1548). As the proliferation of universal competition intensifies, pioneering sovereign local governments pursue smarter methods and economic optimism to drive so-called ‘smart cities’ that can pool resources in the direction of interconnected ‘city deals’ (DBIS 2013). Smart cities, representative of innovation and technological growth, envisage development policies through city connectivity and competitiveness such as in Amsterdam and Norway and operate in a global network of European 2020 flagship cities – Germany, Denmark and Sweden.

A final point to be made about entrepreneurship relates directly to the kind of entrepreneurship we mean, its motivation and its rationale. As noted earlier in this chapter, although entrepreneurship is essentially risk-taking, it may be co-operative in nature, emphasising mutuality rather than voracious profit-making. In the USA, the Cleveland Model of local economic
development has the three elements of local procurement, a co-operative investment fund, and an emphasis upon local employment, comprising an approach in Cleveland which is ‘rebuilding their city’s economy from the ground up, embedding new forms of ownership that redistribute power and wealth’ (Scott and Fortune 2016: 20). Entrepreneurship in the local public sector does not have to be red in tooth and claw. It can be informed by values of cooperation and trust, exemplified in the UK by the work of cooperative councils as a firmly established part of local government.

**Conclusion: the challenges to public entrepreneurship theory?**

This chapter has explored the challenges faced by local government in initiating and supporting local economic development, together with some of the barriers to the growth of public entrepreneurship. It has been suggested that public entrepreneurship has become ever more important in an era of austerity but, simultaneously, has become ever harder to achieve. The link between entrepreneurship and innovation remains centrally important in local economic development, but there remain considerable challenges to achieving effective innovation and ‘unlocking’ public entrepreneurship (Ostrom 2005). A matrix consisting of local area and territory, a sense of place, community and tribal governance provides potential solutions to the persistent problems of entrepreneurship and innovation.

Our discussion has been based on published sources, informed by original primary research into patterns of economic development in the UK and Europe. The scope for further empirical work to explore the emergent findings is clear, particularly in mapping the rapidly changing role of local government in relation to economic development. The overall theoretical approach adopted in this chapter develops a framework for understanding public entrepreneurship in an attempt to understand our research question – Is local government necessary to deliver economic development? The public entrepreneurship framework proposed here represents both the prospect and a threat for what happens to local government in developing a path for economic development. In the transformation of local government, Cochrane (2016) points towards the shifting paradigm in rethinking the ‘local’ in local government as it functions under a climate ‘of localism, austerity and dreams of urban entrepreneurialism’. Similarly, Travers (2012, 2015) advises of the need to remove substantial cultural barriers for local government in economic development. Overall public entrepreneurship sets out the value for local government involvement in economic development and the ‘promise’ of innovation in collaborative and cooperative coalitions. Yet, cooperation in economic development may create new societal conflict and new ideologies of winners and losers.

In terms of place-making and effective local entrepreneurship, significant issues remain. The need to understand indigenous communities and the extent to which local places seek self-governance may impede opportunity, particularly in the UK where central government continues to redefine local ‘place’, first by abolishing the established regions and currently by establishing larger geographical ‘combined authorities’ which are curiously deemed to be part of a devolution agenda. There is complexity surrounding mutual relationships at local level, generating contradictory understandings of innovation and where it may lie. This is especially important where reciprocal interactions between industry leaders fail to appreciate public values, accountability structures, and regulation, and are impatient with public sector bureaucratic processes (Johnston and Blenkinsopp 2017). It may be that solutions lie in cooperative and mutual examples of good practice, in understandings of local need, and in a resolute shift of authority from national to local government. Yet reality is unlikely to prove so simple.
Note

1 Feldman et al. (2016) distinguish between the twin concepts of economic development and economic growth.

References

Public entrepreneurship


